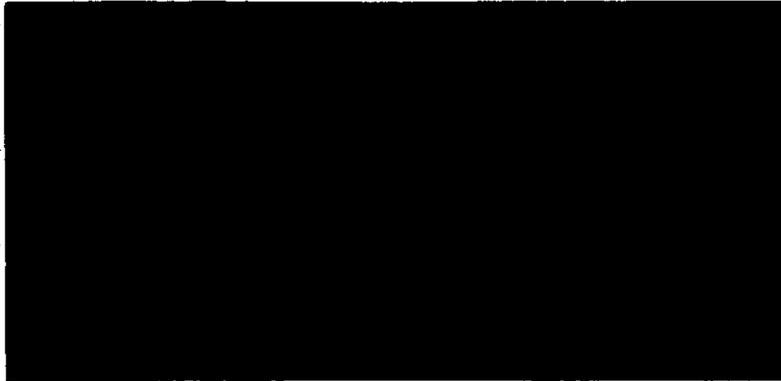


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Fuller & LaFiura

Certified Public Accountants, P.C.

OHI WORKERS' COMPENSATION TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2001

OHI WORKERS' COMPENSATION TRUST

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DECEMBER 31, 2001

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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, 2001 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 auditing standards generally accepted in the United States of America. 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, 2001 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fuller & LaFiura
Certified Public Accountants, P.C.

Glens Falls, New York
April 20, 2002

Page 1

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OHI WORKERS' COMPENSATION TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2001

- A S S E T S -

CURRENT ASSETS

Cash General Operating	281,632
Accounts Receivable Payroll Audits	47,433
Prepaid Expense	<u>10,105</u>
Total Current Assets	<u>339,170</u>

INVESTMENTS

Cash and Cash Equivalents	25,097
Certificates of Deposit	98,009
Bonds	69,647
Mutual Funds	<u>49,498</u>
Total Investments	<u>242,251</u>

TOTAL ASSETS

581,421

- LIABILITIES AND MEMBERS' EQUITY -

CURRENT LIABILITIES

Refunds Due from Payroll Audits	24,629
Unearned Contributions	145,065
Accrued Expense	12,334
Accrued Income Taxes	7,565
Accrued Workers' Comp Board Assessments	19,325
Case Reserves	63,530
Non-Case Reserves (IBNR)	110,222
Accrued Interest on Members' Security	<u>5,265</u>
Total Current Liabilities	<u>387,935</u>

MEMBERS' EQUITY

Members' Capital	40,625
Net Assets	<u>152,861</u>
Total Members' Equity	<u>193,486</u>

TOTAL LIABILITIES AND
MEMBERS' EQUITY

581,421

See Notes to Financial Statements

OHI WORKERS' COMPENSATION TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2001

SUPPORT AND REVENUE	
Member Contributions Fund Year 2001	442,419
Adjustment Prior Year Member Contributions	<u>(2,543)</u>
Net Member Contributions	439,876
Interest and Dividend Income	11,034
Loss on Investments	<u>(4,060)</u>
 Total Support and Revenue	 <u>446,850</u>
 GENERAL AND ADMINISTRATIVE EXPENSES	
 Total General and Administrative Expenses	 <u>240,629</u>
 CLAIMS EXPENSES	
Paid Losses and Loss Adjustment Expense	77,051
Case Reserves	(5,957)
Non-Case Reserves (IBNR)	<u>18,249</u>
 Total Claims Expenses	 <u>89,343</u>
 DISTRIBUTIONS AND OTHER EXPENSES	
Hold Harmless Credits	1,418
Income Tax Expense	<u>10,447</u>
 Total Distributions and Other Expenses	 <u>11,865</u>
 Total Expenses	 <u>341,837</u>
 Excess of Support and Revenue Over Expenses	 105,013
 Net Assets, Beginning of Year	 <u>47,848</u>
 Net Assets, End of Year	 <u>152,861</u>

See Notes to Financial Statements

OHI WORKERS' COMPENSATION TRUST
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001

Cash Flows from Operating Activities:		
Change in Net Assets		105,013
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(17,331)	
(Increase) Decrease in Interest Receivable	973	
(Increase) Decrease in Prepaid Expenses	7,035	
Increase (Decrease) in Refunds Due from Payroll Audits	18,332	
Increase (Decrease) in Unearned Contributions	101,251	
Increase (Decrease) in Accrued Expenses	7,379	
Increase (Decrease) in Accrued Income Taxes	7,460	
Increase (Decrease) in Workers Compensation Board Assessments	17,466	
Increase (Decrease) in Case Reserves	27,819	
Increase (Decrease) in Non-Case Reserves (IBNR)	(15,526)	
Increase (Decrease) in Accrued Interest on Member Security	1,511	
		<u>261,382</u>
Net Cash Provided by Operating Activities		
Cash Flows from Financing Activities:		
Proceeds from Members' Capital Contributions	1,329	
Repayment of Members' Capital Contributions	(2,124)	
		<u>(795)</u>
Net Cash Provided by Financing Activities		
Cash Flows from Investing Activities:		
Purchase of Investments	(58,515)	
Loss on Investments	4,060	
		<u>(54,455)</u>
Net Cash Provided by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents		206,132
Cash and Cash Equivalents, Beginning of Year		<u>100,597</u>
Cash and Cash Equivalents, End of Year		<u><u>306,729</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for:	Interest	<u>347</u>
	Income Taxes	<u><u>2,987</u></u>

See Notes to Financial Statements

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

OHI Workers' Compensation Trust was established in January 1998 to provide members 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 fifty-five (55) members.

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, 2001

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 \$252,032.

F. Accounts Receivable Payroll Audits

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, 2001

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, 2001 for reinsurance was \$0.

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, \$2,000,000 Coverage B).

3. INCOME TAXES

The Trust is an unincorporated association. Prior to 2001, the Trust was exempt from Federal Income Tax under IRC Section 501 (c) (15) which exempts insurance companies under \$350,000 of premiums from Federal Income Tax. Effective in 2001, the trust has elected to be taxed under IRC Section 831. Under the section the Trust is subject to tax at the regular corporate rate on its taxable investment income. The Trust will remain taxable under this code section as long as the annual premiums range between \$350,000 to \$1,200,000.

The Trust is taxable as a corporation for New York State tax purposes.

Income tax expense is as follows:

Federal Income Tax	\$ 1,655
New York State Income	<u>8,792</u>
Total	<u>\$ 10,447</u>

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

4. INVESTMENTS

Investments are stated at fair value and are summarized as follows as of December 31, 2001:

	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 25,097	\$ 25,097
Certificates of Deposit	98,009	98,009
Bonds	70,227	69,647
Mutual Funds	<u>55,257</u>	<u>49,498</u>
Total	<u>\$ 248,590</u>	<u>\$ 242,251</u>

5. PLEDGES

The Trust maintains an irrevocable letter of credit with Glens Falls National Bank in the amount of \$94,000 in favor of Utica Mutual Insurance Company as collateral for the issuance by Utica Mutual Insurance Company of a surety bond to the New York State Workers' Compensation Board as required by regulation. The letter of credit is secured by \$47,000 of certificate of deposit funds.

OHI WORKERS' COMPENSATION TRUST
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2001

GENERAL AND ADMINISTRATIVE EXPENSES

Actuarial Fees	8,000
Accounting	3,000
Audit Fees	5,000
Bank Charges	45
Management Fee	101,756
Commissions	30,969
Directors & Officers Insurance	3,800
Excess Insurance	39,301
Experience Mod Service	1,000
GSIANY	1,000
Interest Expense	1,859
Investment Management Expense	827
Legal Expense	2,622
Association Fees	6,226
Payroll Audit Fee	1,800
Project Expense	465
Surety Bond Expense	7,505
Supplies and Postage	964
Workers' Compensation Board Assessments	<u>24,490</u>
Total General and Administrative Expenses	<u>240,629</u>

See Notes to Financial Statements