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FINANCIAL REPORT

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS'
COMPENSATION TRUST

JACKSON, MISSISSIPPI

JUNE 30, 2023

Presented by: Harper, Rains, Knight & Company, P.A.
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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 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, 2023 and 2022, 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, 2023 and 2022, 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 the 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 omissions, 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 27-28, 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 October 9, 2023, 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 solely 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 effectiveness of 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, Raina, Knight & Company, P.A.

October 9, 2023
Ridgeland, Mississippi

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2023 and 2022

The following is a discussion and analysis of the financial performance of the Mississippi State Agencies Self-Insured Workers' Compensation Trust (the "Trust") for the fiscal year ended June 30, 2023. 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 \$32,377,510, which was a decrease of \$727,490, or 2.20%, from the prior fiscal year. Current liabilities were \$7,767,510, a decrease of \$230,490 over the 2022 amount. The long-term portion of estimated claim liabilities decreased \$497,000, or 1.98%, to \$24,610,000 at June 30, 2023. 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 \$778,000.
- Total assets for the Trust at year-end were \$36,726,601, which was an increase of \$2,177,925 from the prior fiscal year. The unrestricted fund net position is \$4,349,091 and \$1,443,676 on the 2023 and 2022 balance sheets, respectively.
- Total operating expenditures increased \$678,875, or 8.41%, which relates almost exclusively to an increase in claims paid and incurred, net of reinsurance recoveries.
- Operating revenue increased \$2,622,428, or 29.02%, which relates to a decrease in realized and unrealized losses on investments and an increase in earned contributions.
- During fiscal year 2023 the Trust reported an excess of revenues over expenditures in the amount of \$2,905,415.

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 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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2023 and 2022

Fund Financial Statements

As a component unit of the State of Mississippi, the Trust only presents fund financial statements as of June 30, 2023 and 2022. 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, 2023 and 2022. 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, 2023 and 2022.

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 \$4,349,091 and \$1,443,676 in the financial statements for 2023 and 2022, respectively. Should a fund deficit occur in future years, receivable/payable from participating agencies will be recorded in an amount equal to the fund deficit for each year that a deficit exists. The Trust generated an excess of revenues over expenditures of \$2,905,415 and \$961,862 for the years ended June 30, 2023 and 2022, respectively.

The premium discount approved by the Board of Trustees was 15% and 20% for 2023 and 2022, respectively. Operating expenditures increased for the period ended June 30, 2023, the result of a decrease in the actuarially determined change in claims liability reserves. 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.

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'

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2023 and 2022

Currently Known Facts (continued)

Compensation Guaranty Association (the "Association"). As a result, the Trust is immune from any further liability arising from assessments by the Trust 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 in excess of 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 beginning during fiscal year 2017 or for claims incurred in prior 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

BALANCE SHEETS
June 30, 2023 and 2022

ASSETS		
	2023	2022
Current assets		
Cash and cash equivalents	\$ 8,495,268	\$ 6,366,894
Funds held by others	1,296,777	1,002,675
Accrued interest receivable	179,374	168,548
Total current assets	<u>9,971,419</u>	<u>7,538,117</u>
Investments	26,755,182	26,964,764
Due from related party	-	45,795
Total non-current assets	<u>26,755,182</u>	<u>27,010,559</u>
Total assets	<u>\$ 36,726,601</u>	<u>\$ 34,548,676</u>
LIABILITIES AND FUND BALANCE		
Current liabilities		
Due to related party	\$ 50,510	\$ -
Estimated liability for claims and claim adjustment expenses, net - current portion	<u>7,717,000</u>	<u>7,998,000</u>
Total current liabilities	<u>7,767,510</u>	<u>7,998,000</u>
Long-term liabilities		
Estimated liability for claims and claim adjustment expenses, net - long-term portion	<u>24,610,000</u>	<u>25,107,000</u>
Total liabilities	32,377,510	33,105,000
Unrestricted fund balance	<u>4,349,091</u>	<u>1,443,676</u>
Total liabilities and fund balance	<u>\$ 36,726,601</u>	<u>\$ 34,548,676</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Earned contributions, net of reinsurance premiums	\$ 11,457,059	\$ 10,590,533
Interest income, net of investment fees	814,043	575,207
Realized and unrealized losses on investments	(641,643)	(2,142,700)
Other income	29,100	13,091
Total operating revenue	<u>11,658,559</u>	<u>9,036,131</u>
Operating expenditures:		
Claims paid and incurred, net of reinsurance recoveries	7,435,917	6,882,769
Administrative fees	946,967	919,386
Risk control fees	126,219	117,909
Legal services	45,236	-
Reimbursements to State of Mississippi for:		
Allocated expenses	149,074	109,981
Actuarial fees	9,203	5,830
Accounting	13,800	13,400
Other	26,728	24,994
Total operating expenditures	<u>8,753,144</u>	<u>8,074,269</u>
Excess of revenues over expenditures	<u>2,905,415</u>	<u>961,862</u>
Change in fund balance	2,905,415	961,862
Fund net balance - unrestricted, beginning	<u>1,443,676</u>	<u>481,814</u>
Fund net balance - unrestricted, ending	<u>\$ 4,349,091</u>	<u>\$ 1,443,676</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, 2023 and 2022

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, 2023 and 2022, respectively, one hundred two (102) and one hundred (100) 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, realized and unrealized gains (losses) on 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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Trust. The Trust pays all workers' compensation benefits, which each participating agency incurs 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 did not record a premium deficiency receivable in 2023 or 2022.

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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inter-fund Transfers (continued)

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.

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, 2023 and 2022. The discounts applied to the gross liability were \$6,024,000 and \$6,535,000 at June 30, 2023 and 2022, 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 \$16,067,000 at June 30, 2023, and \$18,217,000 at June 30, 2022.

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 \$22,284,000 at June 30, 2023, and \$21,423,000 at June 30, 2022.

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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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; (6) corporate bonds and taxable municipal bonds, or corporate short-term obligations of corporations or of wholly owned subsidiaries of corporations, whose short-term obligations meet ratings standards specified in the Code.

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 \$499,360 and \$280,005 as of June 30, 2023 and 2022, 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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 October 9, 2023, which is the date the financial statements were 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.

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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • INVESTMENTS (continued)

As of June 30, 2023, the Trust had the following investments:

	Carrying Value	Fair Value	Interest Rate	Maturity Date
<u>U. S. Government:</u>				
U. S. Treasury Bill	\$ 620,193	\$ 620,193	0.000%	October 26, 2023
U. S. Treasury Note	797,681	793,656	2.875%	October 31, 2023
U. S. Treasury Note	438,117	439,259	2.500%	April 30, 2024
U. S. Treasury Note	2,175,282	2,054,880	0.250%	June 30, 2025
U. S. Treasury Note	906,484	873,590	1.250%	April 30, 2028
U. S. Treasury Note	587,116	566,056	1.000%	July 31, 2028
U. S. Treasury Note	410,585	400,545	0.625%	May 15, 2030
U. S. Treasury Note	2,019,137	1,699,620	1.625%	May 15, 2031
U. S. Treasury Note	3,100,042	2,708,079	1.250%	August 15, 2031
U. S. Treasury Note	939,451	942,216	1.875%	February 15, 2032
U. S. Treasury Note	372,102	370,143	3.500%	February 15, 2033
	<u>12,366,190</u>	<u>11,468,237</u>		
 <u>Agencies of U. S. Government:</u>				
Fannie Mae Pool	\$ 511,743	\$ 496,081	2.860%	July 1, 2023
Small Business Administration	10,946	10,803	4.350%	July 1, 2023
Freddie Mac Multifamily Securitization	30,862	30,873	3.060%	July 25, 2023
Freddie Mac Multifamily Securitization	284,275	282,171	1.051%	August 25, 2023
Small Business Administration	25,216	24,126	4.920%	October 1, 2023
Small Business Administration	20,319	20,065	1.880%	November 1, 2023
Small Business Administration	37,939	37,547	2.140%	January 1, 2024
Small Business Administration	163,929	159,973	3.191%	March 10, 2024
International Development Finance Corp	80,325	77,992	0.410%	March 20, 2024
Small Business Administration	51,213	49,995	1.980%	May 1, 2024
Small Business Administration	29,827	29,125	5.180%	May 1, 2024
Federal National Mortgage Association	179,799	173,854	1.005%	May 25, 2024
Small Business Administration	38,000	36,757	5.520%	June 1, 2024

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of U. S. Government:				
Small Business Administration	\$ 139,216	\$ 137,291	3.015%	September 10, 2024
Small Business Administration	22,631	21,834	4.860%	October 1, 2024
Small Business Administration	57,937	55,982	2.030%	November 1, 2024
Small Business Administration	41,907	41,030	1.890%	January 1, 2025
Small Business Administration	167,681	158,974	2.517%	March 10, 2025
Freddie Mac Gold Pool	254,880	246,661	7.645%	May 1, 2025
Small Business Administration	262,172	246,043	1.800%	July 1, 2025
Small Business Administration	58,731	54,865	5.110%	August 1, 2025
Small Business Administration	109,307	100,232	4.760%	September 1, 2025
Small Business Administration	108,659	102,217	2.829%	September 10, 2025
Small Business Administration	74,592	70,826	1.660%	November 1, 2025
Small Business Administration	99,017	94,713	1.800%	January 1, 2026
Small Business Administration	135,521	129,414	1.840%	March 1, 2026
Small Business Administration	124,873	117,008	2.507%	March 10, 2026
Fannie Mae Pool	430,894	401,456	2.550%	July 1, 2026
Small Business Administration	178,735	171,397	1.800%	September 1, 2026
Fannie Mae Pool	388,748	372,963	3.840%	September 1, 2026
Small Business Administration	152,708	144,125	2.170%	November 1, 2026
Freddie Mac Multifamily Securitization	372,009	353,067	2.617%	December 25, 2026
Fannie Mae Pool	196,056	188,202	3.050%	January 1, 2027
Ginnie Mae II Pool	39,210	36,405	3.000%	January 20, 2027
Federal National Mortgage Association	367,147	362,342	3.090%	January 25, 2027
Small Business Administration	113,033	106,962	2.630%	March 1, 2027
Small Business Administration	157,177	147,870	2.845%	March 10, 2027
Small Business Administration	343,691	319,395	2.518%	September 10, 2027
Small Business Administration	137,515	127,162	5.490%	March 1, 2028
Small Business Administration	144,376	135,423	3.187%	March 10, 2028
Small Business Administration	58,015	54,162	3.180%	May 1, 2028
Freddie Mac Multifamily Securitization	268,172	246,363	3.600%	July 25, 2028

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of				
U. S. Government:				
Freddie Mac Gold Pool	\$ 276,620	\$ 251,015	6.423%	August 1, 2028
Small Business Administration	223,705	208,579	3.548%	September 10, 2028
Small Business Administration	264,151	257,581	6.770%	November 1, 2028
Small Business Administration	228,768	214,133	2.950%	January 1, 2029
Small Business Administration	253,905	229,090	4.660%	March 1, 2029
Small Business Administration	245,807	227,814	3.113%	March 10, 2029
Small Business Administration	97,747	89,238	2.660%	May 1, 2029
Small Business Administration	205,317	187,321	2.240%	July 1, 2029
Small Business Administration	293,397	264,676	1.880%	September 1, 2029
Fannie Mae Pool	261,898	237,236	4.820%	December 1, 2029
Small Business Administration	230,492	207,295	4.380%	January 1, 2030
Small Business Administration	301,148	272,217	4.140%	February 1, 2030
Small Business Administration	336,732	293,540	2.078%	March 10, 2030
Small Business Administration	390,503	343,181	0.840%	May 1, 2030
Small Business Administration	148,003	132,584	0.810%	July 1, 2030
Small Business Administration	387,597	344,314	0.700%	September 1, 2030
Small Business Administration	277,464	242,717	4.220%	February 1, 2031
Small Business Administration	279,483	242,149	1.667%	March 10, 2031
Small Business Administration	274,543	240,095	4.050%	April 1, 2031
Small Business Administration	52,197	47,194	3.790%	May 1, 2031
Small Business Administration	362,230	319,389	0.820%	July 1, 2031
Small Business Administration	202,516	176,894	2.850%	September 1, 2031
Small Business Administration	499,136	413,744	1.304%	September 10, 2031
Small Business Administration	335,594	306,279	2.760%	October 1, 2031
Small Business Administration	65,774	61,758	2.760%	January 1, 2032
Fannie Mae Pool	412,994	396,843	2.000%	July 1, 2032
Small Business Administration	268,769	257,760	4.262%	September 10, 2032
Federal National				
Mortgage Association	217,832	208,571	3.220%	August 25, 2035
Fannie Mae Pool	318,023	272,079	2.000%	September 1, 2035

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 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:</u>				
Federal National Mortgage Association	\$ 180,593	\$ 178,828	2.535%	November 25, 2035
Federal National Mortgage Association	38,915	38,797	2.180%	January 25, 2046
	<u>14,400,856</u>	<u>13,336,657</u>		
<u>Investments backed by full faith and credit of the U. S. Government:</u>				
Private Export Funding	520,305	508,216	2.450%	July 15, 2024
Cal Dive I-Title XI, Inc.	127,227	118,959	4.930%	February 1, 2027
Vessel Management Services Inc.	151,515	142,691	5.850%	May 1, 2027
	<u>799,047</u>	<u>769,866</u>		
<u>Foreign Investments:</u>				
Aid-Israel	524,467	514,784	5.500%	September 18, 2023
Aid-Israel	509,088	499,730	5.500%	December 4, 2023
Aid-Israel	112,329	108,916	5.500%	April 26, 2024
Lulwa LTD	58,965	56,992	1.888%	February 15, 2025
	<u>1,204,849</u>	<u>1,180,422</u>		
Total investments	<u>\$ 28,770,942</u>	<u>\$ 26,755,182</u>		

As of June 30, 2022, 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	\$ 2,159,131	\$ 2,048,558	0.250%	June 30, 2025
U. S. Treasury Note	758,740	743,000	0.625%	November 15, 2027
U. S. Treasury Note	2,021,528	1,787,040	1.625%	May 15, 2031
U. S. Treasury Note	2,562,814	2,292,470	1.250%	August 15, 2031
	<u>7,502,213</u>	<u>6,871,068</u>		

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of U. S. Government:				
Small Business Administration	\$ 4,278	\$ 4,095	5.310%	August 1, 2022
Small Business Administration	13,777	13,760	2.245%	September 10, 2022
Small Business Administration	8,424	8,383	1.010%	November 1, 2022
Small Business Administration	23,467	23,421	1.110%	January 1, 2023
Freddie Mac Multifamily Securitization	574,048	569,030	3.320%	February 25, 2023
Small Business Administration	123,340	121,722	2.351%	March 10, 2023
Freddie Mac Multifamily Securitization	661,061	646,903	3.150%	April 25, 2023
Fannie Mae-Aces	272,296	268,331	3.000%	April 25, 2023
Small Business Administration	49,966	49,368	1.100%	May 1, 2023
Fannie Mae Pool	524,605	509,462	2.860%	July 1, 2023
Small Business Administration	38,139	37,736	4.350%	July 1, 2023
Freddie Mac Multifamily Securitization	575,574	566,273	1.051%	August 25, 2023
Small Business Administration	4,667	4,585	3.644%	September 10, 2023
Small Business Administration	82,937	79,884	4.920%	October 1, 2023
Small Business Administration	65,949	65,035	1.880%	November 1, 2023
Small Business Administration	87,900	86,901	2.140%	January 1, 2024
Small Business Administration	175,079	171,354	3.191%	March 10, 2024
International Development Finance Corp	153,255	148,779	0.410%	March 20, 2024
Small Business Administration	115,843	113,786	1.980%	May 1, 2024
Small Business Administration	71,488	68,123	5.180%	May 1, 2024
Fannie Mae Pool	345,112	330,525	5.030%	May 1, 2024
Federal National Mortgage Association	209,378	204,011	1.005%	May 25, 2024
Small Business Administration	93,595	91,006	5.520%	June 1, 2024
Small Business Administration	57,243	56,196	3.015%	September 10, 2024
Small Business Administration	42,244	41,093	4.860%	October 1, 2024
Small Business Administration	99,853	97,627	2.030%	November 1, 2024

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of U. S. Government:				
Small Business Administration	\$ 68,551	\$ 67,766	1.890%	January 1, 2025
Small Business Administration	244,147	232,509	2.517%	March 10, 2025
Freddie Mac Gold Pool	129,447	124,024	7.645%	May 1, 2025
Small Business Administration	363,796	346,121	1.800%	July 1, 2025
Small Business Administration	85,412	81,017	5.110%	August 1, 2025
Small Business Administration	176,471	164,729	4.760%	September 1, 2025
Small Business Administration	213,562	203,135	2.829%	September 10, 2025
Small Business Administration	124,654	120,868	1.660%	November 1, 2025
Small Business Administration	186,178	181,414	1.800%	January 1, 2026
Small Business Administration	185,326	179,831	1.840%	March 1, 2026
Small Business Administration	255,748	244,646	2.507%	March 10, 2026
Fannie Mae Pool	442,174	429,269	2.550%	July 1, 2026
Small Business Administration	242,014	236,316	1.800%	September 1, 2026
Small Business Administration	194,043	188,253	2.170%	November 1, 2026
Freddie Mac Multifamily Securitization	482,234	463,151	2.617%	December 25, 2026
Ginnie Mae II Pool	59,494	56,253	3.000%	January 20, 2027
Small Business Administration	147,122	142,326	2.630%	March 1, 2027
Small Business Administration	261,396	258,322	2.845%	March 10, 2027
Small Business Administration	472,484	459,428	2.518%	September 10, 2027
Small Business Administration	179,051	171,826	5.490%	March 1, 2028
Small Business Administration	236,773	232,608	3.187%	March 10, 2028
Small Business Administration	86,451	83,242	3.180%	May 1, 2028
Freddie Mac Multifamily Securitization	276,523	257,319	3.600%	July 25, 2028
Freddie Mac Gold Pool	323,771	305,057	6.423%	August 1, 2028
Small Business Administration	351,114	345,468	3.548%	September 10, 2028
Small Business Administration	263,138	255,028	2.950%	January 1, 2029
Small Business Administration	349,158	328,841	4.660%	March 1, 2029
Small Business Administration	317,956	310,522	3.113%	March 10, 2029
Small Business Administration	154,093	144,664	2.660%	May 1, 2029

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • INVESTMENTS (continued)

	Carrying Value	Fair Value	Interest Rate	Maturity Date
Agencies of U. S. Government:				
Small Business Administration	\$ 239,858	\$ 226,479	2.240%	July 1, 2029
Small Business Administration	351,512	324,249	1.880%	September 1, 2029
Fannie Mae Pool	292,620	278,725	4.820%	December 1, 2029
Small Business Administration	305,718	283,060	4.380%	January 1, 2030
Small Business Administration	384,967	362,544	4.140%	February 1, 2030
Small Business Administration	347,345	326,111	2.078%	March 10, 2030
Small Business Administration	474,338	434,445	0.840%	May 1, 2030
Small Business Administration	191,024	177,332	0.810%	July 1, 2030
Small Business Administration	448,337	410,762	0.700%	September 1, 2030
Small Business Administration	349,032	318,487	4.220%	February 1, 2031
Small Business Administration	282,362	251,497	1.667%	March 10, 2031
Small Business Administration	354,376	323,325	4.050%	April 1, 2031
Small Business Administration	71,230	65,889	3.790%	May 1, 2031
Small Business Administration	516,958	473,988	0.820%	July 1, 2031
Small Business Administration	254,204	231,803	2.850%	September 1, 2031
Small Business Administration	499,802	452,805	1.304%	September 10, 2031
Small Business Administration	329,396	308,364	2.760%	October 1, 2031
Small Business Administration	95,066	93,262	2.760%	November 1, 2032
Federal National				
Mortgage Association	275,153	273,540	N/A	August 25, 2035
Fannie Mae Pool	361,799	324,391	2.000%	September 1, 2035
Federal National				
Mortgage Association	211,796	210,933	2.535%	November 25, 2035
Small Business Administration	251,783	259,217	3.530%	September 1, 2038
Fannie Mae Pool	445,863	388,509	2.500%	February 1, 2041
Federal National				
Mortgage Association	55,861	56,146	2.180%	January 25, 2046
	<u>18,736,199</u>	<u>17,847,205</u>		

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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 the U. S. Government:				
Private Export Funding	\$ 517,291	\$ 516,290	2.450%	July 15, 2024
Cal Dive I-Title XI, Inc.	155,346	151,356	4.930%	February 1, 2027
Vessel Management Services Inc.	190,035	187,470	5.850%	May 1, 2027
Matson Navigation Co.	148,735	141,147	5.273%	July 29, 2029
	<u>1,011,407</u>	<u>996,263</u>		
Foreign Investments:				
Aid-Israel	543,153	530,213	5.500%	September 18, 2023
Aid-Israel	527,016	516,900	5.500%	December 4, 2023
Aid-Israel	115,579	113,238	5.500%	April 26, 2024
Lulwa LTD	91,775	89,877	1.888%	February 15, 2025
	<u>1,277,523</u>	<u>1,250,228</u>		
Total investments	<u>\$ 28,527,342</u>	<u>\$ 26,964,764</u>		

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.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 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, 2023 and 2022.

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U. S. Government	\$ -	\$ 11,468,237	\$ -	\$ 11,468,237
Agencies of U. S. Government	-	13,336,657	-	13,336,657
Investments backed by full faith and credit of U. S. Government	-	769,866	-	769,866
Foreign investments	<u>-</u>	<u>1,180,422</u>	<u>-</u>	<u>1,180,422</u>
Total investments at fair value	<u>\$ -</u>	<u>\$ 26,755,182</u>	<u>\$ -</u>	<u>\$ 26,755,182</u>

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U. S. Government	\$ -	\$ 6,871,068	\$ -	\$ 6,871,068
Agencies of U. S. Government	-	17,847,205	-	17,847,205
Investments backed by full faith and credit of U. S. Government	-	996,263	-	996,263
Foreign investments	<u>-</u>	<u>1,250,228</u>	<u>-</u>	<u>1,250,228</u>
Total investments at fair value	<u>\$ -</u>	<u>\$ 26,964,764</u>	<u>\$ -</u>	<u>\$ 26,964,764</u>

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Estimated liability for claims and claims adjustment expenses, beginning	\$ <u>33,105,000</u>	\$ <u>35,086,000</u>
Incurred claims and claims adjustment expenses:		
Provision for insured events of current year	11,000,000	10,000,000
Decrease in provision for insured events of prior years	<u>(4,075,083)</u>	<u>(3,477,231)</u>
Total incurred claims and claims adjustment expenses before present value adjustment	<u>6,924,917</u>	<u>6,522,769</u>
Claims and claims adjustment expenses paid during the year:		
Attributable to insured events of current year	(2,128,000)	(2,306,000)
Attributable to insured events of prior years	<u>(6,085,917)</u>	<u>(6,557,769)</u>
Total claims and claim adjustment expenses paid	<u>(8,213,917)</u>	<u>(8,863,769)</u>
Present value adjustment	<u>511,000</u>	<u>360,000</u>
Estimated liability for claims and claims adjustment expenses, ending	<u>\$ <u>32,327,000</u></u>	<u>\$ <u>33,105,000</u></u>

The decrease in the provision of insured events of prior years for 2023 and 2022 is the result of better-than-anticipated claims experience in recent years. Actuarial assumptions can be significantly affected by changes in claim payment patterns.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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 \$946,967 and \$126,219, respectively, for the year ended June 30, 2023. Administrative and risk control consulting fees amounted to \$919,386 and \$117,909, respectively, for the year ended June 30, 2022.

Funds held by others for the future payments of claims amounted to \$1,296,777 and \$1,002,675 as of June 30, 2023 and 2022, respectively.

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 2023 and 2022, respectively, per accident for individual claims limited to the statutory workers' compensation limit per accident. Reinsurance premiums for the years ended June 30, 2023 and 2022, were \$644,757 and \$366,230, respectively. During 2023 and 2022, reinsurance recoveries amounted to \$603,500 and \$117,056, respectively. The estimated liability for claims and claim adjustment expenses has been decreased for estimated amounts recoverable on excess loss reinsurance of \$14,917,784 at June 30, 2023, and \$14,667,296 at June 30, 2022.

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, 2023 and 2022, amounted to \$198,805 and \$154,205, 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

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 7 • RELATED PARTIES (continued)

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.

NOTE 9 • SIGNIFICANT AGENCY

During 2023 and 2022, contributions from the Department of Mental Health represented 44% and 40%, 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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net earned required contribution and investment revenues	\$ 17,064	\$ 15,266	\$ 15,713	\$ 14,668	\$ 13,233	\$ 13,054	\$ 11,836	\$ 11,235	\$ 9,036	\$ 11,659
Unallocated expenses	1,256	1,253	1,219	(206)	1,189	1,135	1,152	1,189	1,192	1,317
Gross estimated incurred claims and expenses	17,353	16,271	15,563	16,394	14,596	14,783	11,217	11,700	10,117	11,603
Losses assumed by excess loss reinsurer	353	271	563	1,144	396	1,083	217	200	117	603
Net estimated incurred claims and expenses	17,000	16,000	15,000	15,250	14,200	13,700	11,000	11,500	10,000	11,000
Paid (cumulative) as of:										
End of policy year	2,577	3,486	3,423	3,394	3,555	2,992	3,385	2,418	2,306	2,128
One year later	6,252	6,889	7,273	7,921	6,320	5,971	6,717	4,698	4,330	
Two years later	8,112	8,706	8,614	9,717	7,424	7,188	8,713	6,301		
Three years later	8,954	9,590	9,272	11,083	7,921	7,582	9,682			
Four years later	9,445	10,233	9,537	11,773	8,318	7,804				
Five years later	9,766	10,348	9,842	12,320	8,565					
Six years later	10,036	10,527	9,804	12,563						
Seven years later	10,115	10,607	9,859							
Eight years later	10,213	10,681								
Nine years later	10,261									
Re-estimated losses assumed by excess loss reinsurers	-	-	-	-	-	-	-	-	-	-
Re-estimated incurred claims and expenses:										
End of policy year	17,000	16,000	15,000	15,250	14,200	13,700	11,000	11,500	10,000	11,000
One year later	15,000	15,500	15,000	14,750	13,000	12,700	12,000	10,000	9,500	
Two years later	15,000	14,500	13,500	14,300	12,000	11,000	12,500	9,500		
Three years later	13,500	13,500	13,000	14,300	11,000	10,500	12,000			
Four years later	12,000	13,100	12,500	14,300	10,500	9,500				
Five years later	12,000	12,900	12,000	14,000	10,250					
Six years later	12,000	12,250	11,000	13,750						
Seven years later	11,750	11,800	10,800							
Eight years later	11,500	11,500								
Nine years later	11,250									
Increase (decrease) in estimated incurred claims and expense from end of policy year	(5,750)	(4,500)	(4,200)	(1,500)	(3,950)	(4,200)	1,000	(2,000)	(500)	-

See Note to Supplementary Information.

MISSISSIPPI STATE AGENCIES
SELF-INSURED WORKERS' COMPENSATION TRUST

NOTE TO SUPPLEMENTARY INFORMATION
Years Ended June 30, 2023 and 2022

The preceding table illustrates how the Trust's earned revenues (net of reinsurance) and investment income compared 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 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, 2023, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated October 9, 2023.

Report on 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") as a basis for designing 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)

Report on Internal Control Over Financial Reporting (continued)

any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Harper, Raina, Knight & Company, P.A.

October 9, 2023
Ridgeland, Mississippi