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MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS'  
COMPENSATION TRUST

JACKSON, MISSISSIPPI

FINANCIAL REPORT

JUNE 30, 2015

HARPER, RAINS, KNIGHT & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
RIDGELAND, MISSISSIPPI

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## HARPER, RAINS, KNIGHT & COMPANY

The Board of Trustees  
Mississippi State Agencies  
Self-Insured Workers' Compensation Trust  
Jackson, Mississippi

### Independent Auditors' Report

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Mississippi State Agencies Self-Insured Workers' Compensation Trust ("Trust"), a component unit of the State of Mississippi, as of and for years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express opinions 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design

The Board of Trustees  
Mississippi State Agencies  
Self-Insured Workers' Compensation Trust - Continued

**Auditors' Responsibility - continued**

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mississippi State Agencies Self-Insured Workers' Compensation Trust as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and loss development information and related notes on pages 5-7 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Trustees  
Mississippi State Agencies  
Self-Insured Workers' Compensation Trust - Continued

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 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* in considering the Trust's internal control over financial reporting and compliance.

*Harper, Baum, Knight & Company, P.A.*

December 18, 2015

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial performance of the Mississippi State Agencies Self-Insured Workers' Compensation Trust for the fiscal year ended June 30, 2015. Since Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, we encourage readers to consider the information presented here in conjunction with the Trust's basic financial statements.

Highlights

- Total liabilities for the Trust at year end were \$50,773,562, which was a decrease of \$1,640,351, or 3%, from the prior fiscal year. Current liabilities were \$14,308,195, an increase of \$246,471 over the 2014 amount. The long-term portion of estimated claim liabilities decreased \$1,898,000, or 5%, to \$35,477,000 at June 30, 2015.
- Total assets for the Trust at year end were \$50,773,562, which was a decrease of \$1,640,351 from the prior fiscal year. The unrestricted fund net position is reported as zero on the 2015 and 2014 balance sheets, respectively. This is a result of the Trust recording a premium deficiency receivable of \$18,099,188 as of 2015 and \$19,655,707 as of 2014, as required by Governmental Accounting Standards Board Statement No. 30. This adjustment is required for risk financing internal service funds when their charges to participating entities are not sufficient to cover the full cost of claims over a reasonable period of time.
- Total operating expenses increased \$646,641 or 5% which relates almost exclusively to an increase in net paid and incurred claims from the prior fiscal year.
- Operating revenue increased \$646,641, which relates to a decrease in the premium deficiency receivable in an amount less than the prior year, which was offset by a decrease in contributions and an increase in realized and unrealized losses.
- The premium deficiency receivable decreased \$1,566,519 for the current fiscal year and is reported as a premium deficiency decrease in the operating revenues of the Trust.

Overview of Financial Statements

In accordance with the Governmental Accounting Standards Board Statement 34 (GASB 34), there are three components to the basic financial statements: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

Government-Wide Financial Statements

The Trust is classified as an internal service fund and therefore utilizes the accrual basis of accounting. Due to the fact that the Trust is a component unit of the State of Mississippi, government-wide statements are not included here but instead will be included in the State of Mississippi's basic financial statements.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Fund Financial Statements

As a component unit of the State of Mississippi, the Trust only presents fund financial statements. The financial statements of the Trust include Statements of Net Position, Statements of Revenues, Expenses and Changes in Fund Net Position, and Statements of Cash Flows. The Statements of Net Position summarize and describes the assets, liabilities, and financial condition of the Trust. The Statements of Revenues, Expenses and Changes in Fund Net Position provide fiscal year totals for the revenues, expenses, and resulting changes in net assets experienced by the Trust. The Statements of Cash Flows summarize the receipts, payments, and transfers by category (operating, investing, financing, and non-capital financing) in and out of the Trust. Each of these three statements is presented to reflect the current financial status and the results of operations of the Trust as of and for the years ended June 30, 2015 and 2014.

Overall Financial Position Analysis/Balances and Transactions Analysis

The Trust's assets consist primarily of investments in high quality, United States Government securities, generated from the collection of workers' compensation insurance premiums from participating State agencies, net of claims and other cash expenditures, as well as reinvested interest earnings. The Trust's liabilities represent primarily the actuarial estimation of expected claims and claims adjustment expenses, adjusted by a 4% present value discount. Unrestricted net position represents amounts receivable from participating agencies in an amount equal to the fund net deficit for each year that a deficit exists. Premiums deficiency receivable may be used to provide for deviations between the actuary's estimates of future claims and the Trust's actual claims experience and to prevent and/or reduce the likelihood of future deficit assessments. Premium deficiency receivable may be funded from assessments of the participating agencies over a reasonable amount of time. During 2015, the premium deficiency receivable decreased \$1.56 million from the 2014 reported balance of \$19.7 million due to a decrease in administrative expenses and claim liabilities.

The premium discount approved by the board of trustees was 15% and 10% in 2015 and 2014, respectively. Operating expenses increased for the period ended June 30, 2015, the result of an increase in the change in claims paid. Premium amounts are actuarially determined annually and are subject to moderate fluctuation. The claims and claims adjustment expenses likewise fluctuate from year to year, affected to some degree by large claims settlements, the timing of which is somewhat unpredictable.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Currently Known Facts

Senate Bill 2066, as passed by the Mississippi Legislature during the second extraordinary session in 2005, mandated a transfer in the amount of \$2.3 million from the Trust to the State of Mississippi's Budget Contingency Fund, which was made in June 2006 (fiscal year 2006). Similar to the approximately \$2.7 million transfer made in fiscal year 2005, this action placed additional pressure on premium determinations and possibly limited interest earnings and investment options. Expected claims experience will continue to be actuarially determined, with no assurances that amounts will increase, decrease, or remain the same. Effective July 1, 2004, the Trust was exempted by statute from mandatory membership in the Mississippi Self-Insured Workers' Compensation Guaranty Association. As a result, the Trust is immune from any further liability arising from assessments by the Association due to deficits occurring from and after July 1, 2004. Other than the continued inflationary trends in medical costs and litigation expenses recently experienced in the workers' compensation arena, the Trust is not aware of any other known facts that might materially impact its financial position and these financial statements.

Senate Bill 2849 took effect during fiscal year 2006, which exempts certain state agencies, including the Trust, from funding incurred but not reported claims. The bill allows the Trust the option to establish and maintain reserves. The Trust is currently electing to fund such reserves for only the reported claims and will likely continue to do so in future years.

Financial Contact

The Trust's financial statements are designed to present users with a general overview of its finances and to demonstrate its accountability. If you have any questions about the report or need additional information, contact the Administrator, Mississippi State Agencies Self-Insured Workers' Compensation Trust, Post Office Box 24208, Jackson, Mississippi 39225-4208.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 6,308,901	\$ 6,923,651
Funds held by others	1,029,204	339,857
Investments	24,835,313	24,733,263
Assessments receivable	228,030	554,287
Accrued interest receivable	160,989	119,723
Other assets	<u>111,937</u>	<u>87,425</u>
Total current assets	32,674,374	32,758,206
 Premium deficiency receivable	 <u>18,099,188</u>	 <u>19,655,707</u>
 Total assets	 <u>\$ 50,773,562</u>	 <u>\$ 52,413,913</u>

LIABILITIES AND NET POSITION

Current liabilities		
Estimated liability for claims and claim adjustment expenses, net - current portion	\$ 12,800,000	\$ 12,900,000
Return contributions due	1,045,934	715,353
Accrued expenses:		
State workers' compensation assessments - current portion	334,925	335,531
Administrative fees and other	<u>127,336</u>	<u>110,840</u>
Total current liabilities	<u>14,308,195</u>	<u>14,061,724</u>
Long-term liabilities		
Estimated liability for claims and claim adjustment expenses, net - long-term	35,477,000	37,375,000
State workers' compensation assessments - long-term	<u>988,367</u>	<u>977,189</u>
	<u>36,465,367</u>	<u>38,352,189</u>
 Total liabilities	 50,773,562	 52,413,913
 Fund net position - unrestricted	 <u>-</u>	 <u>-</u>
 Total liabilities and fund net position	 <u>\$ 50,773,562</u>	 <u>\$ 52,413,913</u>

The Notes to Financial Statements are an integral part of these statements.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Earned contributions, net of reinsurance premiums	\$ 14,751,770	\$ 16,538,618
Funds reimbursed by others	-	1,194,803
Premium deficiency decrease	(1,556,519)	(5,195,544)
Interest income	786,177	679,198
Realized and unrealized losses on investments	<u>(271,815)</u>	<u>(154,103)</u>
Total operating revenue	<u>13,709,613</u>	<u>13,062,972</u>
Operating expenses:		
Claims paid and incurred, net of reinsurance recoveries	12,456,892	11,807,498
Administrative fees	798,000	798,000
Workers' Compensation Commission assessments	202,857	183,266
Risk control fees	51,375	21,098
Reimbursements to State of Mississippi for:		
Allocated expenses	171,210	212,892
Actuarial fees	(3,040)	10,705
Accounting and legal	12,845	15,396
Other	<u>19,474</u>	<u>14,117</u>
Total operating expenses	<u>13,709,613</u>	<u>13,062,972</u>
Operating gain	<u>-</u>	<u>-</u>
Transfers	<u>-</u>	<u>-</u>
Change in fund net position	-	-
Fund net position - unrestricted, beginning	<u>-</u>	<u>-</u>
Fund net position - unrestricted, ending	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from participating agencies	\$ 15,408,608	\$ 14,715,103
Receipts from reinsurance recoveries	-	308,228
Receipts of interest on investments	744,911	690,515
Receipt of amounts held by others	-	1,194,803
Payments for claims	(14,454,892)	(13,337,726)
Transfers to claims administrator in excess (shortage) of claims	(689,347)	660,019
Payments to suppliers for services	(1,025,165)	(1,019,337)
Payments for interfund services	<u>(225,000)</u>	<u>(235,000)</u>
Net cash provided by (used in) operating activities	<u>(240,885)</u>	<u>2,976,605</u>
Cash flows from investing activities:		
Investments acquired	(17,733,547)	(11,227,094)
Proceeds from investments sold or called	<u>17,359,682</u>	<u>10,662,608</u>
Net cash used by investing activities	<u>(373,865)</u>	<u>(564,486)</u>
Increase (decrease) in cash and cash equivalents	(614,750)	2,412,119
Cash and cash equivalents, beginning	<u>6,923,651</u>	<u>4,511,532</u>
Cash and cash equivalents, ending	<u>\$ 6,308,901</u>	<u>\$ 6,923,651</u>

The Notes to Financial Statements are an integral part of these statements.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

STATEMENTS OF CASH FLOWS - Continued  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating gain to net cash provided by (used in) operating activities:		
Operating gain	\$ -	\$ -
Adjustments to reconcile operating gain to net cash provided by (used in) operating activities:		
Realized and unrealized investment losses	271,815	154,103
Net effect of changes in assets and liabilities:		
Estimated liability for claims and claim adjustment expenses	(1,998,000)	(1,222,000)
Change in funds held by others	(689,347)	660,019
Accrued interest receivable	(41,266)	11,318
Assessments receivable	326,257	(205,298)
Premium deficiency receivable	1,556,519	5,195,544
Advanced premiums	-	(1,520,085)
Other assets	(24,512)	(22,108)
Return contributions due	330,581	(98,132)
Accrued expenses	<u>27,068</u>	<u>23,244</u>
Net cash provided by (used in) operating activities	<u>\$ (240,885)</u>	<u>\$ 2,976,605</u>

The Notes to Financial Statements are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by Mississippi State Agencies Self-Insured Workers' Compensation Trust ("Trust") in preparing the accompanying basic financial statements are set forth below.

#### Organization and Operations

The Trust was established July 1, 1990 by the State of Mississippi as a group workers' compensation self-insurance trust for qualifying state agencies. The Trust administers the Mississippi State Agencies Self-Insured Workers' Compensation Pool ("Pool"). As of June 30, 2015, 105 agencies of the State of Mississippi are participants in the Pool.

#### Basis of Presentation

Financial reporting standards for state and local governments require that financial reports include management's discussion and analysis, basic financial statements and required supplementary information. Basic financial statements include government-wide financial statements, fund financial statements and notes to the financial statements.

As a component unit of the State of Mississippi, the Trust only presents fund financial statements. Equity is classified into three categories: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Interest income and net increase in the fair value of investments, which are normally classified as non-operating revenue in most proprietary funds, are classified as operating revenue since these transactions are an integral part of the Trust's ongoing operations. In addition, interest income from investments in debt securities is classified as cash flows from operations rather than cash flows from investing activities.

#### Accounting Method and Measurement Focus

The Trust uses the flow of economic resources measurement focus and maintains its accounting records under the accrual basis of accounting as required by accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The Trust applies all applicable accounting and financial reporting standards of the Accounting Standards Codification.

The operations of the Trust are in accordance with the Trust Agreement between the State of Mississippi and the board of trustees of the Trust and the rules and regulations of the Trust as adopted by the board of trustees. Each participating agency pays an annual contribution determined by the board of trustees for the workers' compensation coverage provided by the Trust. The Trust pays all workers' compensation benefits, which each participating agency incurs under the Workers' Compensation Law of the State of Mississippi. Any funds in excess of the amount necessary to fund all obligations for

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Method and Measurement Focus - continued

a fund year may be refunded to the participating agencies at the discretion of the board of trustees with the approval of the State of Mississippi Workers' Compensation Commission ("MWCC"). A deficiency of Trust assets for a particular fund year may be funded from surplus from previous fund years, administrative funds or from assessments of the participating agencies.

Revenue Recognition

Participating agencies pay annual contributions to obtain workers' compensation coverage for each fiscal year ending June 30. The participant's coverage is continuous until cancelled. Workers' Compensation contributions are actuarially determined and are adjusted using an experience modifier based upon each participant's loss experience. Contribution revenue is recognized over the period of policy coverage which is a one year period which coincides with the Trust's fiscal year. The Trust considers anticipated investment income in determining if a contribution deficiency exists. Pursuant to GASB Statement No. 30 in regard to premium deficiencies, the Trust records a receivable from the participating agencies when a fund deficit will not be recovered from contributions charged to the participants over a reasonable period of time. The Trust recorded a premium deficiency decrease of \$1,566,519 in 2015 and of \$5,195,544 in 2014.

Interfund Transactions

Interfund transactions represent transactions with a fund outside of the Trust. Interfund transactions are reflected as contribution revenue, services provided, reimbursements, or transfers. Contributions received from participating agencies are treated as revenue. Services provided are treated as expenses, such as expenses allocated by the Department of Finance and Administration to the Trust. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related payable as a reimbursement. All other interfund transactions are treated as transfers.

Estimated Liability for Claims and Claim Adjustment Expenses

The estimated liability for claims is actuarially determined based on the ultimate cost of settling claims and includes the effects of inflation and other societal and economic factors.

Allocated claim adjustment expenses are included in the estimated liability for claims by the Trust's claims administrator and its actuary. Unallocated claim adjustment expenses are not accrued in the accompanying financial statements as the majority of these expenses are incurred as a percentage of premiums regardless of the claims activities of the Trust.

The estimated liability for claims is presented net of estimated reinsurance recoverables (as disclosed in Note 6) on a discounted basis. The Trust's actuary used a discount rate of

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimated Liability for Claims and Claim Adjustment Expenses- continued

4 percent in computing the present value of claims liabilities for the years ended June 30, 2015 and 2014. The discount applied to the gross liability was \$6,928,000 and \$6,951,000 at June 30, 2015 and 2014, respectively.

The estimated liability for claims is comprised of the following components:

Incurred but Unpaid Claims

Incurred but unpaid claims represent claims due and an estimate of the remaining cost of reported claims. Incurred but unpaid claims before adjustment to present value were approximately \$24,925,000 at June 30, 2015 and \$25,316,000 at June 30, 2014.

Incurred but Not Reported Claims

Incurred but not reported claims represent estimated claims incurred that have not yet been reported to the Trust. The incurred but not reported claim reserve was estimated by the Trust's actuary based on pertinent loss development factors, in accordance with accepted actuarial principles. Incurred but not reported claims before adjustment for present value were \$30,280,000 at June 30, 2015 and \$31,910,000 at June 30, 2014.

Income Taxes

The Trust is exempt from income tax under Section 115 of the Internal Revenue Code.

Investments

Investments are stated at fair value determined by quoted market prices.

The Trust's investments are invested under the direction of a money manager. The Trust is authorized by Section 27-105-33 of the Mississippi Code of 1972 to invest in (1) certificates of deposit or interest-bearing accounts of qualified state depositories, (2) United States Treasury obligations, (3) United States Government agency instrumentality or sponsored enterprise obligations which are fully guaranteed by the government of the United States, its agencies or a sponsored enterprise, or (4) direct security repurchase agreements and reverse direct security repurchase agreements of those United States Treasury or government agency securities enumerated above.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of less than three months. Cash balances include cash in banks, cash on deposit with the Treasurer of the State of Mississippi and money market mutual funds.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - continued

The money market mutual funds of \$377,808 and \$58,601 as of June 30, 2015 and 2014, respectively, were held in uncollateralized custodial accounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in determining the estimated liability for claims including reinsurance recoverable on unpaid claims, the liability for state workers' compensation assessments and the allocation of administrative and other expenses from the State of Mississippi Department of Finance and Administration. It is at least reasonably possible that the significant estimates used will change within the next year.

Credit Risk

Financial instruments that are subject to credit risk are principally investments and cash and cash equivalents. The Trust invests primarily in United States Government securities and securities guaranteed by the United States Government and its agencies. Cash balances are primarily held by the Treasurer of the State of Mississippi.

Uncertainty

Established by the State of Mississippi, the operations of the Trust are subject to state laws and regulations which are subject to change by an act of the Mississippi Legislature.

Subsequent Events

Subsequent events were evaluated by the Trust through December 18, 2015, which is the date the financial statements were available to be issued.

(2) INVESTMENTS

All securities held by the Trust are held in uncollateralized custodial accounts.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. One of the ways that the Trust manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

(2) INVESTMENTS - Continued

These investments do not have terms such as call options or variable interest rate features which cause their fair value to be highly sensitive to interest rate changes. The Trust invests in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

As of June 30, 2015 and 2014, the Trust held no corporate bonds.

As of June 30, 2015, the Trust had the following investments:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>U. S. Government:</u>				
U. S. Treasury Note	\$ 2,761,217 ✓	\$ 2,604,875 ✓	5.125%	May 15, 2016 •
	<u>2,761,217</u>	<u>2,604,875</u>		
		✓		
		(156,342)		
<u>Agencies of U. S. Government:</u>				
Housing and Urban Development	250,000 ✓	251,925 ✓	1.220%	August 1, 2016
Housing and Urban Development	159,849 ✓	156,312 ✓	4.480%	August 1, 2016
Housing and Urban Development	303,843 ✓	304,074 ✓	1.540%	August 1, 2017
Housing and Urban Development	277,260 ✓	276,175 ✓	4.620%	August 1, 2018
Small Business Administration	15,061 ✓	15,195 ✓	5.100%	January 1, 2016 ✓
Small Business Administration	31,707 ✓	(134) 32,279 ✓	5.190%	January 1, 2017
Small Business Administration	96,234 ✓	93,864 ✓	6.600%	November 1, 2017
Small Business Administration	37,486 ✓	36,026 ✓	5.120%	November 1, 2017
Small Business Administration	114,221 ✓	111,396 ✓	6.000%	September 1, 2018
Small Business Administration	29,471 ✓	29,377 ✓	5.500%	October 1, 2018
Small Business Administration	39,216 ✓	39,339 ✓	5.800%	December 1, 2018
Small Business Administration	96,630 ✓	96,307 ✓	3.880%	March 1, 2019
Small Business Administration	106,163 ✓	108,734 ✓	3.310%	May 1, 2019
Small Business Administration	47,494 ✓	48,295 ✓	6.800%	June 1, 2019
Small Business Administration	361,290 ✓	360,214 ✓	3.190%	June 1, 2019
Small Business Administration	155,315 ✓	151,929 ✓	7.300%	June 1, 2019
Small Business Administration	32,324 ✓	32,435 ✓	7.060%	November 1, 2019
Small Business Administration	231,058 ✓	225,972 ✓	2.860%	March 1, 2020
Small Business Administration	48,772 ✓	44,549 ✓	7.630%	June 9, 2020
Small Business Administration	45,567 ✓	44,350 ✓	7.220%	November 1, 2020
Small Business Administration	572,023 ✓	569,620 ✓	6.340%	March 1, 2021

## (2) INVESTMENTS - Continued

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of				
U. S. Government - continued:				
Small Business Administration	\$ 429,196 ✓	\$ 431,649 ✓	2.877%	September 1, 2021
Small Business Administration	574,097 ✓	575,459 ✓	2.766%	March 10, 2022
Small Business Administration	241,179 ✓	237,298 ✓	1.240%	May 1, 2022
Small Business Administration	149,447 ✓	144,790 ✓	5.310%	August 1, 2022
Small Business Administration	453,784 ✓	450,330 ✓	2.245%	September 10, 2022
Small Business Administration	320,650 ✓	317,319 ✓	1.010%	November 1, 2022
Small Business Administration	385,460 ✓	382,241 ✓	1.110%	January 1, 2023
Small Business Administration	608,531 ✓	608,192 ✓	2.351%	March 10, 2023
Small Business Administration	729,503 ✓	725,950 ✓	1.100%	May 1, 2023
Small Business Administration	661,601 ✓	663,864 ✓	3.644%	September 10, 2023
Small Business Administration	389,425 ✓	388,576 ✓	1.880%	November 1, 2023
Small Business Administration	330,442 ✓	332,478 ✓	2.140%	January 1, 2024
Small Business Administration	638,342 ✓	636,285 ✓	3.191%	March 10, 2024
Small Business Administration	558,017 ✓	550,632 ✓	5.180%	May 1, 2024
Small Business Administration	248,601 ✓	247,757 ✓	1.980%	May 1, 2024
Small Business Administration	520,919 ✓	517,976 ✓	2.030%	November 1, 2024
Small Business Administration	614,092	617,995 ✓	3.015%	September 10, 2024
Federal National Mortgage Association	88,840 ✓	86,888 ✓	4.849%	November 1, 2015 •
Federal National Mortgage Association Pool	450,563 (1,952)	447,822 ✓	2.680%	January 1, 2016 •
Federal National Mortgage Association Pool	415,000 (2,941)	424,144 ✓	2.680%	January 1, 2016 •
Federal Home Loan Mortgage Corporation	27,861 ✓ 10,144	28,726 ✓	5.500%	February 2, 2018
Federal National Mortgage Association	221,169 ✓	237,884 ✓	4.940%	May 1, 2019
Federal National Mortgage Association	165,868 ✓	173,236 ✓	4.879%	July 1, 2019
Federal National Mortgage Association	165,612 ✓	175,012 ✓	4.639%	October 1, 2019
Federal National Mortgage Association	202,960 ✓	217,117 ✓	4.377%	November 1, 2019
Federal National Mortgage Association	316,501 ✓	333,766 ✓	4.601%	April 1, 2020
Federal National Mortgage Association	133,621 ✓	137,636 ✓	4.331%	June 1, 2020
Federal National Mortgage Association	277,942 ✓	269,742 ✓	3.330%	October 1, 2020

## (2) INVESTMENTS - Continued

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>U. S. Government - continued:</u>				
Federal National Mortgage Association	\$ 338,207 ✓	\$ 339,294 ✓	3.500%	November 1, 2021
Federal Home Loan Mortgage Corporation	77,281 ✓	77,142 ✓	3.500%	April 1, 2021
Federal Home Loan Mortgage Corporation	105,596 ✓	105,406 ✓	3.500%	April 1, 2021
Federal National Mortgage Association	631,480 ✓	629,354 ✓	3.000%	October 1, 2021
Federal National Mortgage Association	279,376 ✓	276,695 ✓	3.000%	November 1, 2021
Federal National Mortgage Association	356,961 ✓	355,141 ✓	2.500%	November 1, 2022
Federal National Mortgage Association Pool	301,600 ✓	290,882 ✓	2.980%	January 1, 2025
Federal National Mortgage Association	80,204 ✓	82,395 ✓	4.500%	October 1, 2040
Federal National Mortgage Association	394,612 ✓	384,990 ✓	3.000%	September 1, 2042
Government National Mortgage Association	338,753 ✓	335,875 ✓	3.000%	January 20, 2027
Government National Mortgage Association	367,184 ✓	366,631 ✓	1.660%	March 16, 2033
Government National Mortgage Association	63,253 ✓	72,257 ✓	5.000%	August 20, 2035
Government National Mortgage Association	493,767 ✓	491,841 ✓	1.900%	March 16, 2040
Government National Mortgage Association	231,920 ✓	228,559 ✓	2.000%	February 20, 2043
Government National Mortgage Association	479,252 ✓	478,818 ✓	1.950%	February 16, 2044
Government National Mortgage Association	303,845 ✓	302,258 ✓	2.500%	December 16, 2044
	<u>18,213,498</u>	<u>18,206,669</u>		

Investments backed by  
full faith and credit of

U. S. Government:

New Valley Generation V	474,502	474,502 ✓	4.930%	January 15, 2021
Private Export Funding	515,400 ✓	480,117 ✓	4.300%	December 15, 2021
	<u>989,902</u>	<u>954,619</u>		

688,958.80

1,169,076

## (2) INVESTMENTS - Continued

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Foreign Investments:</u>				
Ukraine Cabinet	\$ 602,820	\$ 600,756	1.844%	May 16, 2019
Hashemite	252,308	254,345	1.945%	June 23, 2019
Aid-Tunisia	465,000	456,279	1.686%	July 16, 2019
Hashemite	610,422	619,500	2.503%	October 30, 2020
Amal LTD	229,848	222,219	3.465%	August 21, 2021
Aid-Israel	610,505	606,735	5.500%	December 4, 2023
Lulwa LTD	304,511	300,316	1.888%	February 15, 2025
	<u>3,075,414</u>	<u>3,069,150</u>		
Total investments	<u>\$ 25,040,032</u>	<u>\$ 24,835,313</u>		

As of June 30, 2014, the Trust had the following investments.

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>U. S. Government:</u>				
U. S. Treasury Bill	\$ 4,098,881	\$ 4,098,881	0.000%	July 16, 2014
U. S. Treasury Note	1,251,367	1,196,855	5.125%	May 15, 2016
U. S. Treasury Note	1,006,641	1,009,380	1.000%	October 31, 2016
U. S. Treasury Note	1,059,088	1,117,730	4.750%	August 15, 2017
U. S. Treasury Note	1,051,484	1,100,160	3.875%	May 15, 2018
U. S. Treasury Note	1,159,388	1,209,912	3.625%	February 15, 2020
U. S. Treasury Note	1,004,375	987,500	2.000%	November 15, 2021
U. S. Treasury Note	<u>1,636,029</u>	<u>1,621,947</u>	1.750%	May 15, 2022
	<u>12,267,253</u>	<u>12,342,365</u>		

Agencies of

U. S. Government:

Housing and Urban

Development	250,000	253,173	1.220%	August 1, 2016
Small Business Administration	7,854	7,881	4.150%	November 1, 2014
Small Business Administration	24,804	24,953	4.240%	January 1, 2015
Small Business Administration	37,387	38,128	5.100%	January 1, 2016
Small Business Administration	60,614	62,486	5.190%	January 1, 2017
Small Business Administration	141,527	139,760	6.600%	November 1, 2017
Small Business Administration	54,656	53,539	5.120%	November 1, 2017
Small Business Administration	160,654	155,826	6.000%	September 1, 2018
Small Business Administration	47,309	47,589	5.500%	October 1, 2018
Small Business Administration	56,927	57,348	5.800%	December 1, 2018
Small Business Administration	133,470	135,019	3.880%	March 1, 2019
Small Business Administration	178,929	186,845	3.310%	May 1, 2019
Small Business Administration	66,443	67,989	6.800%	June 1, 2019
Small Business Administration	231,881	232,294	7.300%	June 1, 2019
Small Business Administration	43,973	44,242	7.060%	November 1, 2019
Small Business Administration	314,502	309,740	2.860%	March 1, 2020

## (2) INVESTMENTS - Continued

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Agencies of</u>				
<u>U. S. Government - continued:</u>				
Small Business Administration	\$ 95,646	\$ 88,783	7.630%	June 9, 2020
Small Business Administration	67,527	64,613	7.220%	November 1, 2020
Small Business Administration	266,365	260,725	1.240%	May 1, 2022
Small Business Administration	229,603	223,179	5.310%	August 1, 2022
Small Business Administration	394,294	390,927	1.010%	November 1, 2022
Small Business Administration	446,952	439,627	1.110%	January 1, 2023
Small Business Administration	847,503	838,452	1.100%	May 1, 2023
Small Business Administration	441,575	440,648	1.880%	November 1, 2023
Small Business Administration	374,000	375,987	2.140%	January 1, 2024
Small Business Administration	277,449	276,697	1.980%	May 1, 2024
Federal Farm Credit Bank	538,798	503,280	3.000%	September 22, 2014
Federal Home Loan Mortgage Corporation	60,537	64,095	5.500%	February 2, 2018
Federal Home Loan Mortgage Corporation	111,685	112,077	3.500%	April 1, 2021
Federal Home Loan Mortgage Corporation	137,350	137,837	3.500%	April 1, 2021
Federal National Mortgage Association	450,563	447,840	2.680%	January 1, 2016
Federal National Mortgage Association	415,000	422,004	2.680%	January 1, 2016
Federal National Mortgage Association	224,989	246,334	4.940%	May 1, 2019
Federal National Mortgage Association	208,794	221,789	4.879%	July 1, 2019
Federal National Mortgage Association	219,268	232,639	4.639%	October 1, 2019
Federal National Mortgage Association	206,467	222,636	4.377%	November 1, 2019
Federal National Mortgage Association	283,085	275,878	3.330%	October 1, 2020
Federal National Mortgage Association	357,176	356,057	3.000%	October 1, 2021
Federal National Mortgage Association	371,479	369,669	3.000%	November 1, 2021
Federal National Mortgage Association	321,653	344,526	4.601%	April 1, 2020
Federal National Mortgage Association	201,526	209,845	4.331%	June 1, 2020
Federal National Mortgage Association	448,472	449,829	2.500%	November 1, 2022

(2) INVESTMENTS - Continued

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Agencies of U. S. Government - continued:</u>				
Federal National Mortgage Association	\$ 109,273	\$ 112,350	4.500%	October 1, 2040
Federal National Mortgage Association	429,019	413,909	3.000%	September 1, 2042
Government National Mortgage Association	426,257	423,020	3.000%	January 20, 2027
Government National Mortgage Association	81,818	92,906	5.000%	August 20, 2035
	<u>10,855,053</u>	<u>10,874,970</u>		
<u>Investments backed by full faith and credit of U. S. Government:</u>				
Private Export Funding	<u>515,401</u>	<u>479,178</u>	4.300%	December 15, 2021
	<u>515,401</u>	<u>479,178</u>		
<u>Foreign Investments:</u>				
AID - Tunisia	465,000	459,518	1.686%	July 16, 2019
Amal LTD	262,438	254,478	3.465%	August 21, 2021
Lulwa LTD	332,620	322,754	1.888%	February 15, 2025
	<u>1,060,058</u>	<u>1,036,750</u>		
Total investments	<u>\$ 24,697,765</u>	<u>\$ 24,733,263</u>		

(3) FAIR VALUE MEASUREMENTS

Accounting Standards Codification Topic 820, *Fair Value Measurements*, (formerly FASB Statement No. 157) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(3) FAIR VALUE MEASUREMENTS - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

The fair value of obligations of the U. S. government, agencies of the government, and foreign bonds is based on an evaluation of at least two or more bid prices and/or active trades of the same security which was reported by recognized broker dealers.

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U. S. Government	\$ -	\$ 2,604,875	\$ -	\$ 2,604,875
Agencies of U. S. Government	-	18,206,669	-	18,206,669
Investments backed by full faith and credit of U. S. Government	-	954,619	-	954,619
Foreign investments	-	3,069,150	-	3,069,150
Total investments at fair value	\$ -	\$ 24,835,313	\$ -	\$ 24,835,313

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U. S. Government	\$ -	\$ 12,342,365	\$ -	\$ 12,342,365
Agencies of U. S. Government	-	10,874,970	-	10,874,970
Investments backed by full faith and credit of U. S. Government	-	479,178	-	479,178
Foreign investments	-	1,036,750	-	1,036,750
Total investments at fair value	\$ -	\$ 24,733,263	\$ -	\$ 24,733,263

(4) ESTIMATED LIABILITY FOR CLAIMS

As discussed in Note 1, the Trust established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related allocated claims adjustment expenses. The following represents changes in those liabilities (rounded) during the past two years.

(4) ESTIMATED LIABILITY FOR CLAIMS - Continued

	<u>2015</u>	<u>2014</u>
Estimated liability for claims and claims adjustment expenses, beginning	<u>\$ 50,275,000</u>	<u>\$ 51,547,000</u>
Incurred claims and claims adjustment expenses:		
Provision for insured events of current year	16,000,000	17,000,000
Changes in provision for insured events of prior years	<u>(3,566,000)</u>	<u>(5,051,000)</u>
Total incurred claims and claims adjustment expenses before present value adjustment	<u>12,434,000</u>	<u>11,949,000</u>
Claims and claims adjustment expenses paid during the year:		
Attributable to insured events of current year	(3,486,000)	(2,577,000)
Attributable to insured events of prior years	<u>(10,969,000)</u>	<u>(10,453,000)</u>
Total claims and claim adjustment expenses paid	<u>(14,455,000)</u>	<u>(13,030,000)</u>
Present value adjustment	<u>(23,000)</u>	<u>141,000</u>
Estimated liability for claims and claims adjustment expenses, ending	<u>\$ 48,277,000</u>	<u>\$ 50,275,000</u>

The decrease in the provision of insured events of prior years for 2015 and 2014 is the result of better than anticipated claims experience in recent years. Actuarial assumptions can be significantly affected by changes in claim payment patterns.

(5) ADMINISTRATIVE CONTRACTS

The Trust contracts with a service bureau for claims administration services, and contracts with the Mississippi Tort Claims Board, an agency of the State of Mississippi, for risk control consulting services. Administrative and risk control consulting fees under these contracts amounted to \$798,000 and \$51,375, respectively, for the year ended June 30, 2015. Administrative and risk control consulting fees amounted to \$798,000 and \$21,098, respectively, for the year ended June 30, 2014.

(6) REINSURANCE

In accordance with general practice in the insurance industry, the Trust reinsures portions of its workers compensation insurance risk under excess loss insurance. Depending upon the date of loss, the reinsurance policies cover losses exceeding \$1,500,000 per accident for individual claims limited to the statutory workers' compensation limit per accident. Reinsurance premiums for the years ended June 30, 2015 and 2014 were \$647,881 and \$613,111, respectively. During 2015 and 2014, reinsurance recoveries amounted to \$271,817 and \$353,334, respectively. The estimated liability for claims and claim adjustment expenses has been decreased for estimated amounts recoverable on excess loss reinsurance of \$11,872,815 at June 30, 2015 and \$10,586,884 at June 30, 2014.

(6) REINSURANCE - Continued

Reinsurance does not discharge the Trust from liability to the policyholder. Failure of the reinsurer to honor its obligation could result in losses to the Trust.

(7) MISSISSIPPI WORKERS' COMPENSATION COMMISSION ASSESSMENTS

The Trust is obligated to pay annual assessments to fund the operations of the Mississippi Workers' Compensation Commission. The assessments are based on paid claims. The assessments amounted to \$202,857 for 2015 and \$183,226 for 2014. The Trust accrues a liability for future assessments based on the estimated liability for claims and the assessment rate for each year. The liabilities amounted to \$1,323,292 at June 30, 2015 and \$1,312,720 at June 30, 2014.

(8) RELATED PARTIES

All of the contributions received by the Trust are from agencies of the State of Mississippi. The State of Mississippi's Department of Finance and Administration periodically pays expenses for the Trust and is reimbursed for these expenses. The expenses are for actuarial fees, accounting and legal fees, occupancy costs, supplies, administrative expenses, personnel costs and other items. Reimbursements of these expenses for the years ended June 30, 2015 and 2014 amounted to \$171,210 and \$212,892, respectively.

The Trust has amounts due to and from other agencies of the State of Mississippi as follows:

	<u>2015</u>	<u>2014</u>
Due from other agencies for reimbursement		
of administrative expenses	\$ 111,937	\$ 87,425
Return contributions due	(1,045,934)	(715,353)
Assessments receivable	228,030	554,287

The administrative expenses above include an allocation of the costs of employees of the Mississippi Department of Finance and Administration ("DFA") whose time is allocated to the Trust, as well as other funds. The employees of DFA are covered by the State of Mississippi Public Employee Retirement System ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

(9) CONTINGENT LIABILITIES

The Trust is involved in numerous legal actions arising from normal workers' compensation claims administration. Provision has been made in the estimated liability

(9) CONTINGENT LIABILITIES - Continued

for claims and claim adjustment expenses for the costs of these actions. Management is of the opinion that any liability in these matters beyond that provided for will not have a material affect on the financial statements.

(10) SIGNIFICANT AGENCIES

During 2015 and 2014, contributions from the Department of Mental Health represented 44 percent and 46 percent, respectively, of total contributions.

MISSISSIPPI STATE AGENCIES  
SELF-INSURED WORKERS' COMPENSATION TRUST

Loss Development Information (Unaudited)

Fiscal and Policy Year Ended (In Thousands of Dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net earned required contribution and investment revenues	\$ 16,120	\$ 7,145	\$ 13,599	\$ 14,555	\$ 14,120	\$ 15,038	\$ 15,075	\$ 17,083	\$ 16,703	\$ 17,064	\$ 15,266
2. Unallocated expenses	1,088	1,087	1,090	1,159	1,157	1,178	1,259	1,197	1,332	1,256	1,253
3. Gross estimated incurred claims and expenses	15,000	14,000	14,500	15,800	16,500	16,500	17,000	17,000	16,500	17,000	16,000
Losses assumed by excess loss reinsurer	-	-	-	-	-	-	-	-	-	-	-
Net estimated incurred claims and expenses	15,000	14,000	14,500	15,800	16,500	16,500	17,000	17,000	16,500	17,000	16,000
4. Paid (cumulative) as of:											
End of policy year	3,402	2,860	3,306	3,697	3,869	3,686	3,410	3,344	2,976	2,577	3,486
One year later	6,950	5,585	6,760	7,554	7,343	7,990	7,052	6,770	6,356	6,252	
Two years later	8,660	6,891	8,673	9,868	9,116	10,822	9,031	8,216	8,079		
Three years later	9,738	8,100	10,091	11,451	10,390	12,497	10,306	9,156			
Four years later	10,330	8,898	10,936	12,278	11,290	13,335	11,262				
Five years later	10,753	9,302	11,543	12,838	11,662	14,261					
Six years later	11,057	9,851	12,099	13,180	12,185						
Seven years later	11,393	10,218	12,281	13,670							
Eight years later	11,571	10,411	12,666								
Nine years later	11,842	10,582									
Ten years later	12,053										
5. Re-estimated losses assumed by excess loss reinsurers	-	-	-	-	-	-	-	-	-	-	-
6. Re-estimated incurred claims and expenses:											
End of policy year	15,000	14,000	14,500	15,800	16,500	16,500	17,000	17,000	16,500	17,000	16,000
One year later	14,400	12,500	14,500	15,800	16,500	19,000	19,000	16,500	16,000	16,000	
Two years later	14,300	12,000	14,500	16,500	15,500	19,000	16,500	16,000	15,000		
Three years later	13,500	12,250	15,000	16,500	15,500	19,000	15,000	15,000			
Four years later	13,500	12,250	15,500	16,500	15,100	17,500	15,000				
Five years later	13,000	12,500	15,000	16,500	14,750	17,000					
Six years later	13,500	12,300	14,300	16,000	14,250						
Seven years later	13,500	12,000	14,000	16,000							
Eight years later	13,300	11,600	14,000								
Nine years later	13,300	11,600									
Ten years later	13,300										
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	(1,700)	(2,400)	(500)	200	(2,250)	500	(2,000)	(2,000)	(1,500)	(1,000)	-

See Note to Supplementary Information.

## NOTE TO SUPPLEMENTARY INFORMATION

The preceding table illustrates how the Trust's earned revenues (net of reinsurance) and investment income compare to related cost of losses (net of losses assumed by reinsurers) and other expenses incurred by the Trust as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contributions and investment revenues.
2. This line shows each fiscal year's other operating costs of the Trust including overhead and claims expense not allocable to individual claims.
3. This line shows the Trust's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
5. This line represents the reestimated amount for losses assumed by excess insurers or reinsurers based on information available as of the end of the most current year.
6. This section of 10 rows shows how each policy year's incurred claims (net of reinsurance) increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.



HARPER, RAINS, KNIGHT  
& COMPANY

The Board of Trustees  
Mississippi State Agencies  
Self-insured Workers' Compensation Trust  
Jackson, Mississippi

Independent Auditors' 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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mississippi State Agencies Self-insured Workers' Compensation Trust ("Trust"), a component unit of the State of Mississippi, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated December 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Board of Trustees  
Mississippi State Agencies  
Self-insured Workers' Compensation Trust - Continued

**Internal Control Over Financial Reporting - continued**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's, a component unit of the State of Mississippi, 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*.

**Trust's Response to Findings**

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi State Agencies Self-insured Workers' Compensation Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hager, Ramm, Knight & Company, P.A.*

December 18, 2015