



EMPLOYER  
WORKERS COMPENSATION  
APR 30 2000  
SELF INSURANCE OFFICE

*Fuller & LaFiura*  
*Certified Public Accountants P.C.*

OHI WORKERS' COMPENSATION TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

**RECEIVED**  
WORKERS' COMPENSATION

APR 30 2008

SELF INSURANCE OFFICE

OHI WORKERS' COMPENSATION TRUST

TABLE OF CONTENTS

DECEMBER 31, 2007 and 2006

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10
Schedules of General and Administrative Expenses	11

# 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 statements of financial position of OHI Workers' Compensation Trust as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years 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, 2007 and 2006 and the changes in its net assets and its cash flows for the years 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 25, 2008

Page 1

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OHI WORKERS' COMPENSATION TRUST  
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31	
	2007	2006
<b>- A S S E T S -</b>		
<b>CURRENT ASSETS</b>		
Cash - General Operating	1,030,138	606,298
Cash - Short Term CD's	209,570	200,362
Accounts Receivable - Payroll Audits	294,892	153,340
Miscellaneous Receivables	3,314	0
Prepaid Expense	0	1,347
Income Taxes Receivable	1,459	7,316
Deferred Tax Assets	99,341	110,000
	<u>1,638,714</u>	<u>1,078,663</u>
<b>INVESTMENTS</b>		
Cash and Cash Equivalents	85,780	92,298
Certificates of Deposit	451,757	311,294
Government Bonds	188,510	217,201
Corporate Bonds	20,190	35,212
Mutual Funds	376,481	245,081
	<u>1,122,718</u>	<u>901,086</u>
<b>TOTAL ASSETS</b>	<u>2,761,432</u>	<u>1,979,749</u>
<b>- LIABILITIES AND MEMBERS' EQUITY -</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	42,111	58
Refunds Due from Payroll Audits	86,309	93,366
Unearned Premium	339,581	0
Accrued Expense	1,250	1,250
Accrued Workers' Comp Board Assessments	224,578	523,511
Case Reserves	1,494,525	372,210
Non-Case Reserves (IBNR)	818,580	1,270,735
	<u>3,006,934</u>	<u>2,261,130</u>
<b>MEMBERS' EQUITY</b>		
Net Assets (Deficit)	<u>(245,502)</u>	<u>(281,381)</u>
<b>Total Members' (Deficit)/Equity</b>	<u>(245,502)</u>	<u>(281,381)</u>
<b>TOTAL LIABILITIES AND MEMBERS' (DEFICIT)/EQUITY</b>	<u>2,761,432</u>	<u>1,979,749</u>

OHI WORKERS' COMPENSATION TRUST  
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31

2007

2006

SUPPORT AND REVENUE

Member Contributions Fund Year 2007 and 2006  
Adjustment for Prior Year Member Contributions

2,220,079  
0

1,825,957  
0

Net Member Contributions  
Interest and Dividend Income  
Gain(Loss) on Investments

2,220,079  
84,050  
4,995  
          

1,825,957  
52,442  
27,442  
          

Total Support and Revenue

2,309,124

1,905,841

GENERAL AND ADMINISTRATIVE EXPENSES

Total General and Administrative Expenses

796,085

1,255,536

CLAIMS EXPENSES

Paid Losses and Loss Adjustment Expense  
Case Reserves  
Non-Case Reserves (IBNR)

796,440  
(189,578)  
859,739  
          

461,094  
(205,873)  
1,091,692  
          

Net Claims Expenses

1,466,601

1,346,913

DISTRIBUTIONS AND OTHER EXPENSES

Income Tax Expense

10,559

(107,531)

Total Distributions and Other Expenses

10,559

(107,531)

Total Expenses

2,273,245

2,494,918

Excess (Deficit) of Support and Revenue  
Over Expenses

35,879

(589,077)

Net Assets, Beginning of Year

(281,381)

307,696

Net (Deficit) Assets , End of Year

(245,502)

(281,381)

OHI WORKERS' COMPENSATION TRUST  
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2007	2006
Cash Flows from Operating Activities:		
Changes in Net Assets	35,879	(589,077)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable - Payroll Audits	(141,552)	5,961
(Increase) Decrease in Miscellaneous Receivables	(3,314)	0
(Increase) Decrease in Prepaid Expenses	1,347	2,753
(Increase) Decrease in Income Taxes Receivable	5,857	(3,099)
(Increase) Decrease in Deferred Tax Asset	10,659	(107,832)
Increase (Decrease) in Accounts Payable	42,053	(9,403)
Increase (Decrease) in Refunds Due from Payroll Audits	(7,057)	12,689
Increase (Decrease) in Unearned Contributions	339,581	0
Increase (Decrease) in Accrued Expenses	0	0
Increase (Decrease) in Accrued Income Taxes	0	0
Increase (Decrease) in Workers' Comp Board Assessments	(298,933)	326,010
Increase (Decrease) in Case Reserves	1,122,315	4,204
Increase (Decrease) in Non-Case Reserves (IBNR)	(452,155)	881,615
Increase (Decrease) in Accrued Interest on Member Security	0	0
Net Cash Provided by Operating Activities	654,680	523,821
Cash Flows from Investing Activities:		
(Gain)Loss on Investments	(4,995)	(27,442)
Purchase of Investments	(366,555)	(294,629)
Proceeds from Sale of Investments	143,400	72,457
Net Cash Provided by Investing Activities	(228,150)	(249,614)
Net Increase (Decrease) in Cash and Cash Equivalents	426,530	274,207
Cash and Cash Equivalents, Beginning of Year	898,958	624,751
Cash and Cash Equivalents, End of Year	1,325,488	898,958
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for: Interest	0	0
Income Taxes	11,000	9,500

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

OHI Workers' Compensation Trust commenced coverage January 1, 1998 to provide specified employers in the State of New York with workers' compensation and employers' liability insurance as a self insurance group. The homogeneity of the group is defined and approved by the New York Workers' Compensation Board by a specific list of either governing classification codes, namely 3620, 3724, 5183, 5193, 7219, 7380, 7502, 8006, 8033, 8350, 8353, 8381, and 8391 or by a specific list of governing SIC codes, namely 1711, 3433, 3443, 3585, 5074, 5075, 5171, 5172, 5411, 5541, 5983, 5984, and NAICS system 7549.

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 jointly and severally liable for the solvency of the Trust as specified both in the Bylaws and the Participation and Indemnification Agreement (member agreement). 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 one hundred and eight (108) 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.

The Trust is governed by an elected board of trustees who establish all policies and is managed on a day-to-day basis by Cody Management Services, Inc.

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, 2007 and 2006

C. Cash and Cash Equivalents

For purposes of the statements 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 \$1,577,295 and \$880,019 at December 31, 2007 and 2006, respectively. Some of the cash balances which exceed the federal deposit insurance are backed by government securities.

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, 2007 and 2006

2. REINSURANCE/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. There were no amounts deducted from claim liabilities for the years ended December 31, 2007 and 2006.

Specific reinsurance protects the Fund in the event of an unusually large claim. Currently any occurrence resulting in losses greater than \$400,000 are reinsured over \$400,000 up to the policy limits (statutory Coverage A, \$2,000,000 Coverage B).

3. INCOME TAXES

The Trust is an unincorporated association subject to Federal and New York State Corporate Income Taxes.

Income tax expense is as follows:

	<u>2007</u>	<u>2006</u>
Federal Income Tax	\$ -0-	\$ -0-
New York State Income Tax	<u>100</u>	<u>301</u>
Total Current Taxes	\$100	\$ 301
Deferred Tax Expense/(Benefit)	<u>10,459</u>	<u>(107,832)</u>
Total	<u>\$ 10,559</u>	<u>\$(107,531)</u>

OHI WORKERS' COMPENSATION TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006

4. INVESTMENTS

Investments are stated at fair value and are summarized as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 1,325,488	\$ 1,325,488	\$898,958	\$898,958
Certificates of Deposit	451,757	451,757	311,294	311,294
Government Bonds	186,012	188,510	220,245	217,201
Corporate Bonds	20,267	20,190	35,235	35,212
Mutual Funds	<u>351,605</u>	<u>376,481</u>	<u>209,783</u>	<u>245,081</u>
Total	<u>\$2,335,129</u>	<u>\$2,362,426</u>	<u>\$1,675,515</u>	<u>\$1,707,746</u>

The combination of obligations, preferred and common stock of American Institutions is 16.22% of total regulatory assets as of December 31, 2007 and 16.62% as of December 31, 2006.

5. SECURITY DEPOSIT

The Trust maintains Certificates of Deposit with the National Bank of Coxsackie in the amount of \$156,000 as collateral for a \$624,000 Letter of Credit issued by the National Bank of Coxsackie in favor of the Chair, Workers Compensation Board.

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

6. REGULATORY ASSETS AND LIABILITIES

Regulatory assets include cash and cash equivalents, accounts receivable collected within 90 days of the balance sheet date and acceptable investments, but do not include prepaid expenses nor assets serving as collateral such as the \$156,000 Certificate of Deposit referenced in Note 5. Liabilities include all liabilities plus an amount for the Workers' Compensation Board NYS Assessment as determined by our actuaries, Milliman, Inc., on a separate assessment schedule (Exhibit 3, Line10C). The regulatory assets and liabilities as of the balance sheet date are as follows:

	<u>2007</u>	<u>2006</u>
<u>REGULATORY ASSETS</u>		
Cash and Cash Equivalents	\$1,325,488	\$ 898,958
Certificates of Deposits	295,757	155,294
Government Bonds	188,510	217,201
Corporate Bonds	20,190	35,212
Mutual Funds	376,481	245,081
Accounts Receivable	<u>238,562</u>	<u>135,068</u>
Total Regulatory Assets	<u>\$ 2,444,988</u>	<u>\$1,686,814</u>
<u>REGULATORY LIABILITIES</u>		
Total Liabilities	<u>\$3,006,934</u>	<u>\$2,261,130</u>
Total Regulatory Liabilities	<u>\$3,006,934</u>	<u>\$2,261,130</u>

7. TRUST EQUITY RATIO

The Workers' Compensation Board has prescribed the regulatory trust equity ratio, which is regulatory assets divided by regulatory liabilities. The Trust Equity Ratio is as follows:

<u>2007</u>		<u>2006</u>	
$\frac{2,444,988}{3,006,934}$	=	81.31%	
		$\frac{1,686,814}{2,261,130}$	= 74.60%

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

8. CLAIMS DISCOUNTING

In accordance with IRC Section 831, the Trust is subject to Federal Corporate Income Tax based upon its net profit because the annual premiums exceed \$1,200,000. In calculating the net profit, claims expense must be discounted to reflect the present value of the expense. Our actuaries, Milliman, Inc. have calculated the appropriate discount factors. See Milliman, Inc. 's report (Exhibit 2,) for additional information.

	<u>2007</u>	<u>2006</u>
Gross Claims Expense	\$2,653,881	\$1,789,806
Discount Applied	<u>(340,776)</u>	<u>(146,862)</u>
Net Claims Expense	<u>\$2,313,105</u>	<u>\$1,642,944</u>

OHI WORKERS' COMPENSATION TRUST  
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	YEARS ENDED DECEMBER 31	
	2007	2006
Actuarial Fees	20,452	10,000
Accounting	5,000	5,000
Audit Fees	7,000	6,000
Bad Debts	2,353	2,885
Bank Charges	41	50
Management Fee	449,614	378,672
Commissions	155,405	127,817
Directors & Officers Insurance	7,756	7,733
Excess Insurance	312,914	265,157
Experience Mod Service	4,450	4,100
GSIANY	1,500	1,600
Interest Expense	0	0
Investment Management Expense	5,079	4,160
Legal Expense	600	250
Member Director Meetings	170	90
Association Fees	1,490	1,462
Payroll Audit Fee	5,460	6,440
Project Expense	1,474	973
Financial Security Expense	12,480	12,480
Supplies and Postage	3,282	2,360
Workers' Compensation Board Assessments	(203,935)	413,874
Hold Harmless Credits	3,500	4,433
	<u>796,085</u>	<u>1,255,536</u>
Total General and Administrative Expenses	<u>796,085</u>	<u>1,255,536</u>

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See Notes to Financial Statements

UNEMPLOYMENT  
WORKERS COMPENSATION  
APR 3 1984  
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