

U.S. DEPARTMENT OF LABOR

**District of Columbia Workmen's
Compensation Act
Special Fund**

FINANCIAL STATEMENT AUDIT

September 30, 2002

**U.S. Department of Labor
Office of Inspector General
Report Number: 22-03-007-04-432
Date Issued:**

MAR 25 2003



MAR 25 2003

MEMORANDUM FOR: VICTORIA LIPNIC
Assistant Secretary for
Employment Standards

FROM: *for Elliott P. Lewis*
ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Final Audit Report No. 22-03-007-04-432 District of
Columbia Workmen's Compensation Act Special Fund
Financial Statements and Related Reports; and

Final Audit Report No. 22-03-008-04-432 Longshore and
Harbor Workers' Compensation Act Special Fund
Financial Statements and Related Reports
September 30, 2002 and 2001

Attached are copies of the referenced audit reports, which cover the Fiscal Year 2002 and 2001 financial statements of each Special Fund. The Assistant Inspector General's opinions are unqualified for these two Special Funds and neither report contains any reportable conditions.

If you have any questions, please contact Michael T. McFadden, Director, Office of Accountability Audits, on 693-5144.

Attachment

cc Samuel Mok, CFO

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ACRONYMS

DCCA	District of Columbia Workmen's Compensation Act Special Fund
DOL	Department of Labor
ESA	Employment Standards Administration
FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FUND	District of Columbia Workmen's Compensation Act Special Fund
FY	Fiscal Year
JFMIP	Joint Financial Management Improvement Program
OMB	Office of Management and Budget
OWCP	Office of Workers' Compensation Programs

ASSISTANT INSPECTOR GENERAL'S REPORT

**Ms. VICTORIA LIPNIC
ASSISTANT SECRETARY FOR
EMPLOYMENT STANDARDS
U.S. DEPARTMENT OF LABOR**

The *Chief Financial Officers Act of 1990* (CFO Act) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. The District of Columbia Workmen's Compensation Act Special Fund (the Fund) is included in the United States Department of Labor (DOL) annual financial statements issued to meet the CFO Act reporting requirements.

The objectives of our audit are to express an opinion on the fair presentation of the Fund's Fiscal Year 2002 financial statements, obtain an understanding of the Fund's internal control, and test compliance with laws and regulations that could have a direct and material effect on the financial statements.

We have audited the balance sheet of the Fund as of September 30, 2002, and the statements of net cost, changes in net position, budgetary resources, and financing for the year then ended.

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of the Fund as of and for the year ended September 30, 2001, were audited by other auditors whose report dated December 14, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the

Comptroller General of the United States;

and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the financial statements referred to above present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America:

- the assets, liabilities, and net position of the Fund as of September 30, 2002; and
- the net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources for the year ended September 30, 2002.

OTHER ACCOMPANYING INFORMATION

Our audit was conducted for the purpose of forming an opinion on the Fund's principal financial statements taken as a whole. The information contained in the Management Discussion and Analysis section of the Fund's annual financial statements is not a required

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

REPORT ON INTERNAL CONTROL

In planning and performing our audit, we considered the Fund's internal control over financial reporting by obtaining an understanding of the Fund's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be

material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

The management of the Fund is responsible for complying with laws and regulations applicable to the Fund. As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02.

We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Fund.

The results of our tests of compliance with laws and regulations described in the preceding paragraph, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

ASSISTANT INSPECTOR GENERAL'S REPORT

This report is intended solely for the information of the District of Columbia Workmen's Compensation Act Special Fund's management, U. S. Department of Labor's management, the Office of Management and Budget, and the Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

for *Elliot P. Lewis*
ELLIOT P. LEWIS
Assistant Inspector General for Audit

January 17, 2003

**U. S. DEPARTMENT OF LABOR
EMPLOYMENT STANDARDS ADMINISTRATION**

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND
FINANCIAL STATEMENTS
SEPTEMBER 30, 2002 AND 2001**

March 2003

**Office of Management, Administration and Planning
Division of Financial Management**

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

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**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

ACRONYMS

CFO	Chief Financial Officer
DCCA	District of Columbia Workmen's Compensation Act Special Fund
DLHWC	Division of Longshore and Harbor Workers' Compensation
DOL	Department of Labor
ESA	Employment Standards Administration
FASAB	Federal Accounting Standards Advisory Board
FMFIA	Federal Managers' Financial Integrity Act
FUND	District of Columbia Workmen's Compensation Act Special Fund
FY	Fiscal Year
JFMP	Joint Financial Management Improvement Project
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OWCP	Office of Workers' Compensation Programs

**U. S. DEPARTMENT OF LABOR
EMPLOYMENT STANDARDS ADMINISTRATION**

**District of Columbia Workmen's
Compensation Act Special Fund**

**SECTION I
MANAGEMENT DISCUSSION
AND ANALYSIS**

**Fiscal Year 2002
Financial Statements**

DICTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND

MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2002

MISSION AND ORGANIZATIONAL STRUCTURE

The District of Columbia Workmen's Compensation Act Special Fund is administered by the Division of Longshore and Harbor Workers' Compensation program (DLHWC). The mission of DLHWC is to effectively administer a program of compensation and medical benefits to covered workers who are injured on the job or suffer from occupational disease.

The reporting entity is the District of Columbia Workmen's Compensation Act Special Fund (Fund). Organizationally the Fund is administered by the Employment Standards Administration (ESA), an agency within the United States Department of Labor. Within ESA, the DLHWC has direct responsibility for all aspects of the administration of the Fund. The Fund supports the program mission by providing compensation, and in certain cases, medical care payments to District of Columbia employees for work related injuries or death. Effective July 26, 1982, the District of Columbia became responsible for administration and operation of a separate special fund to cover post July 26, 1982, injury cases.

Administrative services for operating the Fund are provided by the ESA through direct Federal Appropriations. Appropriated funding for administrative services is not reflected in the accompanying financial statements.

Additionally, the District of Columbia Workmen's Compensation Act [Section 10(h)] provides annual wage increase compensation (cost of living adjustments). Fifty percent of this annual wage increase for pre-1972 compensation cases is paid by Federal appropriated funds, and fifty percent is paid by the Fund through the annual assessment. Appropriated funding for 10(h) is not reflected in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The majority of the revenue of the Fund is generated through annual recurring assessments paid by self-insured employers and insurance carriers and totaled \$11,558,372 in FY 2002. This compares with assessment revenue of \$12,169,654 for FY 2001. In addition, investment income for the Fund was \$85,005 for FY 2002 compared to \$156,959 for FY 2001. The average interest rate earned during FY 2002 was 2.11 percent compared to 4.21 percent for FY 2001.

The Fund's costs remained relatively stable compared to FY 2001; \$10,962,217 for FY 2002 compared to \$11,227,356 for FY 2001.

PERFORMANCE GOALS AND RESULTS

The DCCA performance is included in the consolidated performance measures for the Employment Standards Administration (ESA). ESA supports the Department of Labor's **Strategic Goal 2 - *A Secure Workforce***. This goal broadly promotes the economic security of workers and families. In particular, the DLHWC program supports **Outcome Goal 2.2 - *To Protect Worker Benefits***. The Department of Labor plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate way.

For a further discussion of performance goals see the Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements September 30, 2002 and 2001 discussion of performance in Section I Management Discussion and Analysis.

**DICTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**OVERVIEW OF THE REPORTING ENTITY
SEPTEMBER 30, 2002**

LIMITATIONS OF THE FINANCIAL STATEMENTS

The following limitations are part of the financial statements:

- The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of the Chief Financial Officers Act of 1990, U.S.C. 3515 (b).
- While the statements have been prepared from the books and records of the Fund in accordance with the formats prescribed by OMB, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of a sovereign entity, that liabilities cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

U. S. DEPARTMENT OF LABOR
EMPLOYMENT STANDARDS ADMINISTRATION

**District of Columbia Workmen's
Compensation Act Special Fund**

SECTION II
FINANCIAL STATEMENTS

**Fiscal Year 2002 and 2001
Financial Statements**

DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUNDBALANCE SHEETS
As of September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Intragovernmental assets		
Funds with U.S. Treasury (Note 2)	\$ 33,672	\$ 32,098
Investments (Note 3)	<u>6,076,811</u>	<u>5,433,108</u>
Total intragovernmental assets	6,110,483	5,465,206
Accounts receivable, net of allowance (Note 4)	<u>2,167,915</u>	<u>197,268</u>
Total assets	<u>\$ 8,278,398</u>	<u>\$ 5,662,474</u>
LIABILITIES AND NET POSITION		
Liabilities		
Accrued benefits payable	\$ 154,153	\$ 120,582
Deferred revenue	2,823,996	2,992,001
Assessment overpayments by carriers (Note 5)	<u>2,357,793</u>	<u>288,595</u>
Total liabilities	5,335,942	3,401,178
Net position		
Cumulative results of operations	<u>2,942,456</u>	<u>2,261,296</u>
Total liabilities and net position	<u>\$ 8,278,398</u>	<u>\$ 5,662,474</u>

The accompanying notes are an integral part of these statements.

ANNUAL FINANCIAL STATEMENTS

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**STATEMENTS OF NET COST
For the Years Ended September 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
SPECIAL FUND NET COST OF OPERATIONS		
With the public		
Second injury compensation, Section 8(f)	\$ 10,052,306	\$ 10,317,989
Wage increase compensation, Section 10(h)	704,011	709,425
Compensation payment for self-insurer in default, Section 18(b)	<u>205,900</u>	<u>199,942</u>
Net cost of operations	<u>\$ 10,962,217</u>	<u>\$ 11,227,356</u>

The accompanying notes are an integral part of these statements.

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
CUMULATIVE RESULTS OF OPERATIONS		
Cumulative results of operations, beginning	\$ 2,261,296	\$ 1,162,039
Budgetary financing sources:		
Non-exchange revenues:		
Investment interest	85,005	156,959
Assessments	<u>11,558,372</u>	<u>12,169,654</u>
Total non-exchange revenues	11,643,377	12,326,613
Net cost of operations	<u>(10,962,217)</u>	<u>(11,227,356)</u>
Net position, end of period	<u>\$ 2,942,456</u>	<u>\$ 2,261,296</u>

The accompanying notes are an integral part of these statements.

ANNUAL FINANCIAL STATEMENTS
DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
BUDGETARY RESOURCES (Note 6)		
Budgetary authority:		
Appropriations received	\$ 11,777,952	\$ 12,206,369
Unobligated balance:		
Beginning of period	<u>5,323,322</u>	<u>4,341,221</u>
Total budgetary resources	<u>\$ 17,101,274</u>	<u>\$ 16,547,590</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 6)		
Direct	\$ 11,155,242	\$ 11,224,268
Unobligated balances - available		
Other available	<u>5,946,032</u>	<u>5,323,322</u>
Total status of budgetary resources	<u>\$ 17,101,274</u>	<u>\$ 16,547,590</u>
 RELATIONSHIP OF OBLIGATIONS TO OUTLAYS (Note 6)		
Obligated balance, net, beginning	\$ 120,582	\$ 92,198
Obligated balance, net, ending		
Accounts payable	154,153	120,582
Outlays:		
Disbursements	<u>11,121,671</u>	<u>11,195,884</u>
Net outlays	<u>\$ 11,121,671</u>	<u>\$ 11,195,884</u>

The accompanying notes are an integral part of these statements.

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**STATEMENTS OF FINANCING
For the Years Ended September 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
RESOURCES USED TO FINANCE ACTIVITIES		
Obligations incurred	\$ 11,155,242	\$ 11,224,268
Total resources used to finance the net cost of operations	<u>11,155,242</u>	<u>11,224,268</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Benefit overpayments	<u>(193,025)</u>	<u>3,088</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>(193,025)</u>	<u>3,088</u>
Net cost of operations	<u>\$ 10,962,217</u>	<u>\$ 11,227,356</u>

The accompanying notes are an integral part of these statements.

U. S. DEPARTMENT OF LABOR
EMPLOYMENT STANDARDS ADMINISTRATION

**District of Columbia Workmen's
Compensation Act Special Fund**

SECTION III
NOTES TO THE
FINANCIAL STATEMENTS

**Fiscal Year 2002 and 2001
Financial Statements**

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2002 and 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been followed by the Fund in preparing the accompanying financial statements are set forth below.

A. Reporting Entity

These financial statements present the financial position, net cost of operations, changes in net position, budgetary resources and financing activities of the District of Columbia Workmen's Compensation Act Special Fund (Fund). The Fund is administered by the Employment Standards Administration (ESA) which is an agency within the United States Department of Labor. Within ESA, the Division of Longshore and Harbor Workers' Compensation has direct responsibility for administration of the Fund. The Fund offers compensation, and in certain cases, medical care payments to District of Columbia employees for work related injuries or death. Effective July 26, 1982, the District of Columbia Workmen's Compensation Act was amended whereby the Mayor of the District of Columbia became responsible for administration and operation of a separate special fund to cover post July 26, 1982, injury cases.

Additionally, the District of Columbia Workmen's Compensation Act Section 10(h) provides annual wage increase compensation (cost of living adjustments). Fifty percent of this annual wage increase for pre-1972 compensation cases is paid by Federal appropriated funds and fifty percent is paid by the Fund through the annual assessment. Appropriated funding for 10(h) is not reflected in the accompanying financial statements. Also, these financial statements do not include the Special Fund administered by the Mayor of the District of Columbia for injury cases occurring after July 26, 1982.

B. Basis of Accounting and Presentation

These financial statements present the financial position, net cost of operations, changes in net position, budgetary resources and financing and activities of the Fund, in accordance with accounting principles generally accepted in the United States of America and the form and content requirements of OMB Bulletin 01-09. These financial statements have been prepared from the books and records of the Fund. These financial statements are not intended to present, and do not present, the full cost of the District of Columbia Workmen's Compensation (DCCA) program administered under the Longshore and Harbor Workers' Compensation Act Program (Longshore Program). In addition to the Fund costs presented in these statements, the full cost of the DCCA portion of the Longshore Program would include certain direct costs of ESA in the form of salaries and expenses for administration of the Longshore Program and allocated costs of ESA and other DOL agencies incurred in support of the Longshore Program. The full cost of the DCCA portion of the Longshore Program is included in the Consolidated Financial Statements of the U.S. Department of Labor.

OMB Bulletin 01-09, which DOL adopted for 2002, required changes to the Statement of Changes in Net Position, the Statement of Budgetary Resources and the Statement of Financing. Certain amounts for fiscal year 2001 have been reclassified to conform with the current year presentation.

Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These financial statements are different from the financial reports, also prepared for the Fund pursuant to OMB directives, used to monitor the Fund's use of budgetary resources.

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2002 and 2001**

C. Funds with U.S. Treasury

The Fund does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The Funds with U.S. Treasury are trust funds that are available to pay current liabilities and finance authorized purchase commitments.

D. Investments

Investments in U.S. Government securities are reported at cost, net of unamortized premiums or discounts, which approximates market value. Premiums or discounts are amortized on a straight-line basis, which approximates the effective interest method. The Fund's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain the operations of the Fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

E. Accounts Receivable, Net of Allowance

The amounts due as receivables are stated net of an allowance for uncollectible accounts. The allowance is estimated based on past experience in the collection of the receivables and an analysis of the outstanding balances. Also included as benefit overpayments receivable are Fund benefit overpayments made to individuals who were determined ineligible to receive benefits.

F. Accrued Benefits Payable

The District of Columbia Workmen's Compensation Special Fund provides compensation and medical benefits for work related injuries to employees of the District of Columbia. The Fund recognizes a liability for disability benefits payable to the extent of unpaid benefits applicable to the current period.

G. Assessment Overpayment by Carriers

Assessment overpayments are current liabilities and are to be refunded upon carrier request or applied to reduce future carrier assessments.

H. Deferred Revenue

Deferred revenues represent the unearned assessment revenues as of September 30, the Fund's accounting year end. The annual assessments cover a calendar year and, accordingly, the portion extending beyond September 30 has been deferred.

I. Financing Sources Other Than Exchange Revenue

Non-exchange revenues arise from the Federal government's power to demand payments from and receive donations from the public. Non-exchange revenues are recognized by the Fund for assessments levied against the public and interest income from investments.

The Fund's primary source of revenue is annual assessments levied on insurance carriers and self-insured employers. The Fund also receives interest on Fund investments and on Federal funds in the possession of non-Federal entities.

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2002 and 2001**

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with the U.S. Treasury at September 30, 2002 and 2001 consisted of cash deposits of \$33,672 and \$32,098 respectively. There are no cash deposits being held as security by authority of Section 32 of the Longshore and Harbor Workers' Compensation Act in the Funds with the U.S. Treasury balance at September 30, 2002 or at September 30, 2001. Section 32 funds relate to the default of self-insured employers and are available for payment of compensation and medical benefits to covered employees of the defaulted companies.

NOTE 3 - INVESTMENTS

Investments at September 30, 2002 and 2001 consisted of the following:

	September 30, 2002			
	Face Value	Discount	Net Value	Market Value
Intragovernmental securities				
Marketable	<u>\$ 6,097,000</u>	<u>\$ (20,189)</u>	<u>\$ 6,076,811</u>	<u>\$ 6,076,811</u>
	September 30, 2001			
	Face Value	Discount	Net Value	Market Value
Intragovernmental securities				
Marketable	<u>\$ 5,469,000</u>	<u>\$ (35,892)</u>	<u>\$ 5,433,108</u>	<u>\$ 5,433,108</u>

There are no investments being held as security by authority of Section 32 of the Longshore and Harbor Workers' Compensation Act as of September 30, 2002 or September 30, 2001. Section 32 investments relate to the default of self-insured employers and are restricted. These investments are available for payment of compensation and medical benefits to covered employees of the defaulted companies. Investments at September 30, 2002 and 2001 consist of short-term U.S. Treasury Bills and are stated at amortized cost which approximates market. Investments at September 30, 2002, bear interest rates varying from 1.58% to 1.66% compared to rates varying from 2.26% to 3.44% for 2001. Interest rates on securities bought and sold during fiscal year 2002 ranged from 3.42% to 1.57% compared to 1.74% to 6.23% for fiscal year 2001.

DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUNDNOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2002 and 2001

NOTE 4 - ACCOUNTS RECEIVABLE, NET

Accounts receivable at September 30, 2002 and 2001 consisted of the following:

	<u>2002</u>	<u>2001</u>
Entity assets		
Benefit overpayments	\$ 193,025	\$ -
Assessments receivable	1,979,641	207,750
Less: allowance for doubtful accounts	<u>(4,751)</u>	<u>(10,482)</u>
Total accounts receivable, net	<u>\$ 2,167,915</u>	<u>\$ 197,268</u>

Benefit overpayments arise from accounts receivable from overpayments to beneficiaries. These overpayments arise primarily from amended compensation orders and corrections of payment computations. These receivables are being primarily recovered by partial and total withholding of benefit payments.

Assessments receivable represent the unpaid annual assessments from the current and prior years. In addition, due to reporting errors by two of the participating insurance carriers, the assessments for calendar year 2002 were incorrectly allocated among the carriers. The carriers causing this error were over billed by \$1,963,734, and the remaining carriers were under billed collectively by the same amount. Since the carriers' error in reporting were discovered after the assessment process for calendar year 2002 was closed, this allocation error will be corrected in the calendar year 2003 assessment process.

Changes in the allowance for doubtful accounts during 2002 and 2001 consisted of the following:

	<u>September 30, 2002</u>				<u>Allowance 9-30-02</u>
	<u>Allowance 9-30-01</u>	<u>Write Offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	
Entity assets					
Benefit overpayments	\$ (62)	\$ (3,794)	\$ -	\$ -	\$ (3,856)
Assessment receivable	<u>(10,420)</u>	<u>3,794</u>	<u>5,731</u>	<u>-</u>	<u>(895)</u>
	<u>\$ (10,482)</u>	<u>\$ -</u>	<u>\$ 5,731</u>	<u>\$ -</u>	<u>\$ (4,751)</u>
	<u>September 30, 2001</u>				<u>Allowance 9-30-01</u>
	<u>Allowance 9-30-00</u>	<u>Write Offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	
Entity assets					
Benefit overpayments	\$ (62)	\$ -	\$ -	\$ -	\$ (62)
Assessment receivable	<u>(9,073)</u>	<u>56,252</u>	<u>(57,599)</u>	<u>-</u>	<u>(10,420)</u>
	<u>\$ (9,135)</u>	<u>\$ 56,252</u>	<u>\$ (57,599)</u>	<u>\$ -</u>	<u>\$ (10,482)</u>

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2002 and 2001**

NOTE 5 – LIABILITIES – ASSESSMENT OVERPAYMENTS BY CARRIERS

Assessment overpayments by carriers represent overpayments received from carriers on annual assessments from the current and prior years. These overpayments result from carrier reporting errors, adjustments to the assessment and mergers and consolidations among the assessed carriers. In FY 2002 the overpayment amount was \$2,357,793. The majority of this overpayment amount resulted from reporting errors by two of the participating insurance carriers, relating to assessments for calendar year 2002 that were incorrectly allocated among the carriers. The carriers causing this error were over billed by \$1,963,734, and the remaining carriers were under billed collectively by the same amount. Since the carriers' error in reporting were discovered after the assessment process for calendar year 2002 was closed, this allocation error will be corrected in the calendar year 2003 assessment process.

NOTE 6 - RECONCILIATION TO THE BUDGET

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Statement of Budgetary Resources to amounts included in the Budget of the United States Government for the years ended September 30, 2002 and 2001 are shown below:

<u>(Dollars in Millions)</u>	<u>September 30, 2002</u>		
	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Outlays</u>
Statement of Budgetary Resources	\$ 17	\$ 11	\$ 11
Budget of the United States Government	\$ 17	\$ 11	\$ 11

<u>(Dollars in Millions)</u>	<u>September 30, 2001</u>		
	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Outlays</u>
Statement of Budgetary Resources	\$ 17	\$ 11	\$ 11
Budget of the United States Government	\$ 17	\$ 11	\$ 11