Financial Statements
June 30, 2021 and 2020

Workforce Safety & Insurance

WORKFORCE SAFETY & INSURANCE

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Independent Auditor's Report

To the Governor of North Dakota,
Legislative Assembly and the
Board of Directors of Workforce Safety & Insurance
Bismarck, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of Workforce Safety & Insurance (WSI), an agency of the State of North Dakota, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Workforce Safety & Insurance's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WSI's preparation and fair presentation of the financial statements 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 WSI's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Workforce Safety & Insurance, as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
Relationship with the State of North Dakota
As discussed in Note 1, the financial statements of Workforce Safety & Insurance, an agency of the State of North Dakota are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of the State of North Dakota that is attributable to the transactions of Workforce Safety & Insurance. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability and schedule of employer's contributions, and schedule of employer's postemployment liability and schedule of employer's contributions, and loss development information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit 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 Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Workforce Safety & Insurance's financial statements. The schedule of attorney fees and costs are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of attorney fees and costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of Workforce Safety & Insurance'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 the Workforce Safety & Insurance's 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 Workforce Safety & Insurance's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
October 26, 2021

Workforce Safety & Insurance (WSI) was established in 1919 with the purpose of providing workers compensation insurance for employers, state agencies and other governmental units working in North Dakota. WSI operates in a manner similar to any other insurance company, but is also an agency of the State of North Dakota. As management of WSI, we offer readers of these financial statements a narrative overview and analysis of WSI's financial activities for the fiscal years ended June 30, 2021, 2020, and 2019. We encourage readers to consider the information presented here in conjunction with the entire financial statement package and the notes to those statements, which follow this section.

WSI is a proprietary fund and uses the accrual basis of accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WSI, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WSI is a special government reporting unit for the State of North Dakota and is combined with other similar funds to comprise the enterprise funds of the State of North Dakota.

Overview of Financial Statements

WSI's basic financial statements include the 1) balance sheet, 2) statement of revenues, expenses and changes in fund net position, 3) statement of cash flows, and 4) statement of appropriations. The balance sheet provides readers the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the fund, with the difference between the two labeled net position. It also provides the basis for determining the overall financial strength and solvency of the workers compensation fund. The statement of revenues, expenses and changes in fund net position shows the operating performance of WSI for the fiscal year. The statement of cash flows identifies cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The statement of cash flows answers questions such as where did the cash come from, what was cash used for, and what was the change in the cash balance during the fiscal year. The statement of appropriations shows WSI's expenditures in relationship to the biennial appropriation approved by the 2019 Legislative Assembly.

WSI's notes to the financial statements provide readers additional information that is essential to a full understanding of data provided in the fund financial statements. The notes can be found on pages 16-45 of this report. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental pension and postemployment liability and contribution schedule, and information concerning WSI's loss development on pages 46-50. Other supplementary information concerning WSI's legal costs can be found on pages 51.

Financial Highlights

Fiscal year 2021 shows decreases in earned premiums, incurred losses, and the number of filed claims. There was a slight increase in the number of policyholders.

At June 30, 2021, June 30, 2020, and June 30, 2019 coverage extended to the following employers:

	2021	2020	2019
Annual premium $250 - $5,000	20,269	19,734	19,350
Annual premium $5,001 - $50,000	3,896	4,124	4,312
Annual premium $50,001 - $100,000	329	370	424
Annual premium over $100,000	284	346	381
Total policyholders	24,778	24,574	24,467

North Dakota's active policyholder count increased by 204 policies in fiscal year 2021, ending with a total of 24,778 policies.

Condensed Statements of Revenues, Expenses and Changes in Fund Net Position

REVENUE	2021	2020	2019
OPERATING REVENUE			
Premium -net of discount and reinsurance premium	$ 175,613,707	$ 221,367,451	$ 237,788,871
Subrogation, penalties and finance charges	5,523,266	6,000,204	9,907,894
Building rental revenue	891,835	814,651	1,530,450
Other revenue	400,452	199,546	560,527
	182,429,260	228,381,852	249,787,742
NONOPERATING REVENUE			
Earnings on investments - others	247,599,948	125,237,317	137,014,666
Total revenues	430,029,208	353,619,168	386,802,408
EXPENSES			
OPERATING EXPENSES			
Incurred loss	94,913,286	88,374,676	147,666,582
Payroll and employee benefits	23,776,486	23,913,939	23,514,239
Other administrative expense (income)	(2,899,317)	(2,222,257)	(417,645)
Pension/OPEB expenses	7,862,842	3,523,224	4,649,184
Bad debt expenses	798,348	1,709,918	1,308,987
Depreciation expenses	2,619,013	2,096,953	1,459,046
	127,070,659	117,396,453	178,180,393
NONOPERATING EXPENSE			
Investment and other expenses	5,182,163	4,163,241	4,047,780
Dividend expense	72,370,330	96,424,944	115,189,458
	77,552,493	100,588,185	119,237,238
Total expenses	204,623,152	217,984,638	297,417,631
Change in net position	$ 225,406,056	$ 135,634,532	$ 89,384,777

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WSI's financial position remains stable. Earned premium net of discounts and reinsurance totaled $176 million, $221 million, and $238 million for fiscal years 2021, 2020, and 2019, respectively.

Written premium for fiscal year 2021 totals $194.2 million, a decrease 18% from the fiscal year 2020 total of $236.6 million. The fiscal year 2020 total of $236.6 million was a 9.76% decrease from 2019's total of $262.2 million.

In fiscal year 2021, WSI's investment portfolio yielded a year to date return of 11.57% (net of fees), with a gain of $247.6 million before expenses. The year-to-date return for fiscal years 2020 and 2019 was 6.00% and 6.87%, respectively. WSI's average investment return for the five year period ending June 30, 2021 is 7.59% and the average ten year rate of return is 7.07%. WSI's estimated reserve liabilities are currently discounted at 4%. Effective for fiscal year 2021, WSI reduced the discount rate for reserve liabilities from 4.5% to 4%.

In fiscal year 2021, the WSI Board of Directors recommended issuing a 50% dividend credit in accordance with North Dakota Century Code (NDCC) 65-04-02. The Governor of North Dakota approved this recommendation. This dividend credit is estimated to be $90 million and will be applied to renewing policyholders in good standing in accordance with NDCC 65-04-02. This is comparable to the 50% dividend credit declared in fiscal year 2020 and fiscal year 2019. The dividend credits for fiscal year 2020 and 2019 were estimated at $103 million and $110 million respectfully. WSI issued dividend credits in sixteen of the past seventeen years, totaling approximately $1.6 billion.

WSI's premium billings are estimated annually based upon the employer's prior year's estimated payroll. At the end of each year, payroll reports are submitted and reviewed for accuracy. The billing is then adjusted to reconcile with actual prior year payroll reports. As estimates are reconciled to actual amounts and premiums are adjusted, dividend estimates that were derived from estimated premium are also adjusted.

The estimated dividend credit declared in June of 2020 was estimated to be $103 million. This estimate was decreased by $13 million in fiscal year 2021 as there were more decreases in payroll than anticipated. The total adjustments for policies and premium audit adjustments for fiscal year 2020 policies recorded in fiscal year 2021 was $11 million, compared to the adjustments from the prior year of $6.5 million.

The estimated dividend credit declared in June of 2019 was $110 million dollars. The fiscal year 2019 dividend credit estimate was decreased in fiscal year 2020 by $3.5 million.

Incurred loss and LAE increased from the prior year. The total for fiscal year 2021 was $94.9 million, an increase of $6.5 million or 7.4% compared to the $88.4 million recorded in fiscal year 2020. The total for fiscal year 2020 was $88.4 million, a decrease of $59 million or 40% compared to the $147.6 million recorded in fiscal year 2019. The current increase is attributed to the reduction of the discount rate from 4.5% to 4%.

Incurred loss includes both reported loss as identified by in-house claim adjusters, and unreported loss estimated by independent actuaries. Actuarial estimates are based on historical trends of ultimate losses and various methodologies, dependent upon benefit type. The actuarial loss report is reviewed annually as part of the financial audit.

The number of total claims filed in fiscal year 2021 is 17,845. This is decrease of 968 from the previous fiscal year 2020 total of 18,813. The fiscal year 2020 total decreased by 1,100 from the total claims filed in fiscal year 2019 of 19,913.

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As the State's economy has slowed overall, debt collection has improved. Actual premium bad debt expense was $343 thousand for fiscal year 2021, $2.1 million for fiscal year 2020, and $980 thousand for fiscal year 2019.

The ratio of total delinquent premiums to in-force premium ranges from 1.93% to 2.51% over the past three fiscal years, with the current year ratio at 1.93%.

Delinquent premium in active collections for fiscal year 2021 of $3.9 million is a 21% reduction, or $1 million less than the $4.9 million reported in fiscal year 2020. The 2020 of $4.9 million was a 21% reduction, or $1.3 million less than the $6.2 million reported in fiscal year 2019. The allocation for premium bad debt expense was $5 million in fiscal year 2021. The collection department continues to find innovative resources and tools to streamline the delinquent premium recovery process.

The allocation for other bad debt expense remained at $2 million, based on an analysis of the total amount outstanding. Actual other bad debt expense for fiscal year 2021 was $412 thousand, compared to the fiscal year 2020 total of $435 thousand, and the fiscal year 2019 total of $329 thousand.

The net position as of June 30, 2021, equaled $1.12 billion compared to $906 million on June 30, 2020 and $771 million on June 30, 2019.

Condensed Statements of Change in Net Position

	2021	**2020**	**2019**
Beginning net position	**$ 906,165,469**	**$ 770,530,937**	**$ 681,146,160**
Change in net position	**225,406,056**	**135,634,532**	**89,384,777**
Ending net position	**$ 1,131,571,525**	**$ 906,165,469**	**$ 770,530,937**

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Condensed Balance Sheets

	2021	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,337,285	$ 3,227,247	$ 2,871,189
Investments	2,301,507,422	2,115,391,803	2,054,781,942
Invested securities lending collateral	6,288,417	6,492,798	6,100,164
Premium receivable, net	13,767,431	21,495,989	23,220,267
Other accounts receivable, net	3,359,889	3,745,682	3,346,729
Investment interest receivable	9,871,271	10,554,243	10,666,901
Prepaid expenses	547,115	429,747	395,608
Total current assets	2,338,678,830	2,161,337,509	2,101,382,800
NON-CURRENT ASSETS			
Land	901,974	901,974	901,974
Capital assets, net	15,189,276	14,804,769	13,634,392
Construction in progress	2,492,771	2,831,565	3,250,362
Total assets	2,357,262,851	2,179,875,817	2,119,169,528
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow pension	26,496,389	9,020,136	12,296,330
Deferred outflow OPEB	398,988	349,616	313,963
Total deferred outflows	26,895,377	9,369,752	12,610,293
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,384,158,228	$ 2,189,245,569	$ 2,131,779,821
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 5,773,253	$ 4,424,068	$ 4,472,647
Due to other state agencies	180,524	189,977	208,848
Unearned premium	92,039,810	104,215,341	115,278,892
Dividend Payable	92,172,920	107,034,501	113,235,072
Compensated absences payable	1,606,723	1,512,146	1,399,626
Investment accounts payable	1,813,640	1,164,856	810,292
Securities lending collateral	6,288,417	6,492,798	6,100,164
Unpaid loss and LAE	120,011,880	123,575,040	130,913,280
Total current liabilities	319,887,167	348,608,727	372,418,821
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current	261,559	246,163	227,846
Pension liability	43,558,302	17,419,152	25,710,589
OPEB liability	1,148,141	1,145,698	1,158,959
Unpaid loss and LAE	880,087,120	906,216,960	960,030,720
Total non-current liabilities	925,055,122	925,027,973	987,128,114
Total liabilities	1,244,942,289	1,273,636,700	1,359,546,935
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow pension	7,536,303	9,352,752	1,622,059
Deferred inflow OPEB	108,111	90,647	79,889
Total deferred inflows	7,644,414	9,443,399	1,701,948
NET POSITION			
Invested in capital assets, net of related debt	18,584,021	18,538,308	17,786,728
Designated/Unrestricted	1,112,987,504	887,627,161	752,744,209
Total net position	1,131,571,525	906,165,469	770,530,937
Total liabilities and net position	2,376,513,814	2,179,802,168	2,130,077,872
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,384,158,228	$ 2,189,245,569	$ 2,131,779,820

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WSI’s total assets and deferred outflows of resources as of June 30, 2021 totaled $2.38 billion. This is an increase of 8.9% or $195 million over the June 30, 2020 total. Total assets on June 30, 2020 of $2.19 billion increased $57 million or 2.7% over total assets on June 30, 2019 of $2.13 billion. Variances in total assets year over year are due to investment market fluctuations, premium rate modifications, changes in incurred losses, and the issuance of premium dividend credits. The difference between assets and liabilities is reported on the balance sheet as net position, which is commonly referred to as fund surplus.

Changes in net position are the result of two separate activities or major program revenues: underwriting and investing. Underwriting activities measure annual premium revenues against claims costs and administrative expenses; while investing activities measure interest, dividends, and changes in the fair value of WSI’s investments. WSI’s investing activities are designed to support its underwriting results and so, to the extent that investments appreciate in value, WSI can operate with an underwriting loss and still maintain its financial strength.

Fiscal year 2021 activities resulted in underwriting revenue of $51 million, a decrease of approximately $56 million or 53% over fiscal year 2020. The fiscal year 2020 underwriting activity gain of $107 million was approximately $44 million more than the underwriting gain of $63 million stated in fiscal year 2019.

The change in net position in fiscal year 2021 of $225 million is an increase of $89 million or 66.2% from the fiscal year change in net position of $136 million recorded in fiscal year 2020. The fiscal year 2020 total is a increase of $46 million from the fiscal year change in net position of $89 million gain in fiscal year 2019. A dividend credit of 50% was declared in fiscal year 2021, 2020 and 2019. Net earned premium from fiscal year 2021 of $176 million is down from the fiscal year 2020 total of $221 million. The strong investment returns in the past three years contributed to the positive change in net position.

Condensed Underwriting and Investment Analysis

	2021	2020	2019
Net premium earned	$ 175,613,707	$ 221,367,451	$ 237,788,871
Incurred losses	78,962,075	71,957,511	131,554,825
Allocated loss adjustment expenses	4,749,967	5,161,085	4,928,756
Unallocated loss adjustment expenses	11,201,244	11,256,081	11,183,000
General and administrative expenses	22,203,895	22,774,437	22,464,628
Pension/OPEB Expense	7,862,842	3,523,224	4,649,184
Total losses and expenses	124,980,023	114,672,337	174,780,394
Underwriting income	50,633,684	106,695,114	63,008,477
Investment and other income	247,142,702	125,364,362	141,565,758
Dividend expenses	(72,370,330)	(96,424,944)	(115,189,458)
Change in net position	$ 225,406,056	$ 135,634,532	$ 89,384,777

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Capital Assets

WSI's non-current assets include land, the Century Center office building, furniture, and equipment. A statement of changes in capital assets for fiscal year 2021 and 2020 can be found under Note 5 – Capital Assets.

Economic Factors and Next Year's Budget and Rates

WSI is a proprietary enterprise fund and does not receive any general fund dollars. Workers compensation premium and investment returns are the main sources of revenue. To ensure solvency of the fund, premium rates are established on an annual basis by external actuarial consultants. For policies incepting and renewing in fiscal year 2021, WSI anticipates average statewide premium levels to decrease by approximately 7.8%. This compares a 2020 decrease of 8% and a 2019 decrease of 7.18%.

Available Fund Surplus

The 2009 Legislative Assembly revised the language regarding fund surplus requirements outlined in NDCC 65-04-02, adding clarifying parameters for determining the amount of net position, or surplus, to be considered available for dividend declaration. This language allows the net position to be reduced by special project funding which has been legislatively approved, to arrive at available surplus. Following these guidelines, the available surplus as of June 30, 2021 was $1.13 billion or 110.8% of the actuarial discounted reserve liability of $1.00 billion. As of June 30, 2020, and June 30, 2019, the available surplus was 85.5% and 68.0%, respectively.

From fiscal year 2019 through fiscal year 2021, the organization's net position is increasing.

Requests for information

This financial report is designed to provide a general overview of WSI's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Workforce Safety & Insurance, 1600 East Century Avenue, Suite 1, Bismarck, ND 58503.

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WORKFORCE SAFETY & INSURANCE
BALANCE SHEETS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,337,285	$ 3,227,247
Investments	2,301,507,422	2,115,391,803
Invested securities lending collateral	6,288,417	6,492,798
Premium receivable, net	13,767,431	21,495,989
Other accounts receivable, net	3,359,889	3,745,682
Investment interest receivable	9,871,271	10,554,243
Prepaid expenses	547,115	429,747
Total current assets	2,338,678,830	2,161,337,509
NON-CURRENT ASSETS		
Land	901,974	901,974
Capital assets, net	15,189,276	14,804,769
Construction in progress	2,492,771	2,831,565
Total assets	2,357,262,851	2,179,875,817
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow pension	26,496,389	9,020,136
Deferred outflow OPEB	398,988	349,616
Total deferred outflows	26,895,377	9,369,752
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,384,158,228	$ 2,189,245,569
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 5,773,253	$ 4,424,068
Due to other state agencies	180,524	189,977
Unearned premium	92,039,810	104,215,341
Dividend Payable	92,172,920	107,034,501
Compensated absences payable	1,606,723	1,512,146
Investment accounts payable	1,813,640	1,164,856
Securities lending collateral	6,288,417	6,492,798
Unpaid loss and LAE	120,011,880	123,575,040
Total current liabilities	319,887,167	348,608,727
NON-CURRENT LIABILITIES		
Compensated absences payable, net of current	261,559	246,163
Pension liability	43,558,302	17,419,152
OPEB liability	1,148,141	1,145,698
Unpaid loss and LAE	880,087,120	906,216,960
Total non-current liabilities	925,055,122	925,027,973
Total liabilities	1,244,942,289	1,273,636,701
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow pension	7,536,303	9,352,752
Deferred inflow OPEB	108,111	90,647
Total deferred inflows	7,644,414	9,443,399
NET POSITION		
Invested in capital assets, net of related debt	18,584,021	18,538,308
Designated/Unrestricted	1,112,987,504	887,627,161
Total net position	1,131,571,525	906,165,469
Total liabilities and net position	2,376,513,814	2,179,802,169
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,384,158,228	$ 2,189,245,569

See Notes to Financial Statements

WORKFORCE SAFETY & INSURANCE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Net premiums earned	$ 175,613,707	$ 221,367,451
Penalties and finance charges	1,507,979	1,470,895
Third party subrogation recoveries	4,015,287	4,529,310
Rental operations	891,835	814,651
Other revenue	400,452	199,546
Total operating revenues	182,429,260	228,381,853
OPERATING EXPENSES		
Incurred losses	94,913,286	88,374,676
Payroll and benefits	23,776,486	23,913,939
Pension Expenses	7,712,243	3,377,880
OPEB Expenses	150,599	145,344
Other administrative expenses (income)	(2,899,317)	(2,222,257)
Bad debt expense	798,348	1,709,918
Depreciation expense	2,619,013	2,096,953
Total operating expenses	127,070,659	117,396,453
OPERATING INCOME	55,358,601	110,985,400
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	157,480,734	99,162,421
Investment expenses	(5,164,378)	(4,137,639)
Securities lending investment revenue	88,961	128,225
Securities lending expenses	(17,785)	(25,602)
Net increase in fair value of investments	90,030,253	25,946,671
Dividend credit expense	(72,370,330)	(96,424,944)
Net non-operating revenues (expenses)	170,047,455	24,649,132
CHANGE IN NET POSITION	225,406,056	135,634,532
TOTAL NET POSITION, BEGINNING OF YEAR	906,165,469	770,530,937
TOTAL NET POSITION, END OF YEAR	$ 1,131,571,525	$ 906,165,469

WORKFORCE SAFETY & INSURANCE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from employers	$ 100,693,210	$ 129,530,044
Receipts from other funds	424,289	492,920
Receipts from others	384,785	278,004
Payments to medical providers	(68,220,825)	(85,565,537)
Payments to injured workers	(49,112,654)	(57,840,535)
Payments to employers	(11,311,645)	(9,633,979)
Payments to employees	(23,873,044)	(24,016,478)
Payments to other funds	(3,023,803)	(3,432,588)
Payments to others	(680,412)	(7,596,833)
Net cash (used in) operating activities	(54,720,098)	(57,784,982)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,664,725)	(2,848,533)
Net cash (used in) financing activities	(2,664,725)	(2,848,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to pooled investments	(5,139)	(2,010,427)
Withdrawals from pooled investments	57,500,000	63,000,000
Net cash provided by investing activities	57,494,861	60,989,573
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,038	356,058
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,227,247	2,871,189
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,337,285	$ 3,227,247
SCHEDULE OF OTHER NONCASH ACTIVITIES		
Net increase in fair value of investments	$ 90,030,253	$ 27,195,370
Change in securities lending collateral	(204,381)	392,634
Investment revenue	(157,482,406)	(99,164,295)
Dividends credited to premium billings	87,231,911	102,625,515
Account receivable premium reductions	(87,231,911)	(102,625,515)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES		
Operating income	$ 55,358,600	$ 110,868,824
Adjustments to reconcile operating revenue to net cash provided (used) by operating activities		
Deferred outflows Retirement & Investment office (RIO)	119,135	(20,581)
Deferred inflows Retirement & Investment office (RIO)	(11,320)	56,534
Depreciation/amortization expense	2,619,013	2,096,953
Dividend credits applied to receivables	(72,370,330)	(96,424,944)
Other adjusment to net cash provided	20,015	(12,170)
Change in assets and liabilities		
Decrease (increase) in premium receivable	7,728,558	1,724,278
Decrease (increase) in other accounts receivable	264,397	(231,094)
Decrease (increase) in due from other funds	133,203	(133,203)
Decrease (increase) in prepaid expenses	(117,368)	(34,139)
Increase (decrease) in accounts payable	1,349,183	(48,579)
Increase (decrease) in due to other funds	(10,029)	(18,870)
Increase (decrease) in pension liability	26,139,150	(8,291,437)
Increase (decrease) in OPEB liability	2,443	(13,261)
Increase (decrease) in dividend payable	(14,861,581)	(6,200,571)
Increase (decrease) in unearned premium	(12,175,531)	(11,063,551)
Increase (decrease) in compensated absences payable	109,973	130,837
Increase (decrease) in unpaid loss and loss adjustment expense	(29,693,000)	(61,152,000)
(Increase) decrease in deferred outflows	(17,525,625)	3,240,541
Increase (decrease) in deferred inflows	(1,798,985)	7,741,451
Net cash (used in) provided by operating activities	$ (54,720,098)	$ (57,784,982)

WORKFORCE SAFETY & INSURANCE
STATEMENTS OF APPROPRIATIONS
YEAR ENDED JUNE 30, 2021

	Approved 2019-2021 Biennial Appropriation	Expenditures 2020	Expenditures 2021	Unexpended Appropriation
APPROPRIATED EXPENDITURES	$ 68,747,842	$ 31,923,781	$ 31,137,210	$ 5,686,851
CONTINUING APPROPRIATIONS				
Credit Card Fees		-	138,834	
Building operations		913,710	846,257	
Reinsurance		740,843	748,343	
Other states coverage		600,000	725,000	
Litigation collection costs		719	-	
Collection agency fees		315,973	293,946	
Safety programs		2,789,283	2,428,062	
Vocational rehabilitation grant		64,983	98,123	
Employer fraud		861	227	
Provider fraud		3,977	6,653	
Total*	$ 68,747,842	$ 37,354,130	$ 36,422,655	$ 5,686,851

*This total represents WSI's expenditures through the State Treasurer's Office using the State's PeopleSoft system. WSI has received an authorization from the State Treasurer's Office to also issue payments directly from the Bank of North Dakota; these payments include policyholder refunds, indemnity benefits, medical benefits, allocated loss adjustment expenses, and the educational revolving loan fund transactions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements and Reporting Entity

Workforce Safety & Insurance (WSI) is an agency of the State of North Dakota, operating through the legislative authority of Title 65 of the North Dakota Century Code (NDCC).

WSI was established in 1919 for the administration of the Workers Compensation Act and other designated acts. As a state agency, WSI is a department of the State of North Dakota and is included in the State's Comprehensive Annual Financial Report as an enterprise fund. The director of WSI is appointed by the Governor. Workforce Safety & Insurance provides no-fault medical and disability insurance to North Dakota employers. The state of North Dakota is a "monopolistic" state where WSI is the sole provider of workers compensation insurance. WSI is financed by premiums charged to employers doing business in North Dakota. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

The accompanying financial statements of Workforce Safety & Insurance follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

For financial reporting purposes, WSI has included all funds and has considered all potential component units for which WSI is financially accountable, and other organizations for which the nature and significance of their relationship with WSI are such that exclusion would cause WSI's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based upon these criteria, there are no component units to be included within WSI as a reporting entity and WSI is an agency within the State of North Dakota as a reporting entity.

Fund Financial Statements

WSI uses a fund to report financial position and operational results. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of WSI reported in the accompanying statements are classified into one fund category, the proprietary fund. The proprietary fund includes the Enterprise Fund, which is used to account for the operations of the workers compensation insurance program for North Dakota employers and employees.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of WSI are premiums charged to policyholders for workers compensation insurance. WSI also recognizes as operating revenues, penalties and interest billed for delinquent premium, third party liability subrogation recoveries, student loan interest and rental revenue from building tenants.

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Measurement Focus, Basis of Accounting and Financial Statement Presentation

Operating expenses for the enterprise fund include the incurred losses, payroll and benefits, other administrative expenses, bad debt expense, depreciation on capital assets and building expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. This measurement focus includes all assets and liabilities associated with the operations of these funds on the balance sheet.

Proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when the related liability is incurred.

Budgetary Policies and Procedures

WSI operates through a biennial appropriation provided by the State Legislature. WSI prepares a biennial budget for administrative expenses which is included in the Governor's budget and is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. Before signing the appropriation bills, the Governor may veto any specific appropriation, subject to legislative override. Once passed and signed, the appropriation becomes WSI's administrative budget for the next two years. Any changes to the budget appropriation require Emergency Commission authorization. The Legislative Assembly approved a single-line appropriation for WSI beginning with the 2001-2003 biennium.

The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate any intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. Unexpended appropriations lapse at the end of each biennium.

The State of North Dakota does not formally budget revenues, thus, a Statement of Revenues, Expenditures, and Changes in Fund Net Position - Budget and Actual cannot be prepared as required by accounting principles generally accepted in the United States of America. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the modified accrual basis.

Cash and Investments

Cash and cash equivalents for reporting purposes, includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Investments are stated at fair value. GASB Statement 72 defines fair value as, "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*." Fair value was determined by reference to published market data for publicly traded securities or through the use of independent valuation services and appraisers for other investments.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less any purchases of investments at cost, plus sales of investments at fair value. Investment expense consists of those administrative expenses directly related to the Retirement and Investment Office investment operations.

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WSI's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use Treasury futures and options, S & P 500 index futures and options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. WSI's policy with respect to these derivatives is that their use may not increase the credit, market or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

As the master custodian for the Retirement and Investment Office, Northern Trust is the Agent of Record for WSI's portfolio.

Premium Receivable

Premium receivables are stated net of allowance for doubtful accounts in the amount of $5 million at June 30, 2021 and June 30, 2020. Premium receivables also include an estimate of premiums that have yet to be billed at year-end but will be billed in subsequent periods.

Other Accounts Receivable

Other accounts receivable consists of medical assessments, deductibles, reinsurance receivable on loss payments, receivables resulting from overpayments on claims, and other miscellaneous receivables. These receivables are stated net of allowance for doubtful accounts in the amount of $2 million at June 30, 2021 and June 30, 2020.

Prepaid Expenses

Payments made to vendors which exceed $12,000 per year, for services that will benefit periods beyond June 30, 2021 and 2020 are recorded as prepaid expenses.

Capital Assets and Depreciation

All capital assets are recorded in the accompanying financial statements at cost. WSI capitalizes equipment and software costing over $5,000 in accordance with section 54-27-21 of the NDCC.

WSI's capital assets are being depreciated on a straight-line basis over estimated useful lives ranging from 3 to 50 years.

Due to/from Other State Agencies

During the course of operations, numerous transactions occur between other state agencies for goods provided or services rendered. These receivables and payables are classified as "Due from other state agencies "Due to other state agencies" in accounts payable on the balance sheet in the period for which the receivable or liability applies.

Compensated Absences Payable

Annual Leave: WSI employees accrue vested annual leave at a variable rate based on years of service. The amount of annual leave earned ranges between 1 and 2 days per month and is fixed by the employing unit per section 54-06-14 of the NDCC. Accrued annual leave cannot exceed 30 days at April 30 of each year. Employees are paid for unused annual leave upon termination or retirement.

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Sick Leave: WSI employees accrue sick leave at the rate of one working day per month of employment without limitation on the amount that can be accumulated. Per NDCC section 54-06-14, employees vest at 10 years of continuous service at which time the State is liable for 10% of the employee's accumulated unused sick leave.

WSI's liability for accumulated unpaid annual leave and sick leave is reported in the enterprise fund and will be funded by WSI's appropriation when the liability is to be liquidated. The net change in the liability is recorded as an adjustment to other administrative expenses within the enterprise fund.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. See notes 11 and 12 for additional information on WSI's Pension Plan & OPEB Plan.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See notes 11 and 12 for additional information on WSI's Pension Plan & OPEB Plan.

Unearned Premium

Premiums are billed to the employer at the beginning of the employer's policy year. The billed premium is recognized as revenue on a straight-line basis over the applicable year. Unearned premiums consist of the unamortized portion of premiums at WSI's fiscal year-end.

Unpaid Loss and Loss Adjustment Expenses (LAE)

The liability for unpaid loss and loss adjustment expense (LAE) is estimated by WSI's actuaries, taking into consideration past experience of WSI in paying claims and the general conditions of the environment in which WSI operates. This liability is based on the estimated ultimate costs to settle both reported and incurred but not reported (IBNR) losses and LAE, and includes the effects of inflation and other societal and economic factors. The actuarial computations also include a 4% discount to report this liability at its estimated present value. A 4.5% discount rate had been used in 2020; however, in 2021 the rate was reduced to a 4% discount rate.

Management believes the estimated liability for unpaid loss and LAE is sufficient to cover the ultimate net costs of incurred losses, but such loss reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated. Any adjustments to this estimated liability are reflected as part of current operations.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by the NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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OPEB

For purposes of measuring the other net postemployment benefit liability (OPEB), deferred outflows of resources and deferred inflows of resources related to postemployment benefits and expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by the NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reinsurance

In accordance with NDCC Sections 65-02-13 and 65-02-13.1, WSI obtained reinsurance coverage with Munich Re America, formerly American Re-Insurance Company. The contracts for reinsurance were in effect for all losses incurred on or after December 1, 1999 through November 30, 2002. Under the reinsurance contract, Munich Re America agrees to reimburse WSI on an excess of loss basis. In 2002, global influences such as the 9-11 attacks hardened the reinsurance market and pushed the price of reinsurance to an inefficient level. As a result, WSI withdrew from the reinsurance market.

When the reinsurance market softened, WSI again sought reinsurance coverage. Working through a reinsurance intermediary, Guy Carpenter, WSI obtained catastrophic coverage beginning in calendar year 2010 and has continued to purchase excess of loss coverage through calendar year 2021. Terms, limits, and pricing are re-evaluated annually.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, liabilities, deferred inflows of resources, and deferred outflow of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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NOTE 2 - RECONCILIATION FROM APPROPRIATIONS TO GAAP REPORTING

Because accounting principles applied for purposes of developing data on an appropriations basis differ from those used to present financial statements in conformity with GAAP, a reconciliation of the expenses on an appropriations basis to the expenses on a GAAP basis for Enterprise Fund administrative expenses for the years ended June 30, 2021 and 2020 are presented below:

	2021	2020
Administrative expenses on an appropriations basis	$ 36,422,655	$ 37,354,131
Reconciling adjustments		
Fixed asset additions	(2,664,725)	(2,848,533)
Payroll and benefits	(23,776,486)	(23,913,939)
Unallocated loss adjustment expense	(11,201,244)	(11,256,081)
Increase (decrease) in compensated absences payable	109,973	130,836
Increase (decrease) in pension payable	26,139,150	(8,291,437)
Increase (decrease) in OPEB payable	2,443	(13,261)
Increase (decrease) in administrative payable	(7,718,600)	(3,650,642)
Decrease (Increase) in prepaid expenses	(117,368)	(34,139)
Refund of prior biennium expenses	(4,434)	(1,280)
Increase (decrease) in deferred outflow	(17,525,625)	3,240,541
Increase (decrease) in deferred inflow	(1,798,985)	7,741,451
Revolving loan fees and banking fees	960	960
Ceded Reinsurance Premium	(767,031)	(680,864)
Administrative expenses on a GAAP basis	$ (2,899,317)	$ (2,222,257)

NOTE 3 - CASH DEPOSITS AND INVESTMENT SECURITIES

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, WSI will not be able to recover deposits that are in the possession of an outside party. WSI does not have a formal policy that limits custodial credit risk for deposits. All of WSI’s cash deposits are uncollateralized. The carrying amount of WSI’s cash deposits were $3,337,285 on June 30, 2021 and $3,227,247 on June 30, 2020. Bank balances for June 30, 2021 and June 30, 2020 were $6,025,894 and $5,571,664, respectively. These monies are deposited in the Bank of North Dakota and are guaranteed by the State of North Dakota under NDCC 6-09-10.

WSI is required to have all funds deposited at the Bank of North Dakota in accordance with North Dakota Century Code 6-09-07.

Investments

WSI is required to use the North Dakota State Investment Board (SIB) for its investing activities. The State Investment Board directs the activities of the North Dakota Retirement and Investment Office (RIO) in order to manage the day to day operations of the fund. The SIB and RIO exercise the prudent investor rules as described in NDCC 21-10-07.

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The SIB administers the portfolio according to WSI's investment allocation policy. The WSI Board worked with Callan Associates to review the current asset allocation in fiscal year 2018. The WSI Board recommended adopting a new asset allocation policy in April 2018, reducing the overall portfolio risk. The Governor of North Dakota approved the recommendation. The SIB selects money managers and monitors performance on a continual basis and will work toward implementing the new investment allocation policy. The current investment allocation policy includes a portfolio with a mix with 14% in domestic equity, 8% in international equity, 60% in fixed income, 12% in diversified real assets, 5% in real estate, and 1% in cash equivalents.

WSI's investment policy does not address credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Segmented Time Distribution table

	All Values in $000			
Segmented Time Distribution	**Market Value**	**Less Than 1 Year**	**1-6 Years**	**6-10 Years**
Fixed Income	**$ 1,301,889**	**$ 49,274**	**$ 435,427**	**$ 315,933**
Large Cap Domestic Equity Pool	**39,443**	**-**	**19,009**	**367**
Diversified Real Assets Pool	**198,465**	**30,052**	**72,876**	**40,786**
Total Debt Securities	**$ 1,539,797**	**$ 79,326**	**$ 527,312**	**$ 357,086**

Credit Risk

WSI is invested in an external investment pool managed by the North Dakota State Investment Board. The pool is not rated.

Interest Risk

The SIB has chosen to use the Segmented Time Distribution disclosure method. Readers may refer to the RIO financial statements regarding highly sensitive securities that are disclosed at the SIB level.

Securities Lending

GASB Pronouncements for "*Accounting and Financial Reporting for Securities Lending Transactions*," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

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State statutes permit and the SIB has authorized the use of securities lending – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Northern Trust is the securities lending agent for the SIB. Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 1 day as of this statement date. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

For securities loaned at fiscal year end, the SIB has no credit risk exposure to borrowers because the amount the SIB owes the borrowers exceeds the amounts the borrowers owe the SIB.

As of June 30, 2021, and June 30, 2020, the total amount of cash collateral related to these lent securities was $6,288,417 and $6,492,798, respectively.

Foreign Currency Risk

WSI is invested in an external investment pool managed by the SIB. Any applicable risk policies would be included in policy statements issued at the SIB level and not at the individual agency level.

NOTE 4 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

WSI extends short-term credit to its customers, most of whom are located within the state of North Dakota. With this credit risk, WSI has established an estimate of allowance for doubtful accounts for both premium receivables and possible overpayments to medical providers or injured workers. The allowance for doubtful accounts for premium receivables is $5 million as of June 30, 2021 and June 30, 2020. The allowance for doubtful accounts for overpayments to medical providers or injured workers is $2 million as of June 30, 2021 and 2020.

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NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	$ 901,974	$ -	$ -	$ 901,974
Construction in progress	2,831,564	2,659,491	(2,998,285)	2,492,771
Total capital assets, not being depreciated	3,733,538	2,659,491	(2,998,285)	3,394,745
Capital assets, being depreciated				
Building	11,474,168	-	-	11,474,168
Furniture and equipment	409,924	5,234	(76,277)	338,882
Software	13,675,859	2,998,285	-	16,674,145
Total capital assets, being depreciated	25,559,952	3,003,519	(76,277)	28,487,194
Less accumulated depreciation for				
Building	(3,816,025)	(229,483)	-	(4,045,508)
Furniture and equipment	(322,155)	(22,045)	76,277	(267,924)
Software	(6,617,002)	(2,367,485)	-	(8,984,487)
Accumulated Depreciation and Amortization	(10,755,182)	(2,619,013)	76,277	(13,297,918)
Total capital assets, net	$ 18,538,308	$ 3,043,998	$ (2,998,285)	$ 18,584,021

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated				
Land	$ 901,974	$ -	$ -	$ 901,974
Construction in progress	3,250,362	2,807,828	(3,226,625)	2,831,564
Total capital assets, not being depreciated	4,152,336	2,807,828	(3,226,625)	3,733,538
Capital assets, being depreciated				
Building	11,474,168	-	-	11,474,168
Furniture and equipment	430,046	40,705	(60,827)	409,924
Software	10,449,234	3,226,625	-	13,675,859
Total capital assets, being depreciated	22,353,449	3,267,330	(60,827)	25,559,952
Less accumulated depreciation for				
Building	(3,586,541)	(229,483)	-	(3,816,025)
Furniture and equipment	(360,393)	(22,589)	60,827	(322,155)
Software	(4,772,122)	(1,844,880)	-	(6,617,002)
Accumulated Depreciation and Amortization	(8,719,057)	(2,096,953)	60,827	(10,755,182)
Total capital assets, net	$ 17,786,728	$ 3,978,206	$ (3,226,625)	$ 18,538,308

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NOTE 6 - DUE FROM (TO) OTHER STATE AGENCIES

The following is a detail of amounts due to and from other State of North Dakota agencies at June 30, 2021 and June 30, 2020.

DUE TO	2021	2020
Information Technology	$ (164,215)	$ (177,922)
Department of Transportation	(7,532)	(5,756)
Office of Administrative Hearing	(2,275)	(2,083)
Office Management & Budget	(6,000)	(3,708)
Attorney General Office	(503)	(509)
Total	$ (180,524)	$ (189,977)

DUE FROM	2021	2020
Department of Commerce	$ 60,000	$ -
Job Service of North Dakota	857	-
North Dakota Public Employees Retirement System	6,575	-
Information Technology	-	16,627
Office of Management & Budget	-	116,576
	$ 67,432	$ 133,203

NOTE 7 - UNPAID LOSS AND LOSS ADJUSTMENT EXPENSES (LAE)

An independent actuarial review of WSI's liability for unpaid loss and loss adjustment expenses was conducted for the years ended June 30, 2021 and 2020. The actuarial computations for unpaid loss and LAE include a 4% discount to report this liability at its estimated present value for year ended June 30, 2021 and a 4.5% discount to report this liability as its estimated present value for year ended June 30, 2020.

For the year ended June 30, 2021 and June 30, 2020, the consulting actuaries presented an estimate in the form of a range to emphasize the uncertainty which is typical for a "long-tailed" liability insurer such as workers' compensation. Amounts stated are net of reinsurance. Ranges are displayed in thousands.

FY 2021	Low	(In Thousands) Central Value	High
Full value basis, undiscounted	$ 1,386,532	$ 1,508,257	$ 1,602,757
Present value basis, discounted at 4 %	922,493	1,000,099	1,060,916

WSI management recorded the consulting actuary's central estimate of the ultimate cost for unpaid loss and LAE of $1,000,099,000.

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FY 2020	Low	(In Thousands) Central Value	High
Full value basis, undiscounted	**$ 1,511,964**	**$ 1,629,797**	**$ 1,708,841**
Present value basis, discounted at 4.5%	**956,774**	**1,029,792**	**1,079,890**

WSI management recorded the consulting actuary's central estimate of the ultimate cost for unpaid loss and LAE of $1,029,792,000.

WSI establishes a liability for both reported and incurred but not reported (IBNR) losses, which includes estimates of both future payments of losses and the related loss adjustment expenses, both allocated and unallocated. Liability reserves are discounted based upon investment returns. A reconciliation of the changes in unpaid loss and LAE during the past two years is shown as follows:

	(In Thousands) 2021	(In Thousands) 2020
Unpaid claims and claim adjustment expenses at beginning of fiscal year	**$ 1,029,792**	**$ 1,090,944**
Discount	**600,005**	**635,472**
Undiscounted Reserves	**1,629,797**	**1,726,416**
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	**144,856**	**176,999**
Change in provision for prior fiscal years	**(168,777)**	**(132,601)**
Change in LAE and other claim recoveries	**26,987**	**44,093**
Total incurred losses and loss adjustment expenses	**3,066**	**88,491**
Claims and claim adjustment expenses attributable:		
To events of the current year	**(32,823)**	**(41,898)**
To insured events of prior years	**(91,783)**	**(143,212)**
Total paid	**(124,606)**	**(185,110)**
Change in provision for liability discount	**(508,158)**	**(600,005)**
Total unpaid claims and claim adjustment expenses at fiscal year end	**$ 1,000,099**	**$ 1,029,792**

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NOTE 8 - ALL STATES COVERAGE

WSI is the sole provider of workers' compensation coverage in North Dakota and insures employers for work related injuries. A North Dakota employer that operates outside of the state may be at risk for claims filed in another jurisdiction. As a solution, in September 2004, WSI contracted with the Accident Fund of America to provide "temporary and incidental" coverage for North Dakota employers who operate outside the state on an incidental basis. Effective July 1, 2010, the program was expanded to include all North Dakota policyholders at no charge to the individual policyholder.

NOTE 9 - OPERATING LEASES

WSI has entered into various operating leases for office space and equipment. Leases contain a clause allowing for termination with a 90-120 day notice and a clause stating that renewal is dependent on appropriation funding by the State Legislature. Expenditures for operating leases were $307,291 for fiscal year 2021 and $308,571 for fiscal year 2020.

The following is a schedule of future minimum lease payments required under the operating leases. Future renewal or termination options that may be available are not included in the totals below.

Year Ending June 30,		
2022	$	**231,894**
2023		**202,361**
2024		**31,731**
2025		**31,731**
	$	**497,717**

NOTE 10 - LONG-TERM LIABILITIES

Compensated Absences Payable

WSI employees can earn annual leave at a variable rate based on years of service. The amount of annual leave earned ranges between 1 and 2 days per month and accrued annual leave cannot exceed 30 days as of April 30th of each year. WSI employees earn sick leave at the rate of one working day per month of employment without limitation on the amount that can be accumulated. At 10 years of continuous service, the State is liable for 10 percent of the employee's accumulated unused sick leave.

The reported liabilities for compensated absences were $1,868,282 and $1,758,309 on June 30, 2021, and June 30, 2020 respectively. This balance includes the employer's share of taxes.

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	FY 2021 Beginning Balance	Additions	Reductions	FY 2021 Ending Balance	Amount Due Within One Year
Other long-term liabilities					
Compensated absences	$ 1,758,309	$ 1,424,320	$ 1,314,347	$ 1,868,282	$ 1,606,723

	FY 2020 Beginning Balance	Additions	Reductions	FY 2020 Ending Balance	Amount Due Within One Year
Other long-term liabilities					
Compensated absences	$ 1,627,472	$ 1,370,615	$ 1,239,779	$ 1,758,309	$ 1,512,146

WSI's employee turnover rate for fiscal year 2021 and 2020 were 6.39% and 5.09%, respectively.

NOTE 11 - PENSION PLANS

WSI participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota. NDPERS is an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Comprehensive Annual Financial Report. The following is a brief description of the plans, for general information only. Participants should refer to NDCC Chapter 54-52 for more complete information.

Defined Benefit Pension Plan

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2021, the WSI reported a liability of $43,558,302 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. This compares to the proportionate liability of $17,419,152 reported on June 30, 2020, which was measured as of June 30, 2019; and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

WSI's proportion of the net pension liability was based on the WSI's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, WSI's proportion was measured as 1.384552 percent, which is a decrease of 0.10 from its proportionate share of 1.486184 percent measured as of June 30, 2019.

For the year ended June 30, 2021, WSI recognized pension expense of $7,712,243. At June 30, 2021, WSI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 169,513	$ (2,207,140)
Change in assumptions	23,350,000	(3,860,332)
Net differences between projected and actual earnings on pension plan investments	1,405,841	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	644,517	(1,410,025)
Employer contributions subsequent to the measurement date	735,340	-
WSI Total	**26,305,211**	**(7,477,497)**
Allocation from Retirement Investment Office	191,178	(58,806)
Total	**$ 26,496,389**	**$ (7,536,303)**

In the year ended, June 30, 2021, $735,340 was reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	$ (5,860,610)
2022	(4,467,121)
2023	(3,579,517)
2024	(4,185,126)
	$ (18,092,374)

For the year ended June 30, 2020, WSI recognized pension expense of $3,377,880. At June 30, 2020, WSI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 10,316	$ (3,161,244)
Change in assumptions	6,509,079	(5,588,608)
Net differences between projected and actual earnings on pension plan investments	303,484	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,385,669	(532,774)
Employer contributions subsequent to the measurement date	739,545	-
WSI Total	8,948,093	(9,282,626)
Allocation from Retirement Investment Office	72,043	(70,126)
Total	$ 9,020,136	$ (9,352,752)

In the year ended, June 30, 2020, $739,545 was reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date. This was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2020	$ (1,178,137)
2021	(707,363)
2022	742,192
2023	1,696,420
2024	520,966
	$ 1,074,078

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Actuarial assumptions

The total North Dakota PERS pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years.

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In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	**Current Discount Rate (4.64%)**	**1% Increase (5.64%)**
Employer's proportionate share of the net pension liability	**$ 56,513,628**	**$ 43,558,302**	**$32,957,690**

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Defined Contribution Retirement Plan

The North Dakota Defined Contribution Retirement Plan (Plan) is administered by the North Dakota Public Employees Retirement System Board. The Plan was established on January 1, 2000 and is administered in accordance with Chapter 54-52.6 of the NDCC. Employees of the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan.

Member contributions to the Plan are vested immediately and employer contributions to the Plan made on behalf of the member are 100% vested after four years of service. Contribution rates for the Plan are set by statute. In January 2013, member contributions were established at 6% and employer contribution were established at 6.12%. Employees were contributing 2% and WSI was paying the remaining portion of the member contribution.

In January 2014, both the member and employer contributions increased by 1% to 7% and 7.12% respectively. At this time, employees contributed 3% with WSI paying the remainder of the member contribution.

Contributions made to the Plan, by the members and WSI, for fiscal years ended June 30, 2021 and 2020 totaled $69,839 and $68,265, respectively.

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

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NOTE 12 - POST RETIREMENT BENEFITS

Former WSI employees receiving retirement benefits under the Retirement Plan are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple -employer plan, as administered by the Public Employees Retirement Board. During each month of employment, WSI contributes a percentage based upon each employee's salary into the Retiree Health Benefits Fund.

Total contributions for the fiscal years ended June 30, 2021, and 2020 were $180,064 and $183,500, respectively. The 61st Legislative Assembly increased the contribution percentage from 1.00% to 1.14%, effective August 1, 2009.

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, WSI reported a liability of $1,148,141 million, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. WSI's proportion of the net OPEB liability was based on WSI's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020 and 2019, WSI's proportion was 1.364889 percent and 1.426439 percent, respectively.

For the year ended June 30, 2021, WSI recognized OPEB expense of $150,599. At June 30, 2021, WSI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 25,497	$ (27,527)
Change is assumptions	153,944	-
Net differences between projected and actual earnings on pension plan investments	39,483	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(80,584)
Employer contributions subsequent to the measurement date	180,064	-
WSI Total	**$ 398,988**	**$ (108,111)**

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$180,064 reported as deferred outflows of resources related to OPEB resulting from WSI's contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ending June 30,	
2021	**(22,345)**
2022	**(32,550)**
2023	**(30,678)**
2024	**(19,820)**
2025	**(4,934)**
2026	**(486)**
	$ (110,813)

For the year ended June 30, 2020, WSI recognized OPEB expense of $145,344. At June 30, 2020, WSI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experiences	**$ 28,293**	**$ (35,790)**
Change is assumptions	**136,547**	**-**
Net differences between projected and actual earnings on pension plan investments	**1,276**	**-**
Changes in proportion and differences between employer contributions and proportionate share of contributions	**-**	**(54,857)**
Employer contributions subsequent to the measurement date	**183,500**	**-**
WSI Total	**$ 349,616**	**$ (90,647)**

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$183,500 reported as deferred outflows of resources related to OPEB resulting from WSI's contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ending June 30,		
2020	$	**(11,061)**
2021		**(11,061)**
2022		**(21,726)**
2023		**(19,769)**
2024		**(8,393)**
2025		**(2,905)**
2026		**(554)**
	$	**(75,469)**

Actuarial assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports.

For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	**Current Discount Rate (6.50%)**	**1% Increase (7.50%)**
Employer's proportionate share of the net OPEB liability	$1,505,813	$1,148,141	$845,682

NOTE 13 - EMPLOYEE DEFERRED COMPENSATION PLAN

Employees of WSI may participate in an employee deferred compensation plan in accordance with Internal Revenue Service Code Section 457. The plan allows participating employees to defer a portion of their salary until future years. The deferred compensation is not available to the participants until termination, retirement, death, or unforeseeable emergency. The plan is administered by the State of North Dakota Retirement Board. All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive use of the employee or their beneficiary. Since the investments are not held by WSI, the investments and the related obligation to employees is not included in WSI's statement of net position.

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NOTE 14 - RISK MANAGEMENT

WSI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues.

WSI is insured by the State Fire & Tornado Fund as well as the State Bonding Fund. WSI pays an annual premium to the Fire & Tornado Fund for 90% replacement cost of its personal property. Replacement cost is estimated on the office building and all furniture and equipment in consultation with the Fire & Tornado Fund.

The State Bonding Fund currently provides WSI with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

WSI is insured through the OMB Risk Management Division for workers compensation insurance as well as tort liability. WSI pays an annual premium to the OMB Risk Management Division for both of these exposures. The Risk Management Division manages all workers compensation claims for all state agencies.

NOTE 15 - REINSURANCE

WSI currently contracts with reinsurance intermediary, Guy Carpenter, for placement of catastrophic claim insurance. Historically, policy years have had up to four coverage levels, with varying retention limits of $3 million, $5 million, $10 million and $20 million. WSI's current 2021 calendar year policy has two coverage levels, with retention limits of $10 million and $20 million. Retention limits vary from year to year.

WSI also obtained a NBCR Terrorism Excess of Loss contract through the reinsurance intermediary, Guy Carpenter, for the calendar year 2021. WSI deems this protection essential to protect the fund against catastrophic losses. Terms, limits, and pricing are re-evaluated annually. For the year ended June 30, 2021 and 2020 WSI recorded ceded losses of $(8,595,236) and $4,703,825 and ceded premiums of ($767,031) and ($680,864), respectively.

NOTE 16 - SIGNIFICANT LEGISLATIVE CHANGES

Significant legislative changes relating to WSI that were enacted by the 2021 Legislative Assembly are listed below:

- HB 1040 extends injured worker and employer appeal timeframes from 30 to 45 days after a notice of decision or administration order has been issued.
- HB 1139 establishes duration limits and maximum payable dosing limits for opioid therapies; established duration limits for benzodiazepines; and outlines a dispute resolution process for requests to depart from the limits proposed.
- SB 2148 adds physical therapists to the definition of healthcare provider.

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NOTE 17 - RELATED PARTIES

As stated in Note 1 of these financial statements, WSI is an agency of the state of North Dakota; as such, the other state agencies and political subdivisions are related parties.

NOTE 18 - TENANT LEASES

WSI leased six suites to five tenants in their main office building at 1600 East Century Avenue, Bismarck, ND. The Department of Human Services had two suites. These tenants, identified below, began leasing space at WSI's Century Center on July 1, 2003. All tenants had an increase in their lease rates on July 1, 2007, July 1, 2011, and again on July 1, 2015. WSI reduced the lease rates on office space to all tenants effective July 1, 2017.

WSI's lease rates on office space for fiscal year 2021 is provided below:

	Monthly Rent	Annual Rent
ND Council on the Arts	$ 1,659	$ 11,614
ND Department of Commerce	15,410	169,505
ND Human Services	11,728	134,805
ND OMB Risk Management	1,932	23,180
ND Parks & Recreation	7,099	85,185
Total	$ 37,828	$ 424,289

WSI's lease rates on office space for fiscal year 2020 are provided below:

	Monthly Rent	Annual Rent
ND Council on the Arts	$ 1,659	$ 19,910
ND Department of Commerce	15,410	184,920
ND Human Services	11,728	140,736
ND OMB Risk Management	1,932	23,180
ND Parks & Recreation	7,099	85,185
ND ITD Cubical Rental	3,300	39,600
Total	$ 41,128	$ 493,531

WSI entered into a lease with North Dakota Information and Technology Department to lease them cubicle space for the time period of July 1, 2019 – June 30, 2020. The lease was for nine cubicles at $300 per cubicle per month for July 2019 and beginning August 2019, it increased to eleven cubicles a month. The ND Council of the Arts moved out of their leased space at the end of January 2021. The ND Department of Human Services moved out of one of their leased spaces in March 2021. The ND Department of Commerce moved from their original leased space to the space previously occupied by the ND Council of the Arts and the ND Department of Human Services at the end of May 2021.

NOTE 19 - FINANCIAL RESERVES AND NET POSITION

NDCC 65-04-02 requires WSI to maintain adequate financial reserves plus net position of at least 120% to a

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maximum of 140% of the actuarial established discounted reserve. Should WSI's available net position be outside of these levels, statute allows WSI two years to come into compliance. However, statute restricts WSI from granting a dividend credit of greater than 50% of the prior year's premium.

The 2009 Legislative Assembly modified this statute via 2009 HB1035. The legislation defined "available surplus" as net position excluding funds designated or obligated to specific programs or projects pursuant to a directive or specific approval by the legislative assembly. This legislation also set parameters on when a dividend declaration should and should not be considered.

WSI's statutorily defined fund surplus of $1.108 billion plus discounted reserves on June 30, 2021 equals 210.8% of the estimated actuarial discounted reserve liability of $1.000 billion. This compares to the available total of $880.4 million plus estimated discounted reserve liabilities on June 30, 2020, which equaled 185.5% of the estimated actuarial discounted reserve liabilities of $1.029 billion. The available surplus of $741.9 million plus estimated discounted reserve liabilities on June 30, 2019, equaled 168% of the estimated actuarial discounted reserve liabilities of $1.090 billion. WSI granted a 50% dividend credit in fiscal year 2021, 2020, and 2019, respectively.

	Actual June 2019	**Actual June 2020**	**Actual June 2021**
Estimated Discounted Financial Reserves	**$ 1,090,944,000**	**$ 1,029,792,000**	**$ 1,000,099,000**
NET POSITION or SURPLUS	**$ 770,530,937**	**$ 906,165,469**	**$ 1,131,571,525**
2009 HB 1035 Allowa le Deductions from Net Assets (Surplus)			
Safety & Education Grants	14,256,955	11,467,672	9,039,610
Revolving School Loan Fund	14,357,945	14,292,962	14,194,839
Total Exclusions from Net Position(Surplus)	**28,614,900**	**25,760,634**	**23,234,449**
Availa le Net Position Fund Surplus	**$ 741,916,037**	**$ 880,404,835**	**$ 1,108,337,076**
	68.0%	**85.5%**	**110.8%**

NOTE 20 - COMMITMENT - CAPS (CLAIMS AND POLICY SYSTEM) & MYWSI

WSI is working with several outside companies and ITD to replace its current Claims and Policy software systems. This program, titled Claims and Policy System (CAPS) Program, replaces core business applications in order to improve customer service, enhance system maintainability, provide enhanced reporting and accessibility to information, and enable WSI to remain current with technology. This program is being completed in phases, with each phase consisting of multiple releases. Each release delivers functionality in a production environment, ready to be used. In total, the program consists of twenty projects/releases spread across the following five phases:

- Phase 1 – Initial Planning phase – completed June 2015.
- Phase 2 – Shared Components, consists of 3 Releases – completed February 2017, cost of $3.7 million.
- Phase 3 – Policy: consists of 6 Releases – the 5th of 6 Releases was completed July 2021, total cost through June 2021 was $10.6 million, with a total budget of $13.2 million.

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- Phase 4 – Claims: consists of 9 Releases with a total budget of $18.5 million.
- Phase 5 – Program Closeout

Project costs are recorded in Construction in Progress and capitalized as releases are implemented. Project is scheduled for completion in 2027.

WSI is also working with several outside companies and ITD to develop a program titled myWSI. The myWSI project focuses on creating a secure online portal for injured employees, employers, and medical providers to access, submit, and view user specific information related to ND Workforce Safety and Insurance. Each release is baselined as a major project and delivers functionality into production, ready to be used.
This program is being completed in nine releases:

- Planning – Extranet Infrastructure – completed June 2017
- Releases 1&2 – myWSI Enhancements – completed September 2019, cost $932 thousand
- Release 3 – Safety / Ergonomics – completed July 2020, cost $540 thousand
- Release 4 – Online Payroll Reporting – completed July 2021, cost $281 thousand
- Release 5 – Site reorganization / Employer Dashboard / Forms Foundation
- Release 6 – Employer Online Application / Provider Dashboard / Forms Foundation
- Release 7 – Provider Forms Submittal / Medical Records / Safety & Ergonomics Refactor
- Release 8 – Injured Employee Dashboard / Claim File Access / Forms Submittal
- Release 9 – Vendor Access / Online First Report of Injury

NOTE 21 - CONTINUING APPROPRIATIONS

The following information discloses WSI's continuing appropriation authority of funding from the workers' compensation fund. WSI does not receive any general fund dollars.

NDCC 54-06-29 Collection Agency Fees - WSI maintains an internal collections unit to manage its premium receivable. From time to time, after all collection efforts have been exhausted, account balances may be written off as uncollectible. Some of these account balances may be turned over to external collection agencies.

This continuing appropriation is addressed in OMB Fiscal and Administrative Policy 212. The dollars reported are the fees paid to collection agencies for amounts recovered.

NDCC 65-01-13 Information Fund - This fund was established to recapture costs of providing publications and statistical information to private citizens, businesses, associations, corporations and limited liability companies. Direct costs of operating this fund are expensed as incurred, such as publication printing costs and file storage and retrieval fees. Indirect costs, such as employee wages, are not specifically allocated to this fund. Fees collected for publications and other information requests are deposited into this fund.

NDCC 65-02-05.1 Building Operations – Workforce Safety & Insurance manages the day-to-day operations and maintenance of the building, such as utilities, janitorial service and grounds keeping.

NDCC 65-02-06.1 Allocated Loss Adjustment Expenses – WSI's allocated loss adjustment expenses are charged directly to specific claims and authorized as a continuing appropriation, just like indemnity and medical benefits for injured workers. These expenses include legal fees, and cost containment expenses for return to work case management, fraud investigation services, and the costs of other services required as part of the claims adjudication process.

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NDCC 65-02-06.2 Litigation Expense – The 2009 Legislative Assembly authorized a continuing appropriation for expenses associated with litigating employer-related issues and for payment of organization expenses associated with litigating medical provider related issues as identified under sections 65-02-23 and 65-02-20.

NDCC 65-02-13.1 Other States Coverage – An amount necessary to allow the organization to establish a program of reinsurance and a program of extraterritorial coverage and other states' insurance is to be appropriated out of the Workforce Safety & Insurance Fund, as a continuing appropriation. The organization may execute a contract for reinsurance and a contract for extraterritorial coverage and other states' insurance binding on the organization and the contracting party.

NDCC 65-02-13.1 Reinsurance – This statute authorizes the organization to reinsure any risk or any part thereof and may enter into agreements of reinsurance. Costs of reinsurance are to be appropriated from the Workforce Safety and Insurance fund, as a continuing appropriation. The annual financial audit report must report on any contracts executed pursuant to this statute.

NDCC 65-02-23 Insurance Fraud – This statute authorizes a continuing appropriation for "costs associated with identifying, preventing and investigating employer and provider fraud." Injured worker fraud investigative expenses are charged directly to the claim. WSI's special investigations unit (SIU) works to investigate and prevent insurance fraud by employers, medical providers and injured workers.

NDCC 65-02-30 Performance Evaluation – This statute requires a performance evaluation be conducted on WSI operations every other biennium through the coordination of the State Auditor's Office. Funding is provided through a continuing appropriation.

NDCC 65-03-04 Safety Programs – This statute provides a continuing appropriation for promoting safety through education, training, consultation, grants and other incentives. WSI's loss control employees and their related administrative expenses are not included as part of this continuing appropriation.

NDCC 65-05.1-08 Educational Revolving Loan Fund – The 2005 Legislative Assembly established a revolving loan fund to provide low interest loans to individuals that have suffered compensable work injuries. The loans must be used to pursue an education at an accredited institution of higher education or an institution of technical education. The loan program is administered by the Bank of North Dakota. In June 2005, WSI's board of directors earmarked $15 million for the educational revolving loan fund. WSI began marketing the loan program in August 2005.

NDCC 65-05-36 Preferred Worker Program – WSI established a program for injured workers who, while employable, are unable to return to the employer at the time of their injury. The preferred worker program offers benefits to North Dakota employers for hiring people under this program. This continuing appropriation funds any employment-related expenses such as equipment purchases and work-site modifications for the preferred worker.

NDCC 65-01-18 Alternative Dispute Resolution – Pilot Program – The 2019 Legislative Assembly authorized a continuing appropriation in the amount of no more than fifty thousand dollars per biennium from the workforce safety and insurance fund to be appropriated to the organization on a continuing basis for payment of organization expenses associated with the pilot program.

NDCC 65-02-38 Electronic Transaction Payment Fees – The 2021 Legislative Assembly authorized a continuing appropriation for payment of fees associated with credit and debit card payments made to the organization.

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NOTE 22 - FAIR VALUE MEASUREMENT

Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' that are measured at fair value using Net Asset Value per share (NAV), are measured as follows as of June 30, 2021 and June 30, 2020:

June 30, 2021		**Fair Value Measurements Using**		
Investments	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Investments held with RIO	**$ 2,301,507,422**	**$ -**	**$ -**	**$ 2,301,507,422**

June 30, 2020		**Fair Value Measurements Using**		
Investments	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Investments held with RIO	**$ 2,115,391,803**	**$ -**	**$ -**	**$ 2,115,391,803**

Investments held with RIO are categorized as level 3 and are reported at NAV by RIO.

NOTE 23 - CONTINGENCY

During fiscal year 2021, the following activity is noted:

Indirect Litigation

The State Investment Board has been named as a defendant in a case arising out of the Tribune bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained, in addition to assistance received from the ND Office of Attorney General. On July 15, 2019, the Litigation Trustee filed a Notice of Appeal to the Second Circuit, appealing the various judgments of the US District Court that dismissed his claims against defendants in the Action and denying leave to amend his complaint to add a constructive fraudulent transfer claim. The Second Circuit held oral argument on August 24, 2020, and on August 20, 2021, upheld the dismissal. The Litigation Trustee has now filed a petition for an en banc rehearing by the full Second Circuit of the Court's August 20, 2021, decision. No liability has been recorded for this case.

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NOTE 24 - SUBSEQUENT EVENTS

COVID 19 Pandemic

Subsequent to the June 30, 2021 year-end, the United States and global markets experienced significant declines in value resulting from uncertainly caused by the world-wide coronavirus pandemic. WSI continues to closely monitor its investment portfolio and operations. As of the date of issuance of these financial statements, the full impact to WSI's financial position is unknown.

Management has evaluated events through October 26, 2021, the date which the financial statements were avaialbe to be issued.

NOTE 25 - ISSUED BUT NON-EFFECTIVE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued statement No. 87, *Leases* which has not yet been implemented by WSI. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported.

It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at WSI in the year ending June 30, 2022.

Management has not yet determined the effect this pronouncement will have on WSI's financial statements.

(continued on next page)

WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2021   JUNE 30, 2015

Schedule of WSI s Share of Net Pension Lia ility

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
WSI's portion of NDPERS net pension liability (asset)	1.38%	1.49%	1.52%	1.55%	1.53%	0.92%	0.94%
WSI's proportionate share of NDPERS net pension liability (asset)	$ 43,558,302	$ 17,419,152	$ 25,710,589	$ 24,862,684	$ 14,957,537	$ 6,282,403	$ 5,953,414
WSI's covered payroll	15,273,282	15,458,848	15,651,096	15,790,737	15,466,560	8,230,866	8,087,854
WSI's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	285.2%	112.7%	164.3%	157.5%	96.7%	76.3%	73.6%
NDPERS Plan fiduciary net position as a percentage of the total pension liability	48.91%	71.66%	62.80%	61.98%	70.50%	77.20%	77.70%

*Amounts presented have a measurement date of the previous fiscal year. Complete data for these schedules not available prior to 2015.

Prior to 2016, the payroll above was based on actual pay received during the year for members active at the end of the fiscal year. Beginning with the 2016 payroll, payroll is based on annualized payroll as of the valuation date.

Schedules of Re uired Supplementary Information
Schedule of WSI s Pension Contri utions
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,154,657	$ 1,149,734	$ 1,150,515	$ 1,161,753	$ 1,145,021	$ 1,119,754	$ 625,201
Contributions in relation to the actuarially determined contribution	(1,154,657)	(1,149,734)	(1,150,515)	(1,161,753)	(1,129,272)	(884,731)	(617,554)
Contribution deficiency (excess)	-	-	-	-	15,749	235,023	7,647
Covered payroll	$ 16,217,087	$ 16,147,950	$ 16,158,925	$ 16,316,753	$ 15,790,737	$ 15,466,560	$ 8,230,866
Contributions as a percentage of covered payroll	7.12%	7.12%	7.12%	7.12%	7.15%	7.24%	7.60%

**Complete data for these schedules are not available prior to 2015.

Changes of   enefit terms.
The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions.
The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

Schedules of Re uired Supplementary Information
Schedule of WSI s Share of Net Postemployment Benefit Lia ility
Last 10 Fiscal Years

	2021	2020	2019	2018
WSI's portion of NDPERS net postemployment benefit liability (asset)	1.3648890%	1.4264390%	1.4715670%	1.4988550%
WSI's proportionate share of NDPERS net postemployment liability (asset)	$ 1,148,141	$ 1,145,698	$ 1,158,959	$ 1,189,880
WSI's covered employee payroll	15,559,329	15,917,029	16,102,131	15,790,737
WSI's proportionate share of NDPERS net post employment benefit liability (asset) as a percentage of its covered employee payroll	7.4%	7.2%	7.2%	7.5%
NDPERS Plan fiduciary net position as a percentage percentage of the total postemployment benefit liability	63.4%	63.1%	61.9%	59.8%

* Amounts presented have a measurement date of the previous fiscal year end.
** Complete data for these schedules is not available prior to 2018.

Schedules of Re uired Supplementary Information
Schedule of WSI s Contri utions - Postemployement Benefit
Last 10 Fiscal Years

	2021	2020	2019	2018	2017
Statutorily required contribution	$ 182,790	$ 185,116	$ 180,980	$ 182,748	$ 188,490
Contributions in relation to the actuarilly determined contribution	(183,529)	(184,608)	(180,980)	(182,748)	(180,810)
Contribution deficiency (excess)	(739)	508	-	-	7,680
Covered employee payroll	$ 15,559,329	$ 15,917,029	$ 16,158,925	$ 16,316,753	$ 15,790,737
Contributions as a percentage of covered employee payroll	1.18%	1.16%	1.12%	1.12%	1.14%

** Complete data for these schedules is not avaiable prior to 2017.

Changes of enefit terms.
Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions.
The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

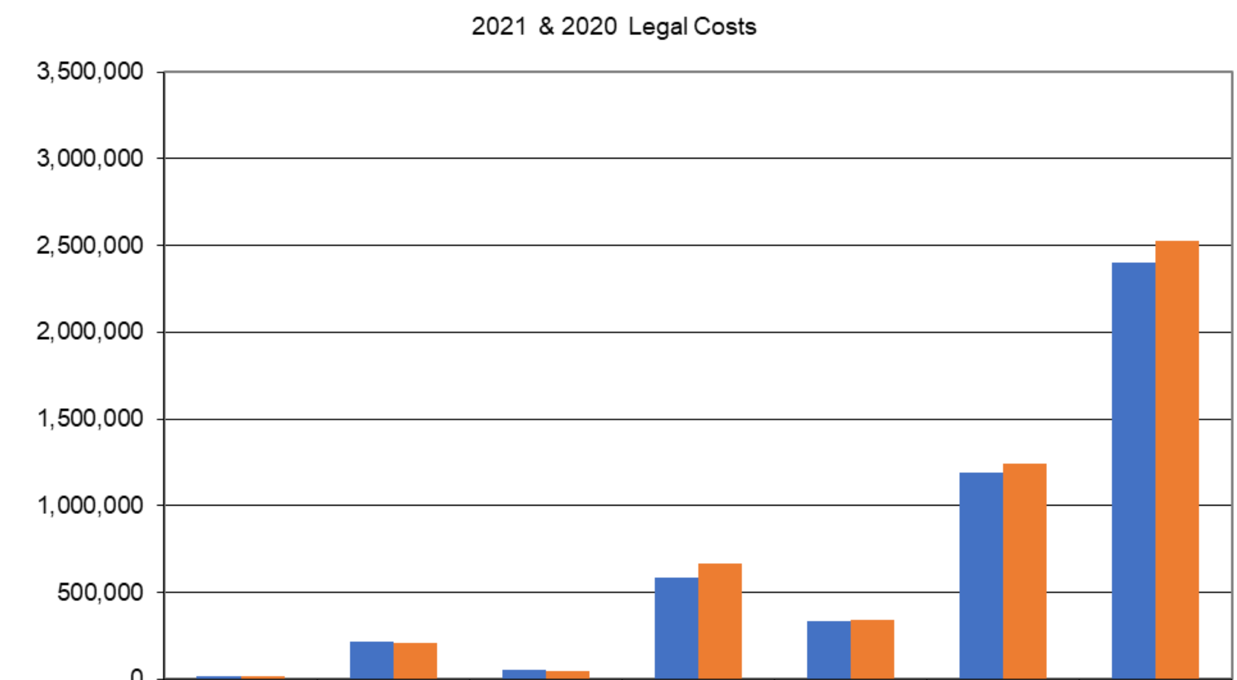
WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
LOSS DEVELOPMENT INFORMATION
JUNE 30, 2021

The table below illustrates how the Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Fund as of the end of each of the last ten years. The rows of the table are defined as follows: (1) The total of each fiscal year's earned premium revenues and investment revenues. (2)Total operational costs of fiscal year, including overhead and claims expense not allocable to individual claims, as well as investment expenses. (3) The Fund's incurred losses and allocated loss adjustment expenses, 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 (referred to as policy year). (4) This section of 10 rows is the cumulative amounts paid at the end of successive years for each policy year. (5) This section of 10 rows shows how each policy years' estimated incurred losses increased or decreased at the end of each successive year. This annual re-estimation is the result of new information received regarding unknown claims, re-evaluation of existing information on known claims, as well as the emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than the original. 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 losses currently recognized in less mature policy years. The columns of the table show data for successive policy years. All data is shown in thousands.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Net earned required contribution and investment revenues	$ 340,730	$ 442,995	$ 502,371	$ 407,949	$ 377,414	$ 395,966	$ 343,011	$ 385,561	$ 353,015	$ 429,406
2. Unallocated expenses	33,321	51,881	40,617	41,275	42,938	46,758	44,338	44,587	43,837	130,787
3. Estimated incurred claims and expense, end of policy year	230,158	299,882	337,537	314,612	228,620	198,315	193,275	186,815	176,999	144,856
4. Paid (cumulative) as of										
End of policy year	44,224	52,886	64,846	60,697	40,871	39,799	42,068	42,252	41,898	32,823
One year later	86,783	99,078	111,166	101,990	74,368	65,251	75,856	69,008	61,856	
Two years later	102,133	117,108	127,873	119,937	84,052	72,725	75,856	77,295		
Three years later	110,896	127,508	139,762	131,767	84,238	78,144	79,916			
Four years later	115,555	135,534	147,602	139,767	87,809	81557				
Five years later	119,697	141,624	153,802	148,856	90,634					
Six years later	122,913	145,898	157,575	149,937						
Seven years later	124,463	148,101	160,437							
Eight years later	125,753	149,480								
Nine years later	126,893									
5. Reestimated incurred claims and expense										
End of policy year	230,158	299,882	337,537	314,612	228,620	198,315	193,275	186,815	176,999	144,856
One year later	257,806	293,069	321,494	283,404	203,973	176,563	179,272	174,336	156,450	
Two years later	243,814	287,797	299,221	270,630	191,051	163,983	171,651	167,964		
Three years later	240,505	272,390	290,667	267,304	174,204	154,316	156,195			
Four years later	227,887	265,404	284,718	264,573	160,983	141,185				
Five years later	220,572	261,133	276,946	262,855	147,650					
Six years later	214,460	252,533	264,966	249,742						
Seven years later	205,715	236,448	249,458							
Eight years later	194,544	221,659								
Nine years later	183,885									
6. Change in estimated incurred claims and expense from end of policy year	$ (46,273)	$ (78,223)	$ (88,079)	$ (64,870)	$ (80,970)	$ (57,130)	$ (37,080)	$ (18,851)	$ (20,549)	$ -

WORKFORCE SAFETY & INSURANCE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ATTORNEY FEES AND COSTS
JUNE 30, 2021 AND JUNE 30, 2020

Pursuant to Section 65-02-06.1 of the NDCC, the following chart shows the breakdown of allocated loss adjustment expenses (ALAE) for legal fees and costs paid to attorneys representing both the injured workers and WSI, amounts paid for administrative law judges through the Office of Administrative Hearings, court reporter fees, and other miscellaneous legal fees. Legal fees and costs paid in fiscal years 2021 and 2020 were $2,398,630 and $2,524,459, respectively. These costs are included as a portion of incurred losses within the "Statements of Revenues, Expenses and Changes in Fund Net Position" of this report.



	Court Reporter Fees	Miscellaneous Fees and Costs	Third Party Attorney Fees and Costs	Office of Administrative Hearings	Claimant Attorney Fees and Costs	WSI Attorney Fees and Costs	Total Legal Costs Paid
Fiscal Year 2021	17,972	215,138	52,076	588,666	336,169	1,188,609	2,398,630
Fiscal Year 2020	16,730	212,780	43,721	666,305	342,150	1,242,773	2,524,459

CPAs & BUSINESS ADVISORS

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*

To the Governor of North Dakota,
Legislative Assembly and the
Board of Directors of Workforce Safety & Insurance
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Workforce Safety & Insurance (WSI) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Workforce Safety & Insurance's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WSI's internal control over financial reporting (internal control) as a basis for designing 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 WSI's internal control. Accordingly, we do not express an opinion on the effectiveness of WSI'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 WSI'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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether WSI's financial statements are free from 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 WSI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WSI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
October 26, 2021

EideBailly
CPAs & BUSINESS ADVISORS

Workforce Safety & Insurance
Independent Auditor's Specific Comments Requested by
the North Dakota Legislative Audit and Fiscal Review Committee
Year Ended June 30, 2021

To the Governor of North Dakota,
Legislative Assembly and the
Board of Directors of Workforce Safety & Insurance
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee require that certain items be addressed by independent certified public accountants performing audits of State agencies. The items and our responses regarding the June 30, 2021 audit of the Authority are as follows:

Audit Report Communications:

1. **What type of opinion was issued on the financial statements?**

   Unmodified.

2. **Was there compliance with statutes, laws, rules and regulations under which the Authority was created and is functioning?**

   Yes.

3. **Was internal control adequate and functioning effectively?**

   In planning and performing our audit of the financial statements, we considered Workforce Safety & Insurance'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Workforce Safety & Insurance's internal control. No identified material weaknesses were noted in the current year.

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4. **Were there any indications of lack of efficiency in financial operations and management of the Authority?**

   As financial statement auditors our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with governance oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. The professional standards do not contemplate efficiency in financial operations and management of the Authority, however, there were no items noted during our procedures that would indicate a lack of efficiency. Had we been engaged to and performed additional procedures related to efficiency other items may have been noted.

5. **Was action taken on prior audit findings and recommendations?**

   No prior audit findings noted.

6. **Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.**

   We did not issue a separate management letter with written recommendations. Our firm considers written recommendations to be at least significant deficiencies communicated in the report on internal control over financial reporting. Certain verbal recommendations were made to management based on insignificant control deficiencies that did not warrant the attention of those charged with governance.

Audit Committee Communications:

1. **Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.**

   No such items noted for current year.

2. **Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.**

   One of the most sensitive estimates is the liability for unpaid losses and loss adjustment expenses (LAE). The liability for unpaid losses and LAE is estimated by WSI's actuary, taking into consideration past experience of WSI in paying claims and the general conditions of the environment in which WSI operates. This liability is based on the estimated ultimate costs to settle both reported and incurred but not reported (IBNR) losses and LAE, and includes the effects of inflation and other societal and economic factors. The actuarial computation also includes a 4.0% discount to report this liability as its estimated present value. We, as auditors of WSI, have an internal actuary review the estimate as provided by WSI's actuary to ensure the estimate is reasonable.

   Another significant estimate to the financial statements is the dividend expense and related liability. The dividend expense and liability are calculated using the policyholder's prior year premium less any safety discounts awarded. This premium is an estimate based upon the previous year's actual payroll and is subject to change once the current year's actual payroll is known. As that becomes known, and the premiums are adjusted, so too will the dividend liability and expense be adjusted.

We have reviewed the assumptions and calculation used in determining the estimate to ensure the estimate is reasonable.

Management's estimate of the net pension liability and other postemployment benefit liabilities are based on an actuary's calculation in accordance with the employment contracts. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of premium related receivables and liabilities, including unearned premiums and premium discounts are based on the overall payroll health of the economy. In the current year the economy continues to recover and has been relatively stable and the estimates for premium related receivables and liabilities appears reasonable and no adjustment, recorded or unrecorded, is deemed necessary.

3. **Identify any significant audit adjustments.**

   None.

4. **Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.**

   None.

5. **Identify any serious difficulties encountered in performing the audit.**

   None.

6. **Identify any major issues discussed with management prior to retention.**

   None.

7. **Identify any management consultations with other accountants about auditing and accounting matters.**

   None.

8. **Identify any high-risk technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six report questions to be addressed by auditors are directly related to the operations of an information technology system.**

   The Claims Management System (CMS) and Policy Holder Services (PICS) have been identified as the most high-risk systems at Workforce Safety Insurance. There were no exceptions identified that were directly related to these applications.

This report is intended solely for the information and use of the Board of Directors, Legislative Audit and Fiscal Review Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties

Eide Bailly LLP

Fargo, North Dakota
October 26, 2021

EideBailly
CPAs & BUSINESS ADVISORS

Exhibit C-1

October 26, 2021

To the Governor of North Dakota,
Legislative Assembly and the
Board of Directors of Workforce Safety & Insurance
Bismarck, North Dakota

We have audited the financial statements of Workforce Safety & Insurance (WSI) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 26, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated June 3, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WSI's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of WSI solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a significant control deficiency during our audit in our Independent Auditor's 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 dated October 26, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of WSI's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by WSI is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

> One of the most sensitive estimates is the liability for unpaid losses and loss adjustment expenses (LAE). The liability for unpaid losses and LAE is estimated by WSI's actuary, taking into consideration past experience of WSI in paying claims and the general conditions of the environment in which WSI operates. This liability is based on the estimated ultimate costs to settle both reported and incurred but not reported (IBNR) losses and LAE and includes the effects of inflation and other societal and economic factors. The actuarial computation also includes a 4.0% discount to report this liability at its estimated present value. We evaluated the key factors and actuarial assumptions used to develop these reserves and projections in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Another significant estimate to the financial statements is the dividend expense and related liability. The dividend expense and liability are calculated using the policyholder's prior year premium less any safety discounts awarded. This premium is an estimate based upon the previous year's actual payroll and is subject to change once the current year's actual payroll is known. As that becomes known, and the premiums are adjusted, so too will the dividend liability and expense be adjusted. We have reviewed the assumptions and calculation used in determining the estimate to ensure the estimate is reasonable.
>
> Also, management's estimate of the net pension liability and other postemployment benefit liabilities are based on an actuary's calculation in accordance with the employment contracts. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting WSI's financial statements relate to: The disclosure of investments, unpaid losses and loss adjustment expenses reserve, net pension liability information, fair value measurement and contingency in Notes 3, 7, 11, 22 and 23 respectively, to the financial statements. Investment disclosures consisted of fair market value, concentration of credit and custodial risk, interest rate risk and foreign currency risk. Unpaid losses and loss adjustment expenses reserves, and net pension liability consist of actuarial estimates of future obligations and the development of prior estimates and the effect on the current financial information. Contingency consists of possible lawsuits that WSI was named in.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No corrected or uncorrected financial statement adjustments were noted during the course of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to WSI's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated October 26, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with WSI, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting WSI, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as WSI's auditors.

Modification of the Auditor's Report

We have made the following modification to our auditor's report.

> There is an emphasis of matter paragraph describing the relationship WSI has with the State of North Dakota.

This report is intended solely for the information and use of the board of directors, audit committee, and management of WSI and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota