MULTIPLE INJURY TRUST FUND

Basic Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

MULTIPLE INJURY TRUST FUND

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December 31, 2009 and 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Multiple Injury Trust Fund (MITF), we offer readers of the MITF financial statements this overview and analysis of the financial activities for the fiscal years ended December 31, 2009 and 2008.

Financial Highlights

- At December 31, 2009, MITF's liabilities exceeded its assets by $125.1 million. At December 31, 2008, MITF's liabilities exceeded its assets by $113.6 million. The 2009 year-end net deficit increased by $11.5 million. The 2008 year-end net deficit decreased $31.0 million from the previous year-end.

- On April 28, 2008, the Workers' Compensation Court of the State of Oklahoma acknowledged a settlement agreement entered into by the parties of the Pilkington case. The terms of the settlement required MITF, in 2008, to pay approximately $16,015,000 in claims to members of the class action, attorney fees and administrative costs. The settlement required qualified claimants to file a claim no later than September 1, 2008 to receive payment. Any unclaimed settlement amounts would revert back to MITF. At December 31, 2008, MITF had paid out approximately $10,600,000 in settlement funds representing all qualified claims, attorney fees and administrative costs to date. Additional claims totaling approximately $260,000 remain outstanding at December 31, 2009 and December 31, 2008 pending further consideration by the Workers' Compensation Court. As a result, MITF recorded a gain in the government-wide statement of activities of approximately $26.4 million, for the year ended December 31, 2008.

- During fiscal year 2009, MITF had revenue of $21.6 million, which consisted of $21.3 million from its apportionment from the Oklahoma Tax Commission (OTC) and $0.3 million from interest income. During fiscal year 2008, MITF had revenue of $46.6 million, which consisted of $18.8 million from its apportionment from the OTC, $1.4 million from interest income, and $26.4 million from the gain on settlement of the Pilkington case. The $24.9 million decrease in 2009 revenue from 2008 was primarily due to the Pilkington settlement in 2008. Interest income decreased by $1.1 million due to the $20 million decrease in cash used to reduce the note payable to CompSource. The $2.6 million increase of OTC apportionment was mainly due to the overall increase in the amount of premium assessments.

- At December 31, 2009 long-term liabilities of $101.4 million related to court awarded claims payable which comprised 72% of the total liabilities. At December 31, 2008, long-term liabilities of $87.0 million related to court awarded claims payable, which comprised 69% of the total liabilities. In October 2008, MITF paid down its note to CompSource by approximately an additional $20 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MITF's basic financial statements. MITF's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the MITF's finances in a manner similar to a private-sector business.

The statements of net deficit present information on all of MITF's assets and liabilities, with the difference between the two reported as a net deficit. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MITF is expanding or contracting.

The statements of activities present information showing how MITF's net deficit changed during the most recent fiscal year. All changes in net deficit are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances (deficit) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MITF maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances (deficit) for the special revenue fund and the debt service fund, both of which are considered to be major funds.

The special revenue fund accounts for all financial resources of MITF, except for those related to the debt. The debt service fund accounts for the proceeds and payments for principal and interest related to the notes payable to CompSource Oklahoma (CompSource). CompSource provides workers' compensation insurance for all Oklahoma employers and is a component unit of the State of Oklahoma.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

MITF's net deficit at December 31, 2009 and 2008 are reported as follows:

Assets		2009	2008
Cash and cash equivalents	$	10,132,438	7,007,784
Receivable from Oklahoma Tax Commission		4,506,552	4,315,065
Interest receivable		30,375	27,345
Fixed assets net of depreciation		163,301	262,054
Total assets		14,832,666	11,612,248
Liabilities			
Payable to CompSource Oklahoma		120,078	64,361
Accrued leave obligation		63,776	59,720
Accrued interest payable on past awards		260,000	260,000
Accrued interest payable on notes payable		423,984	485,755
Notes payable:			
Payable within one year		1,261,426	1,135,683
Payable after one year		22,966,223	24,227,649
Permanent partial orders payable:			
Payable within one year		845,963	503,115
Payable after one year		198,345	77,609
Permanent total orders payable:			
Payable within one year		12,670,184	11,520,280
Payable after one year		101,167,795	86,891,403
Total liabilities		139,977,774	125,225,575
Net Deficit			
Total net deficit	$	(125,145,108)	(113,613,327)

MITF's changes in net deficit for the years ended December 31, 2009 and 2008 are reported as follows:

		2009	2008
Program expenses:			
Court awards, net of reductions	$	30,133,819	11,531,280
Medical and claimant travel		316,629	189,858
Interest on notes payable		1,727,275	2,960,253
Operating, general, and administrative		992,600	875,569
Total program expenses		33,170,323	15,556,960
General revenues:			
Apportionment from Oklahoma Tax Commission		21,340,977	18,758,506
Total general revenues		21,340,977	18,758,506
Other revenues:			
Gain on settlement of interest payable on past awards		—	26,439,920
Interest income		297,565	1,383,659
Total other revenues		297,565	27,823,579
Decrease (increase) in net deficit		(11,531,781)	31,025,125
Net deficit, beginning of year		(113,613,327)	(144,638,452)
Net deficit, end of year	$	(125,145,108)	(113,613,327)

Fund Financial Analysis

MITF's special revenue fund balances at December 31, 2009 and 2008 are reported as follows:

Assets		2009	2008
Cash and cash equivalents	$	10,132,438	7,007,784
Receivable from Oklahoma Tax Commission		4,506,552	4,315,065
Interest receivable		30,375	27,345
Total assets		14,669,365	11,350,194
Liabilities and Fund Balance			
Payable to CompSource Oklahoma		120,078	64,361
Accrued leave obligation		63,776	59,720
Accrued interest payable on past awards		260,000	260,000
Permanent partial orders payable		845,963	503,115
Total liabilities		1,289,817	887,196
Total fund balance		13,379,548	10,462,998
Total liabilities and fund balance	$	14,669,365	11,350,194

MITF's special revenue fund changes in fund balance for the years ended December 31, 2009 and 2008 are reported as follows:

Revenues		2009	2008
Apportionment from Oklahoma Tax Commission	$	21,340,977	18,758,506
Interest income		297,565	1,383,659
Total revenues		21,638,542	20,142,165
Expenditures			
Court awards		14,586,787	17,981,545
Medical and claimant travel		316,629	189,858
Capital outlay		2,800	307,593
Operating, general, and administrative less depreciation		891,047	830,031
Total expenditures		15,797,263	19,309,027
Excess of revenues over expenditures		5,841,279	833,138
Other Financing Sources (Uses)			
Transfers in		—	—
Transfers out		(2,924,729)	(24,051,958)
Reduction in interest on past awards due to unclaimed settlement benefits		—	5,165,540
Total other financing sources (uses)		(2,924,729)	(18,886,418)
Net change in fund balances		2,916,550	(18,053,280)
Fund Balance			
Fund balances, beginning of the year		10,462,998	28,516,278
Fund balances, end of the year	$	13,379,548	10,462,998

MITF's debt service fund deficit at December 31, 2009 and 2008 are reported as follows:

Assets		2009	2008
Total assets	$	—	—
Liabilities and Fund Deficit			
Accrued interest payable		423,984	485,755
Total liabilities		423,984	485,755
Total fund deficit		(423,984)	(485,755)
Total liabilities and fund deficit	$	—	—

MITF's debt service fund changes in fund deficit for the years ended December 31, 2009 and 2008 are reported as follows:

Revenues		2009	2008
Total revenues	$	—	—
Expenditures			
Principal on notes payable		1,135,683	20,770,124
Interest on notes payable		1,727,275	2,960,253
Total expenditures		2,862,958	23,730,377
Excess of revenues under expenditures		(2,862,958)	(23,730,377)
Other Financing Sources			
Transfers in		2,924,729	24,051,958
Transfers out		—	—
Total other financing sources		2,924,729	24,051,958
Net change in fund deficit		61,771	321,581
Fund Deficit			
Fund deficit, beginning of the year		(485,755)	(807,336)
Fund deficit, end of the year	$	(423,984)	(485,755)

Total governmental funds assets at December 31, 2009 of $14.7 million increased $3.3 million from the previous year-end due primarily to the apportionment from the Oklahoma Tax Commission exceeding cash disbursements relating to court awards and notes payable. Total governmental funds assets at December 31, 2008 of $11.4 million decreased $33.7 million from the previous year-end due primarily to payment of an additional $20.0 million on the note payable to CompSource and payment of $10.6 in settlement funds related to the Pilkington litigation. Total governmental funds liabilities at December 31, 2009 of $1.7 million increased $.3 million due to increases in accounts payable and the current portion of permanent partial awards from the prior year. Total governmental funds liabilities at December 31, 2008 of $1.4 million decreased by $15.9 million primarily due to the $15.8 million reduction of the interest payable on past awards from previous year.

The special revenue fund balance for the years 2009 and 2008 was $13.4 million and $10.5 million, respectively. The fund balance increase in 2009 from 2008 of $2.9 million is primarily due to the apportionment from the Oklahoma Tax Commission exceeding cash disbursements relating to court awards and notes payable. The fund balance decrease in 2008 from 2007 of $18.1 million is primarily due to the $20,000,000 paydown of the note payable to CompSource.

The debt service fund deficit for the years 2009 and 2008 was $423,984 and $485,755, respectively. The fluctuations in the deficit reflect the difference between payments made to CompSource on the outstanding liability as discussed in the debt administration section and transfers from the special revenue fund.

CompSource is required by state statute to provide management service as well as act as a payment agent for all nonclaim activities of MITF. Therefore, MITF does not adopt an annual appropriated budget for its special revenue fund.

Debt Administration

At December 31, 2009 and 2008, MITF had $139,110,000 and $124,356,000, respectively, of notes and orders payable. Of this amount, $24,228,000 and $25,363,000 are notes payable to CompSource at December 31, 2009 and 2008, respectively, with the remainder relating to orders payable at a future date.

	2009	2008
Notes payable	$ 24,227,649	$ 25,363,332
Permanent partial orders	1,044,308	580,724
Permanent total orders	113,837,979	98,411,683
Total	$ 139,109,936	$ 124,355,739

At December 31, 2009, MITF's debt payable increased $14,754,000 primarily due to an increase in orders. At December 31, 2008, MITF's debt payable decreased by $27,375,000, from the previous year-end due to additional reduction to notes payable of $20,000,000.

On May 30, 2000, CompSource and MITF entered into a loan agreement to provide payment to five thousand plus disabled Oklahoma workers who had been waiting on permanent partial benefits for nearly six years. This loan of $38 million succeeded in paying delinquent awards and slowing accrued interest, but it did not eliminate the years of debt incurred by MITF as a result of inadequate funding. CompSource advanced an additional $11.2 million in loans through December 31, 2001 because MITF's revenue was insufficient to meet its current obligations. Since that time, the revenue stream of MITF has been sufficient, and no additional loans from CompSource have been required. MITF made a $20.0 million principal payment in 2008.

Contacting MITF's Financial Management

This financial report is designed to provide interested parties with a general overview of MITF's finances and to demonstrate MITF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Multiple Injury Trust Fund, P.O. Box 528801, Oklahoma City, Oklahoma 73152-8801.

HSPG & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Special Counsel
Multiple Injury Trust Fund:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Multiple Injury Trust Fund (MITF), a component unit of the State of Oklahoma as of and for the years ended December 31, 2009 and 2008, which collectively comprise MITF's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MITF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of MITF are intended to present the financial position and the respective changes in financial position of only that portion of the financial reporting entity of the State of Oklahoma that is attributable to the transactions of MITF.

As discussed in Note 7, MITF had a net deficit of approximately $125,145,000 at December 31, 2009 primarily due to court awards exceeding the apportionment of special tax revenue collected.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Multiple Injury Trust Fund, as of December 31, 2009 and 2008, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010, on our consideration of MITF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts and regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

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testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

HSPG & Associates, P.C.

June 28, 2010

MULTIPLE INJURY TRUST FUND

Statements of Net Deficit

December 31, 2009 and 2008

Assets		2009	2008
Cash and cash equivalents	$	10,132,438	7,007,784
Receivable from Oklahoma Tax Commission		4,506,552	4,315,065
Interest receivable		30,375	27,345
Fixed assets net of depreciation		163,301	262,054
Total assets		14,832,666	11,612,248
Liabilities			
Payable to CompSource Oklahoma		120,078	64,361
Accrued leave obligation		63,776	59,720
Accrued interest payable on past awards (See Note 6)		260,000	260,000
Accrued interest payable on notes payable		423,984	485,755
Notes payable:			
Payable within one year		1,261,426	1,135,683
Payable after one year		22,966,223	24,227,649
Permanent partial orders payable:			
Payable within one year		845,963	503,115
Payable after one year		198,345	77,609
Permanent total orders payable:			
Payable within one year		12,670,184	11,520,280
Payable after one year		101,167,795	86,891,403
Total liabilities		139,977,774	125,225,575
Net Deficit			
Total net deficit	$	(125,145,108)	(113,613,327)

See accompanying notes to basic financial statements.

MULTIPLE INJURY TRUST FUND

Statements of Activities

Years ended December 31, 2009 and 2008

		2009	2008
Program expenses:			
Court awarded future payments	$	32,718,777	16,685,945
Reductions of past awards (See Note 5(c))		(2,584,958)	(5,154,665)
Total court awards net of reductions		30,133,819	11,531,280
Medical and claimant travel		316,629	189,858
Interest on notes payable		1,727,275	2,960,253
Operating, general, and administrative		992,600	875,569
Total program expenses		33,170,323	15,556,960
General revenues:			
Apportionment from Oklahoma Tax Commission		21,340,977	18,758,506
Total general revenues		21,340,977	18,758,506
Other revenues:			
Gain on settlement of interest payable on past awards (See Note 6)		—	26,439,920
Interest income		297,565	1,383,659
Total other revenues		297,565	27,823,579
Decrease (increase) in net deficit		(11,531,781)	31,025,125
Net deficit, beginning of the year		(113,613,327)	(144,638,452)
Net deficit, end of the year	$	(125,145,108)	(113,613,327)

See accompanying notes to basic financial statements.

MULTIPLE INJURY TRUST FUND

Balance Sheets
Governmental Funds

December 31, 2009 and 2008

	2009			2008		
Assets	**Special revenue**	**Debt service**	**Total governmental funds**	**Special revenue**	**Debt service**	**Total governmental funds**
Cash and cash equivalents	$ 10,132,438	—	10,132,438	7,007,784	—	7,007,784
Receivable from Oklahoma Tax Commission	4,506,552	—	4,506,552	4,315,065	—	4,315,065
Interest receivable	30,375	—	30,375	27,345	—	27,345
Total assets	14,669,365	—	14,669,365	11,350,194	—	11,350,194
Liabilities and Fund Balance (Deficit)						
Payable to CompSource Oklahoma	120,078	—	120,078	64,361	—	64,361
Accrued leave obligation	63,776	—	63,776	59,720	—	59,720
Accrued interest payable on past awards (See Note 6)	260,000	—	260,000	260,000	—	260,000
Accrued interest payable on notes payable	—	423,984	423,984	—	485,755	485,755
Permanent partial orders payable	845,963	—	845,963	503,115	—	503,115
Total liabilities	1,289,817	423,984	1,713,801	887,196	485,755	1,372,951
Total fund balance (deficit)	13,379,548	(423,984)	12,955,564	10,462,998	(485,755)	9,977,243
Total liabilities and fund balance (deficit)	$ 14,669,365	—	14,669,365	11,350,194	—	11,350,194
Reconciliation:						
Total fund balance (deficit) – governmental funds	13,379,548	(423,984)	12,955,564	10,462,998	(485,755)	9,977,243
Amounts reported for governmental activities in the statements of net deficit are different because:						
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds: Governmental capital assets $ 310,393 Less accumulated depreciation (147,092)	163,301	—	163,301	262,054	—	262,054
Permanent partial and total orders payable after one year are not due and payable in the current period and therefore are not reported in the funds	(101,366,140)	—	(101,366,140)	(86,969,012)	—	(86,969,012)
Notes payable after one year are not due and payable in the current period and therefore are not reported in the funds	—	(22,966,223)	(22,966,223)	—	(24,227,649)	(24,227,649)
Permanent total orders payable within one year will not be paid with current financial resources and therefore are not reported in the funds	(12,670,184)	—	(12,670,184)	(11,520,280)	—	(11,520,280)
Notes payable within one year will not be paid with current financial resources and therefore are not reported in the funds	—	(1,261,426)	(1,261,426)	—	(1,135,683)	(1,135,683)
Net deficit of governmental activities	$ (100,493,475)	(24,651,633)	(125,145,108)	(87,764,240)	(25,849,087)	(113,613,327)

See accompanying notes to basic financial statements.

MULTIPLE INJURY TRUST FUND

Statements of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds

Years ended December 31, 2009 and 2008

	2009			2008		
Revenues	**Special revenue**	**Debt service**	**Total governmental funds**	**Special revenue**	**Debt service**	**Total governmental funds**
Apportionment from Oklahoma Tax Commission	$ 21,340,977	—	21,340,977	18,758,506	—	18,758,506
Interest income	297,565	—	297,565	1,383,659	—	1,383,659
Total revenues	21,638,542	—	21,638,542	20,142,165	—	20,142,165
Expenditures						
Court awards	14,586,787	—	14,586,787	17,981,545	—	17,981,545
Medical and claimant travel	316,629	—	316,629	189,858	—	189,858
Principal on notes payable	—	1,135,683	1,135,683	—	20,770,124	20,770,124
Interest on notes payable	—	1,727,275	1,727,275	—	2,960,253	2,960,253
Capital outlay	2,800	—	2,800	307,593	—	307,593
Operating, general, and administrative less depreciation	891,047	—	891,047	830,031	—	830,031
Total expenditures	15,797,263	2,862,958	18,660,221	19,309,027	23,730,377	43,039,404
Excess of revenues over (under) expenditures	5,841,279	(2,862,958)	2,978,321	833,138	(23,730,377)	(22,897,239)
Other Financing Sources (Uses)						
Transfers in	—	2,924,729	2,924,729	—	24,051,958	24,051,958
Transfers out	(2,924,729)	—	(2,924,729)	(24,051,958)	—	(24,051,958)
Reduction in interest on past awards due to unclaimed settlement benefits (See Note 6)	—	—	—	5,165,540	—	5,165,540
Total other financing sources (uses)	(2,924,729)	2,924,729	—	(18,886,418)	24,051,958	5,165,540
Net change in fund balances (deficit)	2,916,550	61,771	2,978,321	(18,053,280)	321,581	(17,731,699)
Fund Balance (Deficit)						
Fund balances (deficit), beginning of the year	10,462,998	(485,755)	9,977,243	28,516,278	(807,336)	27,708,942
Fund balances (deficit), end of the year	$ 13,379,548	(423,984)	12,955,564	10,462,998	(485,755)	9,977,243

See accompanying notes to basic financial statements.

MULTIPLE INJURY TRUST FUND

Reconciliation of Statements of Revenues,
Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds
to Statements of Activities

Years ended December 31, 2009 and 2008

Amounts reported for governmental activities in the statements of activities are different because:

		2009	2008
Net change in fund balances – total governmental funds	$	2,978,321	(17,731,699)
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays were greater than (less than) depreciation expense.		(98,753)	262,054
Gain on settlement of interest payable on past awards (See Note 6)		—	21,274,380
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net deficit.		1,135,683	20,770,124
Reductions in permanent total orders payable and the long-term portion of permanent partial orders payable are reported as expenditures in governmental funds.		14,586,787	17,981,546
Increases in permanent total orders payable and the long-term portion of permanent partial orders payable are reported as expenses in the statements of activities.		(30,133,819)	(11,531,280)
Change in net deficit of governmental activities	$	(11,531,781)	31,025,125

See accompanying notes to basic financial statements.

MULTIPLE INJURY TRUST FUND
Notes to Basic Financial Statements
December 31, 2009 and 2008

(1) Reporting Entity

In 1943, the Oklahoma Legislature created the Multiple Injury Trust Fund (MITF), formerly the Special Indemnity Fund, with a dual purpose: to encourage the hiring of individuals with a preexisting disability and to protect those employers from liability for the preexisting disability. It does so by carrying the responsibility for a portion of the benefits if the disabled worker suffers a subsequent injury. MITF is a discretely presented governmental fund component unit of the State of Oklahoma, as agreed to by the Office of State Finance and the State Auditor of Oklahoma.

When the workers' compensation court makes an award for benefits, those benefits are based upon the individual's percentage of disability. MITF applies to situations where a physically impaired person suffers an on-the-job injury and those two injuries (or disabilities), in combination, result in a percentage of disability greater than that which would apply if there had been no preexisting disability. In other words, the employer is only liable for the benefits that would have been due for the subsequent injury alone. MITF picks up the remainder of the liability for the combined disability.

Benefits from MITF are not received automatically, but can be obtained by a worker by filing a claim against MITF. In order to make a claim, the combined percentage of disability must be greater than 40% to the body as a whole for injuries occurring prior to November 1, 1999. There are no such thresholds for injuries occurring on or after November 1, 1999. For example, an individual with an existing 25% impairment would have to have more than 15% impairment from the subsequent injury in order to make a claim against MITF.

Although their purposes and sources of funding are distinct, MITF and CompSource Oklahoma (CompSource), formerly the Oklahoma State Insurance Fund, are related. Section 175 of Oklahoma Statute Title 85 gives CompSource responsibility for the "administration and protection" of MITF and provides that CompSource be reimbursed for associated administrative expenses.

(a) Summary of Significant Accounting Policies

The financial statements of MITF have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of MITF's accounting policies are described below.

(b) Basis of Presentation and Accounting

The government-wide financial statements (i.e., the statements of net deficit and the statements of activities) report information on all of the nonfiduciary activities of the government. Taxes and intergovernmental revenues support governmental activities.

The statements of activities demonstrate the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as general revenues. MITF has no program revenues.

Separate financial statements are provided for governmental funds in which major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to long-term claims and judgments, are recorded only when payment is due. Amounts payable in the next current period are recorded as under accrual accounting.

MITF reports the following major governmental funds:

- The special revenue fund is MITF's primary operating fund. It accounts for all financial resources of MITF, except those required to be accounted for in another fund.
- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The majority of monies received by MITF are restricted in accordance with predesignated purposes as to how they can be transferred or used. Such restrictions are disclosed in the accounting policy describing cash accounts. MITF retains full control of all monies to achieve the designated purposes.

(c) Revenue Recognition

Until December 31, 2001, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workers' compensation insurance in the State of Oklahoma was assessed and paid to the Oklahoma Tax Commission (OTC) a sum equal to 2% of the total gross direct premiums written for workers' compensation on risks located in the State of Oklahoma. Also until December 31, 2001, the OTC assessed and collected from employers carrying their own risk, including group self-insurance associations, a temporary assessment at the rate of 4% of the total compensation for permanent total disability awards, permanent partial disability awards, and death benefits paid out during each quarter of the calendar year by the employers and group self-insurance associations.

Effective January 1, 2002, the OTC assesses and collects from each uninsured employer 5% of their total compensation paid for permanent disability and death awards. Also effective January 1, 2002, the Workers' Compensation Court Administrator assesses an amount and the OTC collects such assessments from each mutual or interinsurance association, stock company, CompSource, employers carrying their own risk including group self-insurance associations, and other insurance carriers writing workers' compensation insurance in the State of Oklahoma up to 6% of total direct written premiums for workers' compensation on risks located in this state. The enacted rate schedule since inception of the law is as follows:

Effective Date	Rate
January 1, 2002	6.00%
July 1, 2003	2.95%
July 1, 2004	3.63%
July 1, 2005	3.83%
July 1, 2006	3.46%
July 1, 2007	2.14%
July 1, 2008	2.50%
July 1, 2009	2.60%

A portion of the monies received from premium and loss assessments by the OTC are apportioned to the MITF. Earned apportionments from the OTC are recognized monthly when the amounts due from the OTC are measurable. MITF considers receivables collected by the OTC within 30 days after year-end to be available and recognizes them as revenues of the current year.

(d) Related Parties

CompSource is required by statute to provide management services as well as act as a payment agent for all nonclaim activities of MITF. Fees paid to CompSource for services and operating activities amounted to approximately $882,000 and $816,000 for 2009 and 2008, respectively. The outstanding payable to CompSource for administrative charges at December 31, 2009 and 2008 was approximately $120,000 and $64,000, respectively. The outstanding payroll accrual to CompSource at December 31, 2009 and 2008 was approximately $64,000 and $60,000, respectively.

(e) Income Taxes

As a component unit and an integral part of the State of Oklahoma, the income of the MITF is not subject to federal or state income tax.

(f) Cash Accounts

The various monies received or disbursed are recorded in the following account in accordance with the statutes and intent of how the monies are to be expended:

- **General Operating Account**. This account contains monies received from taxes on all permanent workers' compensation orders for payments of claims from MITF. Monies may only be expended for claim payments, personnel payroll, and operating expenses, as directed by statute.

(g) Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash with an original maturity of three months or less when purchased.

(h) Compensated Absences

The liability and expense incurred for employee paid time off are recorded as accrued leave obligation in the statements of net deficit, and as a component of operating, general, and administrative expenses in the statements of activities.

(2) Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheets include a reconciliation between total fund balance-governmental funds and net deficit of governmental activities as reported in the government-wide statements of net deficit. Elements of that reconciliation explain that "certain liabilities are not due and payable in the current period or will not be paid with current financial resources and therefore are not reported in the funds." The details are as follows for the years ended December 31:

		2009	2008
Fixed assets net of depreciation	$	163,301	262,054
Permanent partial orders payable after one year		(198,345)	(77,609)
Permanent total orders payable		(113,837,979)	(98,411,683)
Notes payable		(24,227,649)	(25,363,332)
Net adjustment to decrease fund balance – total governmental funds to arrive at net deficit of governmental activities	$	(138,100,672)	(123,590,570)

(3) Cash and Cash Equivalents

All cash and cash equivalents are on deposit with the State Treasurer's office. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. Restrictions by state statute of cash balances by cash account are as follows:

- **General Operating Account.** The cash balance remaining at December 31, 2009 and 2008 of approximately $10,132,000 and $7,008,000, respectively, represents the excess of cash receipts over disbursements and is carried forward to the next fiscal year.

(4) Fixed Assets

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31:

		2009	2008
Internally developed software	$	269,217	269,217
Data processing equipment		41,176	38,375
Less accumulated depreciation		(147,092)	(45,538)
	$	163,301	262,054

(5) Long-Term Obligations

(a) Orders Payable

At December 31, 2009 and 2008, MITF was indebted to claimants for court awarded judgments. Only those judgments currently in arrears bear interest. The rate, set by statute, is the treasury bill rate plus 4% to be updated annually.

Principal payments required under the court awarded judgments as recorded in the statements of net deficit at December 31, 2009 and 2008 are as follows:

		2009	2008
Awarded future payments due within one year	$	13,516,147	12,023,395
Awarded future payments due after one year		101,366,140	86,969,012
Total awarded future payments	$	114,882,287	98,992,407

The principal allocated by year cannot be determined as amounts paid are contingent on amounts collected from the OTC. The long-term payments have not been discounted to present value.

Principal payments on permanent partial orders payable within one year required under the court awarded judgments as recorded in the statements of net deficit of the government-wide financial statements and the balance sheets of the governmental funds statements at December 31, 2009 and 2008 are $845,963 and $503,115, respectively. Court awarded judgments of $114,036,324 and $98,489,292 at December 31, 2009 and 2008, respectively, are not recorded in the balance sheets of the fund financial statements as these liabilities will not be paid with current financial resources or are not due and payable in the current period.

(b) Notes Payable

At December 31, 2009 and 2008, notes payable amounted to $24,227,649 and $25,363,332, respectively. The notes were entered into to satisfy delinquent permanent partial disability awards and simple interest due on such awards owed by MITF. The notes bear interest at 7% and are payable over 30 years in quarterly installments. The loans are secured by MITF revenues, any equity or other interest of the State of Oklahoma, and any amounts appropriated or otherwise available to MITF. In addition, $6,000,000 advanced in 2001 is also secured by any underlying claims paid by virtue of the notes including, but not limited to, any special priority, right to interest, or enforcement mechanism available. Advances from CompSource were made as permitted by Section 138(B) of State of Oklahoma Title 85.

Annual debt service requirements to maturity are as follows:

Year ending December 31:		Principal	Interest	Total
2010	$	1,261,426	1,663,302	2,924,728
2011		1,352,071	1,572,657	2,924,728
2012		1,449,230	1,475,498	2,924,728
2013		1,553,370	1,371,358	2,924,728
2014		1,664,994	1,259,734	2,924,728
2015-2019		10,301,128	4,322,511	14,623,639
2020-2022		6,645,430	655,423	7,300,853
	$	24,227,649	12,320,483	36,548,132

At December 31, 2009 and 2008, unpaid accrued interest on notes payable totaled approximately $424,000 and $486,000, respectively. In 2008 MITF made an additional payment reducing the loan principal by approximately $20,000,000.

(c) Changes in Long-Term Obligations

Long-term obligation activity for the year ended December 31, 2009 was as follows:

		Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
Awarded future payments	$	98,992,407	32,718,777	(16,828,897)	114,882,287	13,516,147
Notes payable		25,363,332	—	(1,135,683)	24,227,649	1,261,426
	$	124,355,739	32,718,777	(17,964,580)	139,109,936	14,777,573

Long-term obligation activity for the year ended December 31, 2008 was as follows:

		Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
Awarded future payments	$	105,297,628	16,685,945	(22,991,166)	98,992,407	12,023,395
Notes payable		46,133,456	—	(20,770,124)	25,363,332	1,135,683
	$	151,431,084	16,685,945	(43,761,290)	124,355,739	13,159,078

Reductions of awarded future payments of approximately $17 million and $23 million, respectively, for the years ended December 31, 2009 and 2008 include approximately $3 million and $5 million, respectively, in reductions from settlements, abatements and adjustments related to section 172E of Oklahoma Statute Title 85 which requires MITF to delay the start of benefit payments to certain claimants.

(6) Accrued Interest Payable on Past Awards

Accrued interest on past awards represents interest payable to members of a class action lawsuit (*Dean Pilkington, et al., v. Special Indemnity Fund*) originally recorded by MITF in 2001. On February 27, 2001, the Oklahoma Supreme Court denied the MITF Petition for Certiorari in the case of *Dean Pilkington, et al., v. Special Indemnity Fund* ("Pilkington"). The claimant was seeking penalty interest against MITF on all awards of the Workers Compensation Court that were unpaid, not fully paid, or paid late to claimants from January 1, 1987 until May 9, 1996. The effect of the denial was the awarding of approximately \$25,000,000 in compound interest as of December 31, 2001 plus additional annual, court determined, interest on the award to the class of persons with delinquent permanent partial awards. The amount payable at December 31, 2009 and 2008 totaled \$260,000.

Settlement of *Dean Pilkington, et al., v. Special Indemnity Fund*:

On April 28, 2008, the Workers' Compensation Court of the State of Oklahoma acknowledged a settlement agreement entered into by the parties of the Pilkington case. The terms of the settlement required MITF, in 2008, to pay approximately \$16,015,000 in claims to members of the class action, attorney fees and administrative costs. The settlement required qualified claimants to file a claim no later than September 1, 2008 to receive payment. Any unclaimed settlement amounts would revert back to MITF. At December 31, 2008 MITF had paid out approximately \$10,600,000 in settlement funds representing all qualified claims, attorney fees and administrative costs to date. Additional claims totaling approximately \$260,000 remain outstanding at December 31, 2009 and 2008 pending further consideration by the Workers' Compensation Court. As a result, MITF recorded a gain in the government-wide statement of activities of approximately \$26.4 million, for the year ended December 31, 2008.

At December 31, 2007, MITF had recorded \$16,015,000 as a liability and expenditure in the governmental fund financial statements since payment of the settlement funds would be made in 2008 using current resources. During the year ended December 31, 2008, MITF recorded in the governmental fund financial statements, as other financing sources, a reduction in interest on past awards due to unclaimed settlement benefits totaling approximately \$5.2 million.

(7) Net Deficit

At December 31, 2009 and 2008, MITF had a net deficit of approximately \$125,145,000 and \$113,613,000, respectively, primarily due to court awards exceeding the apportionment of special tax revenue collected. Currently, MITF pays all awards for permanent partial and permanent total claims immediately when they become due. However, cash and cash equivalents at December 31, 2009 and 2008 are not sufficient to pay all current and non-current liabilities.

The Senate Bill was signed by the Governor of Oklahoma on May 26, 2000. The Senate Bill provided additional sources of funding to satisfy the permanent partial disability awards plus simple interest on awards in arrears. Such sources are participation in any dividends paid by CompSource to state agencies, loans from CompSource, additional fees from insurance carriers underwriting workers' compensation insurance, and employers underwriting their own risk including group self-insurance associations.

Until December 31, 2001, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workers' compensation insurance in this state paid to the OTC a sum equal to 2% of the total gross direct premiums written for workers' compensation on risks located in the State of Oklahoma. The OTC also assessed and collected from employers carrying their own risk, including group self-insurance associations, a temporary assessment at the rate of 4% of the total compensation for permanent total disability awards, permanent partial disability awards, and death benefits paid out during each quarter of the calendar year by the employers and group self-insurance associations. The 4% special tax against claimants and employers on all permanent disability awards was eliminated. In 2002, under House Bill 1003, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workers' compensation insurance in this state, and each employer carrying its own risk, including each group self-insurance association, was assessed an amount up to 6% of the written premiums total for workers' compensation on risks located in this state. If the maximum assessment does not provide in any one year an amount sufficient to make all necessary payments for obligations of MITF, the unpaid portion shall be paid as soon thereafter as funds become available. Effective July 1, 2003, the MITF tax was decreased from 6% to 2.95%. Effective July 1, 2004, the tax was increased to 3.63%. Effective July 1, 2005, the tax was increased to 3.83%. Effective July 1, 2006, the tax was decreased to 3.46%. Effective July 1, 2007, the tax was decreased to 2.14%. Effective July 1, 2008, the tax was increased to 2.5%. Effective July 1, 2009, the tax was increased to 2.6%.

Per the 2000 legislative session, liability for permanent total disability from a combination of injuries was shifted from MITF back to the claimant's last employer for subsequent injuries sustained after May 31, 2000. Legislature changed this law in 2005. Liability for permanent total disability awards was shifted back to the MITF for subsequent injuries occurring after October 31, 2005. Benefits were increased from a five-year minimum to a fifteen-year minimum, and survivor benefits were created.

(8) Interfund Transfers

Interfund transfers for the year ended December 31, 2009 consisted of the following:

	Transfer from		
	Special revenue	**Debt service**	**Total**
Transfer to:			
Debt service	$ 2,924,729	—	2,924,729
Total	$ 2,924,729	—	2,924,729

Interfund transfers for the year ended December 31, 2008 consisted of the following:

	Transfer from		
	Special revenue	**Debt service**	**Total**
Transfer to:			
Debt service	$ 24,051,958	—	24,051,958
Total	$ 24,051,958	—	24,051,958

Transfers are used to: (1) move note proceeds from the debt service fund to the fund required to expend them and (2) move receipts for debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

(9) Contingencies

MITF is currently involved in a legal case, *Cellino et al. v. MITF*, which is a companion case to Pilkington involving the same or similar issues asserted by a distinct group of claimants who were not part of the Pilkington class. The case has been dismissed in the early stages of litigation. An appeal by the claimants has resulted and the argument has been moved to be reset. Management is defending the case based on the likelihood of a favorable outcome. Although it is not possible to predict the outcome of the pending litigation, management believes that the pending actions will not have a material adverse effect upon the revenue, net assets or financial condition of MITF. Consequently, management has not provided for any amounts in the financial statements.

Additionally, MITF is a defendant in various litigation. Although the outcome of these matters is not presently determinable, in the opinion of MITF's management, the resolution of these matters will not have a material effect on the financial position of MITF.

(10) Subsequent Events

There were no subsequent events through June 28, 2010, which is the date the financial statements were available to be issued, requiring recording or disclosure in the financial statements for the year ended December 31, 2009.

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HSPG & Associates, PC
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Special Counsel
Multiple Injury Trust fund:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Multiple Injury Trust Fund (MITF), a component unit of the State of Oklahoma, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 28, 2010, which includes explanatory paragraphs regarding Management's Discussion and Analysis, a paragraph emphasizing the accumulated fund deficit, and a paragraph stating that the financial statements are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Oklahoma attributable to the transactions of MITF. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MITF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MITF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MITF's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MITF's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles ("GAAP") such that there is more than a remote likelihood that a misstatement of MITF's financial statements that is more than inconsequential will not be prevented or detected by MITF's internal control. We consider the findings described below to be significant deficiencies in internal control over financial reporting.

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Finding #1 – MITF improperly recorded the liability of four court awards in fiscal year 2009 that were awarded by the court in fiscal years 2007 and 2008. This resulted in the overstatement of expenses in fiscal year 2009 and the understatement of liabilities in the year the court awarded the claimant benefits. Internal control procedures were not in place to properly record the liability for court awarded modifications made to a settlement in the proper period.

Finding #2 – MITF does not maintain a GAAP based accounting ledger or system of accounts. Operational data is maintained primarily on a cash basis throughout the year. At each year end, a reconciliation of cash based data with accrual based information is prepared for GAAP financial reporting purposes. This reconciliation does not completely identify the GAAP based financial position or changes thereof.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MITF's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that finding #2 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MITF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governor, the State of Oklahoma, and the State Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

HSPG & Associates, P.C.

June 28, 2010