



*Fuller & LaFiura*  
*Certified Public Accountants*

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WORKERS' COMPENSATION BOARD  
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SELF INSURANCE OFFICE

OHI WORKERS' COMPENSATION TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 1998

OHI WORKERS' COMPENSATION TRUST

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# Fuller & LaFiura

*Certified Public Accountants, P.C.*

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*Richard W. Fuller, CPA*

*Joseph P. LaFiura, CPA*

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Board of Directors  
OHI Workers' Compensation Trust  
Queensbury, NY 12804

We have audited the accompanying statement of financial position of OHI Workers' Compensation Trust as of December 31, 1998 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OHI Workers' Compensation Trust as of December 31, 1998 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Fuller & LaFiura*  
*Certified Public Accountants*

Glens Falls, New York  
April 20, 1999

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*Members of New York State Society of Certified Public Accountants  
and American Institute of Certified Public Accountants*

OHI WORKERS' COMPENSATION TRUST  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 1998

- A S S E T S -

CURRENT ASSETS

Cash	153,360
Accounts Receivable	12,710
Prepaid Expense	<u>11,893</u>
Total Current Assets	<u>177,963</u>

TOTAL ASSETS 177,963

- LIABILITIES AND MEMBERS' EQUITY -

CURRENT LIABILITIES

Unearned Contributions	48,008
Accrued Expense	750
Accrued Income Taxes	2,508
Accrued Workers' Comp Board Assessments	1,667
Case Reserves	45,704
Non-Case Reserves (IBNR)	29,545
Accrued Interest on Members' Security	<u>918</u>
Total Current Liabilities	<u>129,100</u>

MEMBERS' EQUITY

Members' Capital	30,953
Net Assets	<u>17,910</u>
Total Members' Equity	<u>48,863</u>

TOTAL LIABILITIES AND  
MEMBERS' EQUITY 177,963

See Accountants' Report and Notes to Financial Statements.

OHI WORKERS' COMPENSATION TRUST  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 1998

SUPPORT AND REVENUE	
Member Contributions	224,158
Interest Income	4,308
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Total Support and Revenue	228,466
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GENERAL AND ADMINISTRATIVE EXPENSES	
Accounting	3,000
Bank Charges	45
Management Fee	47,124
Commissions	6,529
Directors & Officers Insurance	3,440
Excess Insurance	28,556
Interest Expense	2,177
OHI Fee	4,345
Start-Up Expenses	21,696
Surety Bond Expense	7,505
Supplies and Postage	89
Workers' Comp Board Assessments	2,295
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Total General and Administrative Expenses	126,801
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CLAIMS EXPENSES	
Paid Losses and Loss Adjustment Expense	2,968
Case Reserves	45,704
Non-Case Reserves (IBNR)	29,545
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Total Claims Expenses	78,217
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DISTRIBUTIONS AND OTHER EXPENSES	
Hold Harmless Credits	3,053
Income Tax Expense	2,508
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Total Distributions and Other Expenses	5,561
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Total Expenses	210,579
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Excess of Support and Revenue Over Expenses	17,887
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Net Assets, Beginning of Year	23
	<hr/>
Net Assets, End of Year	17,910
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See Accountants' Report and Notes to Financial Statements.

OHI WORKERS' COMPENSATION TRUST

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1998

Cash Flows from Operating Activities:	
Change in Net Assets	17,887
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	(12,700)
(Increase) Decrease in Prepaid Expenses	1,924
Increase (Decrease) in Unearned Contributions	(64,787)
Increase (Decrease) in Accrued Expenses	750
Increase (Decrease) in Accrued Income Taxes	2,508
Increase (Decrease) in Workers Compensation Board Assessments	1,667
Increase (Decrease) in Case Reserves	45,704
Increase (Decrease) in Non-Case Reserves (IBNR)	29,545
Increase (Decrease) in Accrued Interest on Member Security	918
	<hr/>
Net Cash Provided by Operating Activities	23,416
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Cash Flows from Financing Activities:	
Proceeds from Members' Capital Contributions	17,638
	<hr/>
Net Cash Provided by Financing Activities	17,638
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	41,054
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Cash and Cash Equivalents, Beginning of Year	112,306
	<hr/>
Cash and Cash Equivalents, End of Year	153,360
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See Accountants' Report and Notes to Financial Statements.

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

OHI Workers' Compensation Trust was established in January 1998 to provide members of the Oil Heat Institute (OHI) of Eastern New York, a trade association representing the interests of the heating and petroleum industry employees in the State of New York, with workers compensation insurance. Member companies sell either oil, propane or other petroleum products in homes and commercial establishments. Typically members also service furnaces, install and repair systems and often have other businesses such as convenience stores and gas stations.

Members joining the Trust must remain members for a minimum of one year and may withdraw from the Trust after that time by giving one hundred twenty (120) days notice. The Trust underwriting and ratesetting policies have been established after consultation with actuaries. Members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Trust were to be exhausted, members would be responsible for the Trust's liabilities. The Trust currently provides workers compensation coverage to twenty (20) members of OHI.

Members contribute to the Trust based upon the loss experience of the Trust, operating expenses, excess insurance and reinsurance costs and exposure of each member. Such contributions are used to pay all administrative expenses, insurance costs, claims and claim costs.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Support and revenue is recognized when earned and expenses are recognized when incurred.

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

E. Concentrations

Financial instruments that subject the Trust to credit risk include cash balances at banks which exceeded the related federal deposit insurance by \$53,360.

2. RE-INSURANCE/CONTINGENT LIABILITY

The Trust uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of December 31, 1998 for reinsurance was \$0.

The Trust has two types of reinsurance: specific and aggregate. Specific reinsurance protects the Fund in the event of an unusually large claim. Currently, any occurrence resulting in losses greater than \$250,000 are reinsured over \$250,000 up to policy limits (statutory Coverage A, statutory Coverage B).

Aggregate reinsurance protects the Trust in the event of an unusually large number of claims. Currently all losses (on occurrences of \$250,000 or less) in excess of the aggregate retention are reinsured up to the aggregate coverage limit of \$1,000,000. The aggregate retention is calculated based on one hundred four percent (104%) of the group's manual premium.

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

3. INCOME TAXES

The Trust is an unincorporated association considered to be exempt from Federal income tax under IRC 501(c)(15) which exempts insurance companies under \$350,000 of premiums from Federal income tax. The Trust is taxable as a corporation for New York State tax purposes.

Income tax expense is as follows:

New York State Income Tax	<u>2,508</u>
Total	<u>2,508</u>