



FULLER  LAFIURA
CERTIFIED PUBLIC ACCOUNTANTS, PC

OHI WORKERS' COMPENSATION TRUST

FINANCIAL STATEMENTS

December 31, 2009 and 2008

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SELF INSURANCE OFFICE

OHI WORKERS' COMPENSATION TRUST

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DECEMBER 31, 2009 and 2008

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FULLER & LAFIURA
CERTIFIED PUBLIC ACCOUNTANTS, PC

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, 2009 and 2008 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, 2009 and 2008 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements of OHI Workers' Compensation Trust. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fuller & LaFiura
Certified Public Accountants, P.C.

Glens Falls, New York
April 22, 2010

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OHI WORKERS' COMPENSATION TRUST
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31	
	2009	2008
- A S S E T S -		
CURRENT ASSETS		
Cash - General Operating	511,484	1,099,690
Cash - Short Term Certificates of Deposit	0	214,226
Accounts Receivable - Payroll Audits	201,658	279,709
Other Receivables	92,577	0
Income Taxes Receivable	82	0
Deferred Tax Assets	95,677	95,677
Total Current Assets	901,478	1,689,302
INVESTMENTS		
Cash and Cash Equivalents	127,941	42,648
Certificates of Deposit	530,299	416,486
Government Bonds	229,531	220,195
Corporate Bonds	0	10,008
Mutual Funds	183,917	300,038
Total Investments	1,071,688	989,375
TOTAL ASSETS	1,973,166	2,678,677
- LIABILITIES AND MEMBERS' EQUITY -		
CURRENT LIABILITIES		
Accounts Payable	22,191	19,691
Refunds Due from Payroll Audits	110,841	76,914
Unearned Premium	0	326,167
Accrued Expense	1,250	42,103
Accrued Income Taxes	0	1,500
Accrued Workers' Comp Board Assessments	266,220	259,105
Case Reserves	1,255,453	1,532,199
Non-Case Reserves (IBNR)	1,072,432	1,236,236
Total Current Liabilities	2,728,387	3,493,915
MEMBERS' EQUITY		
Net Assets (Deficit)	(755,221)	(815,238)
Total Members' (Deficit)/Equity	(755,221)	(815,238)
TOTAL LIABILITIES AND MEMBERS' (DEFICIT)/EQUITY	1,973,166	2,678,677

OHI WORKERS' COMPENSATION TRUST
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31

2009

2008

SUPPORT AND REVENUE

Member Contributions Fund Year 2009 and 2008	1,737,388	2,158,766
Adjustment for Prior Year Member Contributions	0	0

Net Member Contributions	1,737,388	2,158,766
Interest and Dividend Income	29,442	55,485
Gain(Loss) on Investments	63,557	(163,191)

Total Support and Revenue	<u>1,830,387</u>	<u>2,051,060</u>
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GENERAL AND ADMINISTRATIVE EXPENSES

Total General and Administrative Expenses	<u>1,161,468</u>	<u>1,370,670</u>
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CLAIMS EXPENSES

Paid Losses and Loss Adjustment Expense	1,047,952	793,296
Case Reserves	(791,389)	(468,862)
Non-Case Reserves (IBNR)	350,839	924,192

Net Claims Expenses	<u>607,402</u>	<u>1,248,626</u>
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DISTRIBUTIONS AND OTHER EXPENSES

Income Tax Expense	<u>1,500</u>	<u>1,500</u>
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Total Distributions and Other Expenses	<u>1,500</u>	<u>1,500</u>
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Total Expenses	<u>1,770,370</u>	<u>2,620,796</u>
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Excess (Deficit) of Support and Revenue Over Expenses	60,017	(569,736)
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Net (Deficit) Assets, Beginning of Year	<u>(815,238)</u>	<u>(245,502)</u>
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Net (Deficit) Assets, End of Year	<u>(755,221)</u>	<u>(815,238)</u>
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OHI WORKERS' COMPENSATION TRUST
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2009	2008
Cash Flows from Operating Activities:		
Changes in Net Assets	60,017	(569,736)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable - Payroll Audits	78,051	15,183
(Increase) Decrease in Other Receivables	(92,577)	3,314
(Increase) Decrease in Income Taxes Receivable	(82)	1,459
(Increase) Decrease in Deferred Tax Asset	0	3,664
Increase (Decrease) in Accounts Payable	2,500	(22,420)
Increase (Decrease) in Refunds Due from Payroll Audits	33,927	(9,395)
Increase (Decrease) in Unearned Contributions	(326,167)	(13,414)
Increase (Decrease) in Accrued Expenses	(40,853)	40,853
Increase (Decrease) in Accrued Income Taxes	(1,500)	1,500
Increase (Decrease) in Workers' Comp Board Assessments	7,115	34,527
Increase (Decrease) in Case Reserves	(276,746)	37,674
Increase (Decrease) in Non-Case Reserves (IBNR)	(163,804)	417,656
Net Cash Provided by Operating Activities	(720,119)	(59,135)
Cash Flows from Investing Activities:		
(Gain)Loss on Investments	(63,557)	163,191
Purchase of Investments	(163,813)	(152,980)
Proceeds from Sale of Investments	230,306	80,000
Net Cash Provided by Investing Activities	2,936	90,211
Net Increase (Decrease) in Cash and Cash Equivalents	(717,183)	31,076
Cash and Cash Equivalents, Beginning of Year	1,356,564	1,325,488
Cash and Cash Equivalents, End of Year	639,381	1,356,564
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for: Interest	0	0
Income Taxes	3,082	11,000

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

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 ninety-eight (98) members. Effective 12:01 AM on January 1, 2010 the Trust ceased coverage.

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. as Administrator.

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, 2009 and 2008

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. In 2009 the Actuaries' central estimated ultimate loss and ALAE ratio less 5% was used, whereas the central estimate was used for 2008.

E. Concentrations

Financial instruments that subject the Trust to credit risk include cash balances at banks, which exceeded the related federal deposit insurance by \$669,724 and \$1,273,050 at December 31, 2009 and 2008, 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.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 22, 2010, the date the financial statements were available to be issued.

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

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, 2009 and 2008. However the Trust did receive \$10,050 during 2009 from a reinsurer. At December 31, 2009 the reinsurers owed an additional \$92,547 for amounts expended by the trust in excess of the insurance limits.

Specific reinsurance protects the Fund in the event of an unusually large claim. Claims occurring in 2009 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>2009</u>	<u>2008</u>
Federal Income Tax	\$ -0-	\$ -0-
New York State Income Tax	<u>1,500</u>	<u>1,500</u>
Total Current Taxes	\$ 1,500	\$ 1,500
Deferred Tax Expense/(Benefit)	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 1,500</u>	<u>\$ 1,500</u>

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

4. INVESTMENTS

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

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$639,425	639,425	\$1,356,564	\$1,356,564
Certificates of Deposit	530,299	530,299	416,486	416,486
Government Bonds	221,443	229,531	206,703	220,195
Corporate Bonds	-	-	9,977	10,008
Mutual Funds	<u>213,127</u>	<u>183,917</u>	<u>451,605</u>	<u>300,038</u>
Total	<u>1,604,294</u>	<u>1,583,172</u>	<u>\$2,441,335</u>	<u>\$2,303,291</u>

The combination of obligations, preferred and common stock of American Institutions is 13.98% of total regulatory assets as of December 31, 2009 and 13.01% as of December 31, 2008.

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 \$936,000 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, 2009 and 2008

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. The regulatory assets and liabilities as of the balance sheet date are as follows:

	<u>2009</u>	<u>2008</u>
<u>REGULATORY ASSETS</u>		
Cash and Cash Equivalents	\$ 639,425	\$1,356,564
Certificates of Deposits	374,299	260,486
Government Bonds	229,531	220,195
Corporate Bonds	-	10,008
Mutual Funds	183,917	300,038
Accounts Receivable	4,500	235,143
Other Receivables	<u>92,547</u>	<u>-</u>
Total Regulatory Assets	<u>\$1,524,219</u>	<u>\$2,382,434</u>
<u>REGULATORY LIABILITIES</u>		
Total Liabilities	<u>\$2,728,387</u>	<u>\$3,355,493</u>
Total Regulatory Liabilities	<u>\$2,728,387</u>	<u>\$3,355,493</u>

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

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>2009</u>			<u>2008</u>		
	<u>1,524,219</u>	=	55.87%	<u>2,382,434</u>	=	71.00%
	<u>2,728,387</u>			<u>3,355,493</u>		

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.

	<u>2009</u>	<u>2008</u>
Gross Claims Expense	\$2,852,524	\$3,174,076
Discount Applied	<u>(524,639)</u>	<u>(405,641)</u>
Net Claims Expense	<u>\$2,327,885</u>	<u>\$2,768,435</u>

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OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

9. NET ASSETS

Net assets total a negative \$755,221 as of December 31, 2009. The fund year breakdown is as follows:

	<u>Surplus (Deficit)</u>
Fund Year 1998	\$36,143
Fund Year 1999	24,733
Fund Year 2000	(148,925)
Fund Year 2001	(281,518)
Fund Year 2002	24,674
Fund Year 2003	157,107
Fund Year 2004	(629,814)
Fund Year 2005	(504,914)
Fund Year 2006	(60,348)
Fund Year 2007	413,467
Fund Year 2008	80,983
Fund Year 2009	<u>133,191</u>
	<u>\$(755,221)</u>

OHI WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

10. GOING CONCERN

The Trust ceased coverage at 12:01 AM on January 1, 2010. The Trust's liabilities exceeded its assets by \$755,221. This amount is based upon actuarial estimates of claims expenses and Workers' Comp Board assessments as well as claims discounting of \$524,639. The actual claims expense and assessments may be very different from the actuarial estimates. The amount of the Trust assessment has not yet been determined but it is expected to cover the estimated claims expense, the Workers' Comp Board New York State assessments and three years of administrative expenses. Should the assessment be insufficient to cover the costs, additional assessments will have to be made. Each member of the Trust is jointly and severally liable for all liabilities of any and all fund years for which they were members.

OHI WORKERS' COMPENSATION TRUST
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	YEARS ENDED DECEMBER 31	
	2009	2008
Actuarial Fees	16,645	33,931
Accounting	7,755	5,000
Audit Fees	7,000	7,200
Bad Debts	0	35
Bank Charges	0	0
Management Fee	327,982	438,578
Commissions	104,243	151,114
Directors & Officers Insurance	9,333	9,333
Excess Insurance	324,889	380,227
Experience Mod Service	4,600	5,300
GSIANY	1,600	1,600
Interest Expense	0	0
Investment Management Expense	4,926	5,290
Legal Expense	9,707	375
Member Director Meetings	92	171
Association Fees	1,610	1,398
Payroll Audit Fee	4,720	5,525
Project Expense	2,274	2,022
Financial Security Expense	17,940	16,380
Supplies and Postage	3,745	1,716
Workers' Compensation Board Assessments	309,407	288,813
Hold Harmless Credits	3,000	16,662
	1,161,468	1,370,670
Total General and Administrative Expenses		

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