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FINANCIAL REPORT

MISSISSIPPI STATE AGENCIES SELF-INSURED
WORKERS' COMPENSATION TRUST

JUNE 30, 2021

Presented by: Harper, Rains, Knight & Company, P.A.
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The Board of Trustees
Mississippi State Agencies Self-Insured
Workers' Compensation Trust
Jackson, Mississippi

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Mississippi State Agencies Self-Insured Workers' Compensation Trust (the "Trust"), a component unit of the State of Mississippi, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Trust, as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Trust's 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, and for 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.

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The Board of Trustees
Mississippi State Agencies Self-Insured
Workers' Compensation Trust (continued)

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

The Board of Trustees
Mississippi State Agencies Self-Insured
Workers' Compensation Trust (continued)

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 28-29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the 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, Raino, Knight & Company, P.A.

September 30, 2021
Ridgeland, Mississippi

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

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, 2021. 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 \$35,086,000, which was a decrease of \$632,936, or 1.77%, from the prior fiscal year. Current liabilities were \$8,567,000, a decrease of \$303,936 over the 2020 amount. The long-term portion of estimated claim liabilities decreased \$329,000, or 1.23%, to \$26,519,000 at June 30, 2021. The decrease in total liabilities was a result of a decrease in the actuarially determined estimated liability for claims in the current fiscal year of \$604,000 and a decrease in payable for securities of \$28,936 related to investment transactions with trade dates before June 30 that were settled after June 30.
- Total assets for the Trust at year-end were \$35,567,814, which was a decrease of \$151,122 from the prior fiscal year. The unrestricted fund net position is \$481,814 and \$-0- on the 2021 and 2020 balance sheet, respectively. This is a result of the Trust recording a premium deficiency receivable of \$-0- in 2021 compared to \$688,862 in 2020. A premium deficiency reserve is required by Governmental Accounting Standards Board Statement No. 30 when premium charges are not sufficient to cover the full cost of claims over a reasonable period of time.
- Total operating expenditures increased \$685,263, or 7.31%, which relates almost exclusively to an increase in net paid and incurred claims.
- Operating revenue increased \$1,167,077, or 12.44%, which relates to a decrease in the premium deficiency receivable and an increase in earned contributions.
- The premium deficiency receivable decreased \$688,862 for the current fiscal year and is reported as a premium deficiency decrease in the operating revenues of the Trust. During fiscal year 2021 the Trust earned an excess of revenues over expenditures in the amount of \$481,814.

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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021 and 2020

Government-Wide Financial Statements

The Trust is classified as governmental fund and, therefore, utilizes the modified 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.

Fund Financial Statements

As a component unit of the State of Mississippi, the Trust only presents fund financial statements as of June 30, 2021 and 2020. The financial statements of the Trust include the Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balance for the years ended June 30, 2021 and 2020. The Balance Sheets summarize and describe the assets, liabilities and financial condition of the Trust. The Statements of Revenues, Expenditures and Changes in Fund Balance provides fiscal year totals for the revenues, expenditures and resulting changes in fund balance experienced by the Trust. Each of these 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, 2021 and 2020.

Overall Financial Position Analysis/Balances and Transactions Analysis

The Trust's assets consist primarily of investments in high quality 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 fund balance is reported as zero in the 2020 financial statements as fund deficit is receivable/payable from participating agencies in an amount equal to the fund deficit for each year that a deficit exists. Premium 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 2021, the premium deficiency receivable decreased to zero from the 2020 reported balance of \$688,862 due to an increase in claims paid and incurred, net of reinsurance recoveries. As a result of the premium deficiency receivable's reduction, the Trust generated an excess of revenues over expenditures for the year ended June 30, 2021 of \$481,814.

The premium discount approved by the Board of Trustees was 25% for 2021 and 2020, respectively. Operating expenditures increased for the period ended June 30, 2021, the result of an increase in claims paid. Premium amounts are actuarially determined annually and are subject to moderate fluctuations. 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
Years Ended June 30, 2021 and 2020

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.

Senate Bill 2362, effective July 1, 2016, prohibits an agency of the state from billing other state agencies for services. The bill prevents future assessments from the Mississippi Workers' Compensation Commission for claims paid during fiscal year 2017 or for claims incurred in prior years.

As a public entity, the Trust is somewhat protected from the negative impacts of the Coronavirus (COVID-19) pandemic. In the event member agencies may become unable to pay assessments timely (or at all), the Trust has sufficient reserves to postpone collections without interrupting services. Should this situation occur, the Board of Trustees is poised to take appropriate action to ensure continued financial stability and coverage availability for the member agencies. The Trust's investment portfolio consists of cash and collateralized investments, with the majority of the investments being issued or guaranteed by the U.S. Government. The Board of Trustees continues to work with our investment managers to mitigate the effects of the pandemic on the Trust's assets to the extent possible. The Trust maintains adequate surplus to overcome market fluctuations resulting from COVID-19.

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

BALANCE SHEETS
June 30, 2021 and 2020

ASSETS		
	2021	2020
Current assets		
Cash and cash equivalents	\$ 5,620,933	\$ 5,820,659
Funds held by others	1,068,061	1,049,727
Accrued interest receivable	<u>157,157</u>	<u>175,228</u>
Total current assets	<u>6,846,151</u>	<u>7,045,614</u>
Investments	28,721,663	27,984,460
Premium deficiency receivable	<u>-</u>	<u>688,862</u>
Total non-current assets	<u>28,721,663</u>	<u>28,673,322</u>
Total assets	<u><u>\$ 35,567,814</u></u>	<u><u>\$ 35,718,936</u></u>
LIABILITIES AND FUND BALANCE		
Current liabilities		
Estimated liability for claims and claim adjustment expenses, net - current portion	\$ 8,567,000	\$ 8,842,000
Payable for securities	<u>-</u>	<u>28,936</u>
Total current liabilities	<u>8,567,000</u>	<u>8,870,936</u>
Long-term liabilities		
Estimated liability for claims and claim adjustment expenses, net - long-term portion	<u>26,519,000</u>	<u>26,848,000</u>
Total liabilities	35,086,000	35,718,936
Unrestricted fund balance	<u>481,814</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 35,567,814</u></u>	<u><u>\$ 35,718,936</u></u>

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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the years ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Earned contributions, net of reinsurance premiums	\$ 11,037,033	\$ 10,602,538
Decrease in premium deficiency receivable	(688,862)	(2,456,167)
Interest income, net of investment fees	570,473	744,453
Realized and unrealized gains (losses) on investments	(397,685)	469,770
Other income	25,899	19,187
Total operating revenue	<u>10,546,858</u>	<u>9,379,781</u>
Operating expenditures:		
Claims paid and incurred, net of reinsurance recoveries	8,876,281	8,228,017
Administrative fees	892,608	868,718
Risk control fees	100,524	90,166
Reimbursements to State of Mississippi for:		
Allocated expenses	148,976	145,681
Actuarial fees	13,390	8,660
Accounting and legal	13,000	12,500
Other	20,265	26,039
Total operating expenditures	<u>10,065,044</u>	<u>9,379,781</u>
Excess of revenues over expenditures	<u>481,814</u>	<u>-</u>
Transfers	<u>-</u>	<u>-</u>
Change in fund balance	481,814	-
Fund net balance - unrestricted, beginning	<u>-</u>	<u>-</u>
Fund net balance - unrestricted, ending	<u>\$ 481,814</u>	<u>\$ -</u>

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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by Mississippi State Agencies Self-Insured Workers' Compensation Trust (the "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 (the "Pool"). As of June 30, 2021 and 2020, respectively, ninety-eight (98) 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 fund balance; and unrestricted fund balance. Interest income and net increase (decrease) in the fair value of investments, which are normally classified as non-operating revenue in most governmental funds, are classified as operating revenue since these transactions are an integral part of the Trust's ongoing operations.

The Trust uses the current financial resources measurement focus and modified 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"). Under the modified accrual basis of accounting, revenue is recognized when both measurable and available to finance expenditures to be paid within 60 days of the fiscal year-end. Expenditures are recorded when a liability is incurred, with the exception of contracted and professional fees payable within 30 days of the fiscal year-end.

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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

under the Workers' Compensation Laws of the State of Mississippi. Any funds in excess of the amount necessary to fund all obligations for 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. Prior to July 1, 2017, contributions were adjusted as of each fiscal year based on final payroll amounts for the respective agency.

Effective July 1, 2017, the Trust elected to utilize estimated payrolls as the basis on which to apply the actuarially determined experience modifier. Effective July 1, 2018, the Trust began determining contributions utilizing each agencies' previous fiscal year final payroll multiplied by the agencies' actuarially determined experience modifier to determine contribution amounts required for each agency.

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 \$688,862 in 2021 and \$2,456,167 in 2020.

Inter-fund Transfers

Inter-fund transfers represent transactions with a fund outside of the Trust. Inter-fund 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 expenditures, such as expenditures 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 inter-fund transactions are treated as transfers. 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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Liability for Claims and Claim Adjustment Expenditures

Allocated claim adjustment expenditures are included in the estimated liability for claims by the Trust's claims administrator and its actuary. Unallocated claim adjustment expenditures 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 4% in computing the present value of claims liabilities for the years ended June 30, 2021 and 2020. The discounts applied to the gross liability were \$6,895,000 and \$7,610,000 at June 30, 2021 and 2020, 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 \$17,804,000 at June 30, 2021, and \$18,731,000 at June 30, 2020.

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 \$24,177,000 at June 30, 2021, and \$24,569,000 at June 30, 2020.

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, (4) direct security repurchase agreements and reverse direct security repurchase agreements of those United States Treasury or government agency securities enumerated above, (5) Bonds issued, assumed or guaranteed by the Country of Israel, provided that (a) investments in such instruments shall be denominated in United States currency, (b) such bonds must be of investment grade as rated by at least one (1) nationally recognized statistical rating agency, and (c) the amount of funds invested in such bonds at any time shall not exceed \$20,000,000.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Payable for Securities

Investments are reported as an asset of the Trust on the trade date. As such, amounts owed for the securities are not submitted to the seller until the settlement date. The payable for securities is \$-0- at June 30, 2021, and \$28,936 at June 30, 2020.

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.

Equity in the internal investment pool is cash invested with the Treasurer of the State of Mississippi and consists of pooled demand deposits and investments recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within ninety (90) days of the date acquired by the State.

The money market mutual funds of \$132,305 and \$198,594 as of June 30, 2021 and 2020, 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 and the fair market measurement of investments. 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, securities guaranteed by the United States Government and its agencies, and foreign investments. Cash balances are primarily held by the Treasurer of the State of Mississippi.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk (continued)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. As a result of COVID-19, there has been heightened market risk and volatility associated with the pandemic, it is anticipated the financial market disruption may have a negative impact on the Trust's investment values. The pandemic may also have an impact on the Trust's ability to collect premium assessments from member agencies.

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 September 30, 2021, which is the date the financial statements were available to be issued.

NOTE 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.

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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

For investments not of or guaranteed by the U. S. Government, the investment's credit rating was obtained from Moody's Corporation. Investments for which a rating was not available are designated as not rated ("NR"). Investment credit ratings for foreign investments, with the exception of Aid-Israel, were "NR". Aid-Israel was rated Aaa.

As of June 30, 2021, 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	\$ 1,446,828	\$ 1,424,965	0.250%	June 30, 2025
U. S. Treasury Note	499,355	489,531	0.625%	March 31, 2027
U. S. Treasury Note	3,816,956	3,797,686	0.625%	May 15, 2030
	<u>5,763,139</u>	<u>5,712,182</u>		
 <u>Agencies of</u>				
<u>U. S. Government:</u>				
Small Business Administration	\$ 82,595	\$ 82,094	2.766%	March 10, 2022
Small Business Administration	107,516	108,973	1.240%	May 1, 2022
Small Business Administration	18,068	17,612	5.310%	August 1, 2022
Small Business Administration	202,933	205,708	2.245%	September 10, 2022
Small Business Administration	37,277	37,364	1.010%	November 1, 2022
Small Business Administration	55,319	55,595	1.110%	January 1, 2023
Freddie Mac Multifamily Securitization	607,816	620,745	3.320%	February 25, 2023
Small Business Administration	296,210	300,764	2.351%	March 10, 2023
Freddie Mac Multifamily Securitization	677,961	678,586	3.150%	April 25, 2023
Fannie Mae-Aces	373,485	382,004	3.000%	April 25, 2023
Small Business Administration	131,704	132,800	1.100%	May 1, 2023
Small Business Administration	75,341	76,406	4.350%	July 1, 2023
Fannie Mae Pool	536,961	541,745	2.860%	July 1, 2023
Freddie Mac Multifamily Securitization	585,211	600,064	1.051%	August 25, 2023
Small Business Administration	44,539	44,580	3.644%	September 10, 2023

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of				
<u>U. S. Government:</u>				
Small Business Administration	\$ 192,382	\$ 192,100	4.920%	October 1, 2023
Small Business Administration	142,895	145,182	1.880%	November 1, 2023
Small Business Administration	182,402	185,374	2.140%	January 1, 2024
Small Business Administration	287,520	288,968	3.191%	March 10, 2024
International Development				
Finance Corp	219,555	219,498	0.410%	March 20, 2024
Small Business Administration	181,254	184,914	1.980%	May 1, 2024
Small Business Administration	123,750	123,719	5.180%	May 1, 2024
Fannie Mae Pool	354,660	364,152	5.030%	May 1, 2024
Federal National				
Mortgage Association	322,968	332,297	1.005%	May 25, 2024
Small Business Administration	90,282	91,599	5.520%	June 1, 2024
Small Business Administration	173,387	174,393	3.015%	September 10, 2024
Small Business Administration	69,822	71,309	4.860%	October 1, 2024
Small Business Administration	142,655	145,893	2.030%	November 1, 2024
Small Business Administration	124,884	128,585	1.890%	January 1, 2025
Small Business Administration	474,704	479,913	2.517%	March 10, 2025
Freddie Mac Gold Pool	174,842	172,902	7.645%	May 1, 2025
Small Business Administration	505,604	503,882	1.800%	July 1, 2025
Small Business Administration	149,223	149,990	5.110%	August 1, 2025
Small Business Administration	214,166	222,098	2.829%	September 10, 2025
Small Business Administration	204,094	208,932	1.660%	November 1, 2025
Small Business Administration	272,544	279,756	1.800%	January 1, 2026
Small Business Administration	249,496	256,050	1.840%	March 1, 2026
Small Business Administration	473,208	490,218	2.507%	March 10, 2026
Small Business Administration	364,348	377,925	1.800%	September 1, 2026
Small Business Administration	256,527	265,166	2.170%	November 1, 2026
Freddie Mac Multifamily				
Securitization	553,430	557,669	2.617%	December 25, 2026
Ginnie Mae II Pool	93,922	94,806	3.000%	January 20, 2027
Small Business Administration	273,108	281,732	2.630%	March 1, 2027
Small Business Administration	415,981	442,654	2.845%	March 10, 2027

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of				
<u>U. S. Government:</u>				
Small Business Administration	\$ 586,180	\$ 621,655	2.518%	September 10, 2027
Small Business Administration	223,575	235,025	5.490%	March 1, 2028
Small Business Administration	415,284	444,022	3.187%	March 10, 2028
Small Business Administration	156,404	162,082	3.180%	May 1, 2028
Freddie Mac Multifamily Securitization	284,416	287,103	3.600%	July 25, 2028
Small Business Administration	444,951	481,298	3.548%	September 10, 2028
Small Business Administration	296,517	309,988	2.950%	January 1, 2029
Small Business Administration	415,660	420,362	4.660%	March 1, 2029
Small Business Administration	371,643	397,892	3.113%	March 10, 2029
Small Business Administration	282,059	286,337	2.660%	May 1, 2029
Small Business Administration	443,863	441,023	1.880%	June 1, 2029
Small Business Administration	312,022	317,573	2.240%	July 1, 2029
Small Business Administration	416,364	419,097	4.380%	January 1, 2030
Small Business Administration	369,680	380,092	2.078%	March 10, 2030
Small Business Administration	525,000	523,378	0.840%	May 1, 2030
Small Business Administration	212,646	211,945	0.810%	July 1, 2030
Small Business Administration	532,765	528,236	0.700%	September 1, 2030
Small Business Administration	300,000	307,371	1.667%	March 10, 2031
Fannie Mae Pool	479,371	474,936	2.000%	September 1, 2035
Federal National Mortgage Association	83,399	83,188	1.004%	November 25, 2035
Federal National Mortgage Association	268,286	267,588	2.535%	November 25, 2035
Fannie Mae Pool	569,835	568,395	2.500%	February 1, 2041
Federal National Mortgage Association	108,975	109,400	2.180%	January 25, 2046
	<u>19,215,444</u>	<u>19,594,702</u>		

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Investments backed by full faith and credit of <u>the U. S. Government:</u>				
Private Export Funding	\$ 617,421	\$ 617,730	4.300%	December 15, 2021
Private Export Funding	300,157	301,846	2.800%	May 15, 2022
Private Export Funding	514,368	553,698	2.450%	July 15, 2024
Cal Dive I-Title XI, Inc. Vessel Management Services Inc.	182,129	190,267	4.930%	February 1, 2027
	174,410	184,068	5.850%	May 1, 2027
Matson Navigation Co.	168,566	172,963	5.273%	July 29, 2029
	<u>1,957,051</u>	<u>2,020,572</u>		
<u>Foreign Investments:</u>				
Amal LTD	\$ 9,423	\$ 9,329	3.465%	August 21, 2021
Aid-Israel	561,512	573,057	5.500%	September 18, 2023
Aid-Israel	544,622	560,523	5.500%	December 4, 2023
Aid-Israel	118,753	124,149	5.500%	April 26, 2024
Lulwa LTD	123,957	127,149	1.888%	February 15, 2025
	<u>1,358,267</u>	<u>1,394,207</u>		
Total investments	<u>\$28,293,901</u>	<u>\$28,721,663</u>		

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

As of June 30, 2020, 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	\$ 1,409,349	\$ 1,430,731	2.125%	May 31, 2021
U. S. Treasury Note	<u>1,453,180</u>	<u>1,456,789</u>	0.370%	July 31, 2021
	<u>2,862,529</u>	<u>2,887,520</u>		
<u>Agencies of U. S. Government:</u>				
Fannie Mae Pool	\$ 24,697	\$ 24,009	4.041%	September 1, 2020
Small Business Administration	163,984	163,433	3.215%	September 10, 2020
Fannie Mae Pool	227,334	226,692	4.283%	January 1, 2021
Small Business Administration	21,014	20,066	6.340%	March 1, 2021
Small Business Administration	214,085	215,048	2.877%	September 10, 2021
Small Business Administration	265,398	266,018	2.766%	March 10, 2022
Small Business Administration	230,628	234,516	1.240%	May 1, 2022
Small Business Administration	37,597	37,005	5.310%	August 1, 2022
Small Business Administration	325,723	333,870	2.245%	September 10, 2022
Small Business Administration	65,733	65,834	1.010%	November 1, 2022
Small Business Administration	83,986	84,562	1.110%	January 1, 2023
Freddie Mac Multifamily Securitization	550,746	568,951	3.320%	February 25, 2023
Small Business Administration	406,507	413,840	2.351%	March 10, 2023
Fannie Mae-Aces	410,425	429,624	3.000%	April 25, 2023
Small Business Administration	207,627	210,793	1.100%	May 1, 2023
Fannie Mae Pool	548,832	563,062	2.860%	July 1, 2023
Small Business Administration	110,905	113,472	4.350%	July 1, 2023
Freddie Mac Multifamily Securitization	535,927	555,464	1.051%	August 25, 2023
Small Business Administration	75,057	75,955	3.644%	September 10, 2023
Small Business Administration	288,723	291,117	4.920%	October 1, 2023
Small Business Administration	215,970	220,724	1.880%	November 1, 2023
Small Business Administration	251,619	257,183	2.140%	January 1, 2024
Small Business Administration	306,625	311,100	3.191%	March 10, 2024

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Agencies of				
<u>U. S. Government:</u>				
Small Business Administration	\$ 265,909	\$ 273,433	1.980%	May 1, 2024
Small Business Administration	211,214	212,529	5.180%	May 1, 2024
Fannie Mae Pool	363,654	386,076	5.030%	May 1, 2024
Federal National				
Mortgage Association	356,952	373,069	1.005%	May 25, 2024
Small Business Administration	132,998	136,868	5.520%	June 1, 2024
Small Business Administration	376,726	383,002	3.015%	September 10, 2024
Small Business Administration	93,298	96,035	4.860%	October 1, 2024
Small Business Administration	188,277	194,276	2.030%	November 1, 2024
Small Business Administration	175,147	181,386	1.890%	January 1, 2025
Small Business Administration	625,091	634,235	2.517%	March 10, 2025
Freddie Mac Gold				
Pool	173,809	173,603	7.645%	May 1, 2025
Small Business Administration	138,296	140,129	5.110%	August 1, 2025
Small Business Administration	306,021	322,891	2.829%	September 10, 2025
Small Business Administration	259,444	267,822	1.660%	November 1, 2025
Small Business Administration	442,301	457,088	1.800%	January 1, 2026
Small Business Administration	326,285	337,912	1.840%	March 1, 2026
Small Business Administration	566,174	586,627	2.507%	March 10, 2026
Fannie Mae Pool	237,572	242,736	2.000%	September 1, 2026
Ginnie Mae I Pool	337,854	355,197	3.750%	October 15, 2026
Small Business Administration	445,896	466,869	1.800%	November 1, 2026
Small Business Administration	306,690	320,920	2.170%	November 1, 2026
Freddie Mac Multifamily				
Securitization	569,436	569,285	2.617%	December 25, 2026
Ginnie Mae II Pool	89,922	90,878	3.000%	January 20, 2027
Small Business Administration	340,476	355,288	2.630%	March 1, 2027
Small Business Administration	534,757	577,266	2.845%	March 10, 2027
Small Business Administration	602,486	629,640	2.518%	September 10, 2027
Small Business Administration	275,809	288,229	5.490%	March 1, 2028
Small Business Administration	511,731	548,806	3.187%	March 10, 2028
Small Business Administration	208,974	220,462	3.180%	May 1, 2028

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Agencies of				
<u>U. S. Government:</u>				
Small Business Administration	\$ 517,400	\$ 556,285	3.548%	September 10, 2028
Small Business Administration	341,831	364,423	2.950%	January 1, 2029
Small Business Administration	414,960	443,655	3.113%	March 10, 2029
Small Business Administration	324,401	336,238	2.660%	May 1, 2029
Small Business Administration	495,805	503,455	1.880%	June 1, 2029
Small Business Administration	348,273	360,926	2.240%	July 1, 2029
Small Business Administration	335,000	346,613	2.078%	March 10, 2030
Federal National				
Mortgage Association	499,847	500,307	1.004%	November 25, 2035
Federal National				
Mortgage Association	366,025	366,115	2.535%	November 25, 2035
Government National				
Mortgage Association	66,998	67,108	2.150%	May 16, 2039
Government National				
Mortgage Association	4,321	4,303	1.899%	March 16, 2040
Government National				
Mortgage Association	156,329	156,944	1.950%	February 16, 2044
Government National				
Mortgage Association	49,790	49,599	2.500%	December 16, 2044
Federal National				
Mortgage Association	244,783	248,061	2.180%	January 25, 2046
Fannie Mae Pool	491,063	487,761	3.500%	December 1, 2049
Fannie Mae Pool	430,077	432,720	2.500%	July 1, 2050
	<u>20,119,244</u>	<u>20,729,408</u>		

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • INVESTMENTS (continued)

Investments backed by full faith and credit of <u>the U. S. Government:</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
New Valley Generation V	\$ 136,580	\$ 131,601	4.929%	January 15, 2021
Private Export Funding	640,173	639,436	4.300%	December 15, 2021
Private Export Funding	305,262	307,597	2.800%	May 15, 2022
Private Export Funding Vessel Management Services Inc.	510,306	563,771	2.450%	July 15, 2024
	206,510	223,936	5.850%	May 1, 2027
Cal Dive I-Title XI, Inc.	207,638	221,623	4.930%	February 1, 2027
Matson Navigation Co.	185,903	175,814	5.273%	July 29, 2029
	<u>2,192,372</u>	<u>2,263,778</u>		
<u>Foreign Investments:</u>				
Hashemite	\$ 601,641	\$ 604,482	2.503%	October 30, 2020
Amal LTD	48,252	46,418	3.465%	August 21, 2021
Aid-Israel	561,890	580,174	5.500%	September 18, 2023
Aid-Israel	561,908	584,499	5.500%	December 4, 2023
Aid-Israel	121,852	129,411	5.500%	April 26, 2024
Lulwa LTD	155,522	158,770	1.888%	February 15, 2025
	<u>2,051,065</u>	<u>2,103,754</u>		
Total investments	<u>\$27,225,210</u>	<u>\$27,984,460</u>		

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 3 • FAIR VALUE MEASUREMENTS

Accounting standards related to fair value measurements provide a framework for measuring fair value under accounting principles generally accepted in the United States of America. 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 Trust 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.

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, 2021 and 2020.

The fair value of obligations of the U. S. government, agencies of the government, investments backed by the full faith of U.S. government and foreign investments 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, 2021:

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 3 • FAIR VALUE MEASUREMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U. S. Government	\$ -	\$ 5,712,182	\$ -	\$ 5,712,182
Agencies of U. S. Government	-	19,594,702	-	19,594,702
Investments backed by full faith and credit of				
U. S. Government	-	2,020,572	-	2,020,572
Foreign investments	-	1,394,207	-	1,394,207
Total investments				
at fair value	<u>\$ -</u>	<u>\$28,721,663</u>	<u>\$ -</u>	<u>\$28,721,663</u>

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U. S. Government	\$ -	\$ 2,887,520	\$ -	\$ 2,887,520
Agencies of U. S. Government	-	20,729,408	-	20,729,408
Investments backed by full faith and credit of				
U. S. Government	-	2,263,778	-	2,263,778
Foreign investments	-	2,103,754	-	2,103,754
Total investments				
at fair value	<u>\$ -</u>	<u>\$27,984,460</u>	<u>\$ -</u>	<u>\$27,984,460</u>

NOTE 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:

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 4 • ESTIMATED LIABILITY FOR CLAIMS (continued)

	2021	2020
Estimated liability for claims and claims adjustment expenses, beginning	\$ 35,690,000	\$ 37,923,000
Incurred claims and claims adjustment expenses:		
Provision for insured events of current year	11,500,000	11,000,000
Decrease in provision for insured events of prior years	(3,338,719)	(2,814,983)
Total incurred claims and claims adjustment expenses before present value adjustment	8,161,281	8,185,017
Claims and claims adjustment expenses paid during the year:		
Attributable to insured events of current year	(2,418,000)	(3,385,000)
Attributable to insured events of prior years	(7,062,281)	(7,076,017)
Total claims and claim adjustment expenses paid	(9,480,281)	(10,461,017)
Present value adjustment	715,000	43,000
Estimated liability for claims and claims adjustment expenses, ending	\$ 35,086,000	\$ 35,690,000

The decrease in the provision of insured events of prior years for 2021 and 2020 is the result of better-than-anticipated claims experience in recent years. Actuarial assumptions can be significantly affected by changes in claim payment patterns.

NOTE 5 • ADMINISTRATIVE CONTRACTS

The Trust contracts with a service bureau for claims administration and risk control consulting services. Administrative and risk control consulting fees under this contract amounted to \$892,608 and \$100,524, respectively, for the year ended June 30, 2021. Administrative and risk control consulting fees amounted to \$868,718 and \$90,166, respectively, for the year ended June 30, 2020.

Funds held in escrow for the future payments of claims amounted to \$1,068,061 and \$1,049,727 as of June 30, 2021 and 2020, respectively.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 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 \$2,500,000 for 2021 and 2020, respectively, per accident for individual claims limited to the statutory workers' compensation limit per accident. Reinsurance premiums for the years ended June 30, 2021 and 2020, were \$341,230 and \$332,201, respectively. During 2021 and 2020, reinsurance recoveries amounted to \$199,613 and \$216,604, respectively. The estimated liability for claims and claim adjustment expenses has been decreased for estimated amounts recoverable on excess loss reinsurance of \$14,455,646 at June 30, 2021, and \$13,673,751 at June 30, 2020.

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.

NOTE 7 • 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 ("DFA") periodically pays expenses for the Trust and is reimbursed for these expenses. The expenses are for actuarial fees, accounting and legal fees, supplies, administrative expenses, personnel costs and other items. Reimbursements of these expenses for the years ended June 30, 2021 and 2020, amounted to \$195,631 and \$192,880, respectively.

The administrative expenses above include an allocation of the costs of employees of 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.

NOTE 8 • 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 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 effect on the financial statements.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 9 • SIGNIFICANT AGENCIES

During 2021 and 2020, contributions from the Department of Mental Health represented 42% and 38%, respectively, of total contributions. During 2020, contributions from the Department of Human Services represented 10%.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

Loss Development Information (Unaudited)
Fiscal and Policy Year Ended (In Thousands of Dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net earned required contribution and investment revenues	\$ 17,083	\$ 16,703	\$ 17,064	\$ 15,266	\$ 15,713	\$ 14,668	\$ 13,233	\$ 13,054	\$ 11,836	\$ 11,235
Unallocated expenses	1,197	1,332	1,256	1,253	1,219	(206)	1,189	1,135	1,152	1,189
Gross estimated incurred claims and expenses	17,742	16,784	17,353	16,271	15,563	16,394	14,596	14,783	11,217	11,700
Losses assumed by excess loss reinsurer	742	284	353	271	563	1,144	396	1,083	217	200
Net estimated incurred claims and expenses	17,000	16,500	17,000	16,000	15,000	15,250	14,200	13,700	11,000	11,500
Paid (cumulative) as of:										
End of policy year	3,344	2,976	2,577	3,486	3,423	3,394	3,555	2,992	3,385	2,418
One year later	6,770	6,356	6,252	6,889	7,273	7,921	6,320	5,971	6,717	
Two years later	8,216	8,079	8,112	8,706	8,614	9,717	7,424	7,188		
Three years later	9,156	9,393	8,954	9,590	9,272	11,083	7,921			
Four years later	10,128	10,061	9,445	10,233	9,537	11,773				
Five years later	10,379	10,638	9,766	10,348	9,842					
Six years later	10,581	11,038	10,036	10,527						
Seven years later	10,699	11,235	10,115							
Eight years later	10,741	11,318								
Nine years later	10,768									
Re-estimated losses assumed by excess loss reinsurers	-	-	-	-	-	-	-	-	-	-
Re-estimated incurred claims and expenses:										
End of policy year	17,000	16,500	17,000	16,000	15,000	15,250	14,200	13,700	11,000	11,500
One year later	16,500	16,000	15,000	15,500	15,000	14,750	13,000	12,700	12,000	
Two years later	16,000	14,500	15,000	14,500	13,500	14,300	12,000	11,000		
Three years later	14,000	14,500	13,500	13,500	13,000	14,300	11,000			
Four years later	14,000	13,500	12,000	13,100	12,500	14,300				
Five years later	13,000	12,800	12,000	12,900	12,000					
Six years later	12,500	12,800	12,000	12,250						
Seven years later	12,250	12,800	11,750							
Eight years later	12,000	12,600								
Nine years later	12,000									
Increase (decrease) in estimated incurred claims and expense from end of policy year	(5,000)	(3,900)	(5,250)	(3,750)	(3,000)	(950)	(3,200)	(2,700)	1,000	-

See Note to Supplementary Information.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTE TO SUPPLEMENTARY INFORMATION
Years Ended June 30, 2021 and 2020

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 re-estimated 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 ten rows shows how each policy year's incurred claims (net of reinsurance) increased or decreased as of the end of successive years. This annual re-estimation 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 re-estimated 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 re-estimated 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 (the "Trust"), a component unit of the State of Mississippi, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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

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The Board of Trustees
Mississippi State Agencies Self-Insured
Workers' Compensation Trust – (continued)

Internal Control Over Financial Reporting (continued)

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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Trust'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.

Hoypr, Raino, Knight & Company, P.A.

September 30, 2021
Ridgeland, Mississippi