



Fuller & LaFiura
Certified Public Accountants

OHI WORKERS' COMPENSATION TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2000

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WORKERS' COMPENSATION BOARD

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SELF INSURANCE OFFICE

OHI WORKERS' COMPENSATION TRUST

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Fuller & LaFiura

Certified Public Accountants, P.C.

Richard W. Fuller, CPA

Joseph P. LaFiura, CPA

INDEPENDENT AUDITORS REPORT

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, 2000 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, 2000 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, P.C.

Glens Falls, New York
May 1, 2001

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OHI WORKERS' COMPENSATION TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2000

- A S S E T S -

CURRENT ASSETS

Cash General Operating	94,246
Accounts Receivable	30,102
Prepaid Expense	<u>17,140</u>
 Total Current Assets	 <u>141,488</u>

INVESTMENTS

Cash and Cash Equivalents	6,351
Certificates of Deposit	95,859
Interest Receivable	973
Bonds	45,009
Mutual Funds	<u>21,831</u>
 Total Investments	 <u>170,023</u>

TOTAL ASSETS

311,511

- LIABILITIES AND MEMBERS' EQUITY -

CURRENT LIABILITIES

Unearned Contributions	50,111
Accrued Expense	4,955
Accrued Income Taxes	105
Accrued Workers' Comp Board Assessments	1,859
Case Reserves	35,711
Non-Case Reserves (IBNR)	125,748
Accrued Interest on Members' Security	<u>3,754</u>
 Total Current Liabilities	 <u>222,243</u>

MEMBERS' EQUITY

Members' Capital	41,420
Net Assets	<u>47,848</u>
 Total Members' Equity	 <u>89,268</u>

TOTAL LIABILITIES AND
MEMBERS' EQUITY

311,511

See Accountants' Report and Notes to Financial Statements

OHI WORKERS' COMPENSATION TRUST
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2000

SUPPORT AND REVENUE	
Member Contributions Fund Year 2000	266,944
Adjustment Prior Year Member Contributions	<u>(4,011)</u>
Net Member Contributions	262,933
Interest Income	5,976
Gain on Investments	<u>2,701</u>
 Total Support and Revenue	 <u>271,610</u>
 GENERAL AND ADMINISTRATIVE EXPENSES	
 Total General and Administrative Expenses	 <u>153,545</u>
 CLAIMS EXPENSES	
Paid Losses and Loss Adjustment Expense	89,941
Case Reserves	(70,099)
Non-Case Reserves (IBNR)	<u>83,873</u>
 Total Claims Expenses	 <u>103,715</u>
 Income Tax Expense	 <u>1,381</u>
 Total Distributions and Other Expenses	 <u>1,381</u>
 Total Expenses	 <u>258,641</u>
 Excess of Support and Revenue Over Expenses	 12,969
 Net Assets, Beginning of Year	 <u>34,879</u>
 Net Assets, End of Year	 <u><u>47,848</u></u>

See Accountants' Report and Notes to Financial Statements

OHI WORKERS' COMPENSATION TRUST
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2000

Cash Flows from Operating Activities:	
Change in Net Assets	12,969
Adjustments to Reconcile Changes in Net Assets to Net	
Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	(11,457)
(Increase) Decrease in Interest Receivable	(973)
(Increase) Decrease in Prepaid Expenses	1,265
Increase (Decrease) in Unearned Contributions	3,187
Increase (Decrease) in Accrued Expenses	482
Increase (Decrease) in Accrued Income Taxes	(601)
Increase (Decrease) in Workers Compensation Board Assessments	572
Increase (Decrease) in Case Reserves	(26,131)
Increase (Decrease) in Non-Case Reserves (IBNR)	39,905
Increase (Decrease) in Accrued Interest on Member Security	<u>1,429</u>
 Net Cash Provided by Operating Activities	 <u>20,647</u>
Cash Flows from Financing Activities:	
Proceeds from Members' Capital Contributions	7,463
Repayment of Members' Capital Contributions	<u>(5,374)</u>
 Net Cash Provided by Financing Activities	 <u>2,089</u>
Cash Flows from Investing Activities:	
Purchase of Investments	(61,910)
Gain on Investments	<u>(2,701)</u>
 Net Cash Provided by Investing Activities	 <u>(64,611)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 <u>(41,875)</u>
 Cash and Cash Equivalents, Beginning of Year	 <u>142,472</u>
 Cash and Cash Equivalents, End of Year	 <u><u>100,597</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Payments for: Interest	<u>455</u>
Income Taxes	<u>1,982</u>

See Accountants' Report and Notes to Financial Statements

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

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 oil, propane or other petroleum products in homes and commercial establishments and/or are involved in the distribution and handling of petroleum products. Typically members also service furnaces, install and repair systems, may be in HVAC installation, the distribution and handling of petroleum products, 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 rate setting 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 thirty-five (35) 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, 2000

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 one month 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 \$66,411.

F. Accounts Receivable

Uncollectable accounts receivable are written off to bad debt expense using the direct write off method. This method is not materially different from generally accepted accounting principles. Management considers all receivables collectable as of the date of this report.

G. Investments

Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

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, 2000 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 \$200,000 are reinsured over \$200,000 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 \$200,000 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.

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>\$ 1,381</u>
Total	<u>\$ 1,381</u>

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

4. INVESTMENTS

Investments are stated at fair value and are summarized as follows as of December 31, 2000:

	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 6,351	\$ 6,351
Certificates of Deposit	95,859	95,859
Interest Receivable	973	973
Bonds	45,000	45,009
Mutual Funds	<u>24,257</u>	<u>21,831</u>
Total	<u>\$ 172,440</u>	<u>\$ 170,023</u>

OHI WORKERS' COMPENSATION TRUST
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2000

GENERAL AND ADMINISTRATIVE EXPENSES

Actuarial Fees	8,000
Accounting	3,000
Audit Fees	5,000
Bank Charges	12
Management Fee	63,000
Commissions	18,686
Directors & Officers Insurance	3,855
Excess Insurance	28,532
Experience Mod Service	1,500
GSIANY	1,000
Interest Expense	1,884
Legal Expense	45
Member and Director Meetings	114
OHI Fee	5,339
Payroll Audit Fee	1,560
Project Expense	100
Start-Up Expenses	500
Surety Bond Expense	7,505
Supplies and Postage	356
Workers' Compensation Board Assessments	<u>3,557</u>
 Total General and Administrative Expenses	 <u>153,545</u>