

Financial Statements
June 30, 2025 and 2024

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 Audit of the Financial Statements

Opinion

We have audited the 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the WSI's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of WSI as of June 30, 2025 and 2024, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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, 2025 and 2024, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WSI's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Workforce Safety & Insurance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WSI's ability to continue as a going concern for a reasonable period of time.

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

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, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WSI's basic financial statements. The schedule of attorney fees and costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of attorney fees and costs are 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 22, 2025 on our consideration of WSI'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 WSI'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 WSI's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
October 22, 2025

WORKFORCE SAFETY & INSURANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2025 AND 2024

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, 2025, 2024, and 2023. 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 2023 Legislative Assembly.

As of July 1, 2024, WSI adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability.

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 19-48 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 49-53. Other supplementary information concerning WSI's legal costs can be found on pages 54.

Financial Highlights

Fiscal year 2025 shows a decrease in earned premiums and the number of filed claims, and an increase in incurred losses. There was a slight increase in the number of policyholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At June 30, 2025, June 30, 2024, and June 30, 2023 coverage extended to the following employers:

	2025	2024	2023
Annual premium \$250 - \$5,000	22,633	22,219	21,344
Annual premium \$5,001 - \$50,000	4,415	4,278	4,372
Annual premium \$50,001 - \$100,000	356	351	383
Annual premium over \$100,000	320	311	302
Total policyholders	27,724	27,159	26,401

North Dakota's active policyholder count increased by 565 policies in fiscal year 2025, ending with a total of 27,724 policies.

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

	2025	2024	2023
REVENUE			
OPERATING REVENUE			
Premium -net of discount and reinsurance premium	\$ 176,756,259	\$ 181,037,448	\$ 185,282,071
Subrogation, penalties and finance charges	5,421,034	3,703,913	4,877,630
	182,177,293	184,741,360	190,159,701
NONOPERATING REVENUE			
Lease revenue	440,575	432,095	415,868
Other revenue	1,284,627	908,446	1,365,136
Earnings (Losses) on investments - others	189,046,841	125,198,248	58,385,050
	190,772,043	126,538,790	60,166,054
Total revenues	372,949,336	311,280,150	250,325,755
EXPENSES			
OPERATING EXPENSES			
Incurred loss	124,450,774	88,114,195	73,272,725
Payroll and employee benefits	27,572,651	26,292,361	24,209,796
Other administrative expense (income)	591,638	(585,449)	1,078,587
Pension/OPEB expenses	29,114	1,151,736	3,854,967
Bad debt expenses	647,892	7,417,951	1,349,633
Depreciation & amortization expenses	3,862,027	3,857,441	3,582,538
	157,154,097	126,248,235	107,348,246
NONOPERATING EXPENSE			
Investment and other expenses	4,566,172	4,138,240	4,357,435
Dividend expense	76,693,040	79,482,640	84,612,149
	81,259,212	83,620,880	88,969,584
Total expenses	238,413,308	209,869,115	196,317,830
Change in net position	\$ 134,536,028	\$ 101,411,035	\$ 54,007,925

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MANAGEMENT'S DISCUSSION AND ANALYSIS

WSI's financial position remains stable. Earned premium net of discounts and reinsurance totaled \$176 million, \$181 million, and \$185 million fiscal years 2025, 2024, and 2023 respectively.

Written premium for fiscal year 2025 totals \$205 million, a 1.3% decrease from fiscal year 2024 total of \$207 million. The fiscal year 2024 total of \$207 million was a 0% change from the fiscal year 2023 total of \$207 million.

In fiscal year 2025, WSI's investment portfolio yielded a year to date return of 8.71% (net of fees), with a gain of \$189 million before expenses. The year-to-date return for fiscal years 2024 and 2023 was 5.97% and 2.74%, respectively. WSI's average investment return for the five year period ending June 30, 2025 is 3.73% and the average ten year rate of return is 4.86%. WSI's estimated reserve liabilities are currently discounted at 3.5%. Effective for fiscal year 2025, WSI reduced the discount rate for reserve liabilities from 4 % to 3.5%.

In fiscal year 2025, 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 \$81 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 2024 and fiscal year 2023. The dividend credits for fiscal year 2024 and 2023 were estimated at \$83 million and \$85 million respectfully. WSI issued dividend credits in twenty of the past twenty-one years, totaling approximately \$1.8 billion.

WSI's premiums are estimated annually based upon the employer's prior year's actual payroll. Payroll reports are submitted quarterly and reviewed for accuracy with limited exceptions. The payroll information reported quarterly is accumulated for reconciliation the estimated payroll for the actual at the end of each policy period; the premium billing is then adjusted. 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 2024 was estimated to be \$83 million. This estimate was decreased by \$2.5 million in fiscal year 2025 as premium was lower than expected. The total adjustments for policies and premium audit adjustments for fiscal year 2024 policies recorded in fiscal year 2025 was \$717 thousand, compared to the adjustments from the prior year of \$10 million.

The estimated dividend credit declared in June of 2023 was \$85 million dollars. The fiscal year 2023 dividend credit estimate was decreased in fiscal year 2024 by \$2.2 million.

Incurred loss and LAE increased from the prior year. The total for fiscal year 2025 was \$124 million, an increase of \$36 million or 41% compared to the \$88 million recorded in fiscal year 2024. The total for fiscal year 2024 was \$88 million, an increase of \$14 million or 20% compared to the \$73 million recorded in fiscal year 2023.

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 2025 is 16,538. This is a decrease of 503 from the previous fiscal year 2024 total of 17,041. The fiscal year 2024 total decreased by 1,087 from the total claims filed in fiscal year 2023 of 18,128.

MANAGEMENT'S DISCUSSION AND ANALYSIS

WSI's debt collection has improved over the years. Actual premium bad debt expense was \$308 thousand for fiscal year 2025, \$1.0 million for fiscal year 2024, and \$1.1 million for fiscal year 2023.

The ratio of total delinquent premiums to in-force premium ranges from 0.79% to 1.62% over the past three fiscal years, with the current year ratio at 0.83%.

Delinquent premium in active collections for fiscal year 2025 of \$1.5 million is the same amount reported in fiscal year 2024. The 2024 of \$1.1 million was 44.4% less than the \$2.7 million reported in fiscal year 2023. The allocation for premium bad debt expense was \$3 million in fiscal year 2025. The collection department continues to find innovative resources and tools to streamline the delinquent premium recovery process.

The allocation for other bad debt expense was \$9 million, based on an analysis of the total amount outstanding. Actual other bad debt expense for fiscal year 2025 was \$340 thousand, compared to the fiscal year 2024 total of \$7 million, and the fiscal year 2023 total of \$197 thousand.

The net position as of June 30, 2025, equaled \$1.18 billion compared to \$1.04 billion on June 30, 2024 and \$943 million on June 30, 2023.

Condensed Statements of Change in Net Position

	2025	2024	2023
Beginning net position	\$ 1,044,634,384	\$ 943,223,349	\$ 889,215,424
Change in net position	134,536,028	101,411,035	54,007,925
Ending net position	<u>\$ 1,179,170,412</u>	<u>\$ 1,044,634,384</u>	<u>\$ 943,223,349</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance Sheets

	2025	2024	2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 8,218,135	\$ 3,143,265	\$ 3,313,498
Investments	2,257,579,945	2,123,447,022	2,056,464,400
Invested securities lending collateral	19,026,317	19,248,457	10,889,438
Premium receivable, net	8,228,342	8,562,324	15,430,059
Other accounts receivable, net	2,861,332	3,894,608	1,647,983
Investment interest receivable	11,220,638	10,355,707	10,398,839
Prepaid expenses	471,887	430,135	357,346
Lease receivable, current	-	418,922	-
Total current assets	2,307,606,597	2,169,500,440	2,098,501,563
NON-CURRENT ASSETS			
Capital assets	17,752,235	18,324,805	18,621,882
Total non-current assets	17,752,235	18,324,805	18,621,882
Total assets	2,325,358,832	2,187,825,245	2,117,123,445
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow pension	8,171,819	16,537,684	24,358,276
Deferred outflow OPEB	399,067	645,515	874,099
Total deferred outflows	8,570,886	17,183,199	25,232,375
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,333,929,718</u>	<u>\$ 2,205,008,444</u>	<u>\$ 2,142,355,820</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance Sheets – continued

	2025	2024	2023
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 4,951,650	\$ 4,434,528	\$ 4,994,203
Due to other state agencies	176,508	179,877	164,474
Unearned premium	87,806,090	84,963,889	87,692,697
Dividend Payable	80,744,988	82,678,376	86,800,653
Compensated absences payable	529,990	1,735,102	1,633,580
Investment accounts payable	1,825,796	1,308,095	1,463,023
Securities lending collateral	19,026,317	19,248,457	10,889,438
Lease liability	52,477	210,708	66,095
Unpaid loss and LAE	110,407,200	110,121,720	114,027,720
Total current liabilities	305,521,015	304,880,752	307,731,883
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current	1,943,660	282,459	265,931
Pension liability	24,184,527	24,916,414	36,627,420
OPEB liability	1,232,045	1,440,086	1,675,720
Unpaid loss and LAE	809,652,800	807,559,280	836,203,280
Lease liability	127,291	179,768	105,522
Total non-current liabilities	837,140,323	834,378,007	874,877,873
Total liabilities	1,142,661,338	1,139,258,759	1,182,609,757
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow pension	11,934,763	20,532,099	16,462,415
Deferred inflow OPEB	163,205	164,280	60,300
Deferred inflow Leases	-	418,922	-
Total deferred inflows	12,097,968	21,115,301	16,522,715
NET POSITION			
Net investment in capital assets	17,752,235	18,324,805	18,621,882
Designated/Unrestricted	1,161,418,177	1,026,309,579	924,601,467
Total net position	1,179,170,412	1,044,634,384	943,223,349
Total liabilities and net position	2,321,831,750	2,183,893,143	2,125,833,105
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,333,929,718	\$ 2,205,008,444	\$ 2,142,355,820

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MANAGEMENT'S DISCUSSION AND ANALYSIS

WSI's total assets and deferred outflows of resources as of June 30, 2025 totaled \$2.33 billion. This is an increase of 5.8% or \$128 million over the June 30, 2024 total. Total assets on June 30, 2024 of \$2.20 billion increased \$63 million or 3% over total assets on June 30, 2023 of \$2.14 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 2025 activities resulted in underwriting income of \$21 million, a decrease of approximately \$42 million over fiscal year 2024. The fiscal year 2024 underwriting activity gain of \$63 million was approximately \$17 million less than the underwriting gain of \$80 million stated in fiscal year 2023.

The change in net position in fiscal year 2025 of \$134 million is an increase of \$33 million from the fiscal year change in net position of \$101 million recorded in fiscal year 2024. The fiscal year 2024 total is an increase of \$47 million from the fiscal year change in net position of \$54 million recorded in fiscal year 2023. A dividend credit of 50% was declared in fiscal year 2025, 2024 and 2023. Net earned premium from fiscal year 2025 of \$176 million is slightly down from the fiscal year 2024 total of \$181 million.

Condensed Underwriting and Investment Analysis

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Net premium earned	\$ 176,756,259	\$ 181,037,448	\$ 185,282,071
Incurred losses	108,337,598	72,247,920	58,421,671
Allocated loss adjustment expenses	3,806,692	3,876,459	3,968,447
Unallocated loss adjustment expenses	12,306,484	11,989,815	10,882,607
General and administrative expenses	30,741,314	28,655,907	27,505,750
Pension/OPEB Expense	29,114	1,151,736	3,854,967
Total losses and expenses	<u>155,221,202</u>	<u>117,921,837</u>	<u>104,633,442</u>
Underwriting income	21,535,057	63,115,611	80,648,629
Investment and other income	189,694,010	117,778,065	57,971,445
Dividend expenses	<u>(76,693,040)</u>	<u>(79,482,640)</u>	<u>(84,612,149)</u>
Change in net position	<u>\$ 134,536,028</u>	<u>\$ 101,411,035</u>	<u>\$ 54,007,925</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

WSI's non-current assets include land, the Century Center office building, furniture, and right -to-use leased equipment. A statement of changes in capital assets for fiscal year 2025 and 2024 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 2025, WSI anticipates average statewide premium levels to decrease by approximately 5.5%. This compares to a 2024 decrease of .6% and a 2023 decrease of 7.7%.

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, 2025 was \$1.18 billion or 127.2% of the actuarial discounted reserve liability of \$920 million. As of June 30, 2024, and June 30, 2023, the available surplus was 112.3% and 95.8%, respectively.

From fiscal year 2023 through fiscal year 2025, the organization's net position is stable.

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

WORKFORCE SAFETY & INSURANCE
BALANCE SHEETS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,218,135	\$ 3,143,265
Investments	2,257,579,945	2,123,447,022
Invested securities lending collateral	19,026,317	19,248,457
Premium receivable, net	8,228,342	8,562,324
Other accounts receivable, net	2,861,332	3,894,608
Investment interest receivable	11,220,638	10,355,707
Prepaid expenses	471,887	430,135
Lease receivable, current	-	418,922
Total current assets	<u>2,307,606,597</u>	<u>2,169,500,440</u>
NON-CURRENT ASSETS		
Capital assets	<u>17,752,235</u>	<u>18,324,805</u>
Total non-current assets	<u>17,752,235</u>	<u>18,324,805</u>
Total assets	<u>2,325,358,832</u>	<u>2,187,825,245</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow pension	8,171,819	16,537,684
Deferred outflow OPEB	<u>399,067</u>	<u>645,515</u>
Total deferred outflows	<u>8,570,886</u>	<u>17,183,199</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 2,333,929,718</u></u>	<u><u>\$ 2,205,008,444</u></u>

BALANCE SHEETS (CONTINUED)

	2025	2024
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 4,951,650	\$ 4,434,528
Due to other state agencies	176,508	179,877
Unearned premium	87,806,090	84,963,889
Dividend Payable	80,744,988	82,678,376
Compensated absences payable	529,990	1,735,102
Investment accounts payable	1,825,796	1,308,095
Securities lending collateral	19,026,317	19,248,457
Lease liability	52,477	210,708
Unpaid loss and LAE	110,407,200	110,121,720
Total current liabilities	305,521,015	304,880,752
NON-CURRENT LIABILITIES		
Compensated absences payable, net of current	1,943,660	282,459
Pension liability	24,184,527	24,916,414
OPEB liability	1,232,045	1,440,086
Unpaid loss and LAE	809,652,800	807,559,280
Lease liability	127,291	179,768
Total non-current liabilities	837,140,323	834,378,007
Total liabilities	1,142,661,338	1,139,258,759
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow pension	11,934,763	20,532,099
Deferred inflow OPEB	163,205	164,280
Deferred inflow Leases	-	418,922
Total deferred inflows	12,097,968	21,115,301
NET POSITION		
Net investment in capital assets	17,752,235	18,324,805
Designated/Unrestricted	1,161,418,177	1,026,309,579
Total net position	1,179,170,412	1,044,634,384
Total liabilities and net position	2,321,831,750	2,183,893,143
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,333,929,718</u>	<u>\$ 2,205,008,444</u>

WORKFORCE SAFETY & INSURANCE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION FOR YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Net premiums earned	\$ 176,756,259	\$ 181,037,448
Penalties and finance charges	1,745,613	1,157,384
Third party subrogation recoveries	3,675,421	2,546,529
Total operating revenues	<u>182,177,293</u>	<u>184,741,360</u>
OPERATING EXPENSES		
Incurred losses, net	124,450,774	88,114,195
Payroll and benefits	27,572,651	26,292,361
Pension (income) expenses	(181,955)	880,723
OPEB Expenses	211,069	271,013
Other administrative expenses (income)	591,638	(585,449)
Bad debt expense	647,892	7,417,951
Depreciation & amortization expense	3,862,027	3,857,441
Total operating expenses	<u>157,154,097</u>	<u>126,248,235</u>
OPERATING INCOME	<u>25,023,196</u>	<u>58,493,125</u>
NON-OPERATING REVENUES		
Interest and investment revenue	115,430,381	93,804,142
Investment expenses	(4,533,652)	(4,097,585)
Lease revenue	440,575	432,095
Other revenue	1,284,627	908,446
Securities lending investment revenue	162,889	203,659
Securities lending expenses	(32,520)	(40,655)
Net increase in fair value of investments	73,453,571	31,190,447
Dividend credit expense	(76,693,040)	(79,482,640)
Net non-operating revenues	<u>109,512,832</u>	<u>42,917,910</u>
CHANGE IN NET POSITION	<u>134,536,028</u>	<u>101,411,035</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>1,044,634,384</u>	<u>943,223,349</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 1,179,170,412</u>	<u>\$ 1,044,634,384</u>

WORKFORCE SAFETY & INSURANCE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from employers	\$ 111,037,516	\$ 110,740,061
Receipts from others	269,422	249,135
Payments to medical providers	(74,601,841)	(81,553,563)
Payments to injured employees	(39,626,990)	(41,085,471)
Payments to employers	(8,040,285)	(7,595,956)
Payments to employees	(27,532,628)	(26,249,723)
Payments to other funds	(2,484,791)	(3,429,128)
Payments to others	(872,027)	(1,988,158)
Net cash used in operating activities	(41,851,622)	(50,912,803)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Lease payments	(235,699)	(228,298)
Acquisition and construction of capital assets	(3,264,488)	(3,451,788)
Net cash used in financing activities	(3,500,187)	(3,680,086)
CASH FLOWS FROM INVESTING AND OTHER ACTIVITIES		
Lease receipts	440,575	432,095
Contributions to pooled investments	(6,013,896)	(5,009,440)
Withdrawals from pooled investments	56,000,000	59,000,000
Net cash provided by investing activities	50,426,679	54,422,656
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,074,869	(170,234)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,143,265	3,313,498
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,218,135	\$ 3,143,265
SCHEDULE OF OTHER NONCASH ACTIVITIES		
Net increase in fair value of investments	\$ 73,453,571	\$ 31,190,447
Change in securities lending collateral	(222,140)	8,359,019
Investment revenue	(115,430,381)	(93,804,981)
Dividends credited to premium billings	78,626,427	83,604,917
Account receivable premium reductions	(78,626,427)	(83,604,917)

STATEMENTS OF CASH FLOWS (continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH (USED IN) BY OPERATING ACTIVITIES

	2025	2024
Operating income	\$ 25,023,196	\$ 58,493,125
Adjustments to reconcile operating revenue to net cash used in operating activities		
Deferred outflows Retirement & Investment office (RIO)	(99,098)	62,075
Deferred inflows Retirement & Investment office (RIO)	(86,423)	105,086
Depreciation/amortization expense	3,862,027	3,857,441
Dividend credits applied to receivables	(76,693,040)	(79,482,640)
Other adjustment to net cash provided	2,053,389	417,115
Change in assets and liabilities		
Decrease (increase) in premium receivable	333,982	6,867,736
Decrease (increase) in other accounts receivable	1,033,645	(2,246,625)
Decrease (increase) in due from other funds	(300)	-
Decrease (increase) in prepaid expenses	(41,752)	(72,790)
Increase (decrease) in accounts payable	577,904	(380,612)
Increase (decrease) in due to other funds	(3,369)	(163,660)
Increase (decrease) in pension liability	(731,887)	(11,711,006)
Increase (decrease) in OPEB liability	(208,041)	(235,634)
Increase (decrease) in lease liability	(210,738)	218,858
Increase (decrease) in dividend payable	(1,933,388)	(4,122,277)
Increase (decrease) in unearned premium	2,842,201	(2,728,808)
Increase (decrease) in compensated absences payable	456,089	118,050
Increase (decrease) in unpaid loss and loss adjustment expense	2,379,000	(32,550,000)
Decrease (increase) in deferred outflows	8,612,313	8,049,176
Increase (decrease) in deferred inflows	(9,017,333)	4,592,586
Net cash used in operating activities	\$ (41,851,622)	\$ (50,912,803)

WORKFORCE SAFETY & INSURANCE
STATEMENTS OF APPROPRIATIONS
YEAR ENDED JUNE 30, 2025

	Approved 2023-2025 Biennial Appropriation	Expenditures 2024	Expenditures 2025	Unexpended Appropriation
APPROPRIATED EXPENDITURES	\$ 75,177,314	\$ 34,232,188	\$ 36,811,585	\$ 4,133,541
CONTINUING APPROPRIATIONS				
Alternative Dispute Resolution		-	-	
Credit Card Fees		427,618	405,356	
Building operations		922,435	950,066	
Reinsurance		961,335	1,147,500	
Other states coverage		625,000	650,000	
Litigation collection costs		214,860	303,856	
Collection agency fees		-	-	
Safety programs		5,090,158	5,378,811	
Vocational rehabilitation grant		99,869	99,389	
Medical provider litigation		-	-	
Employer fraud		2,700	2,076	
Provider fraud		-	-	
Total*	\$ 75,177,314	\$ 42,576,163	\$ 45,748,639	\$ 4,133,541

*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.

WORKFORCE SAFETY & INSURANCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

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 Annual Comprehensive 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.

Adoption of New Standard

As of July 1, 2024, WSI adopted GASB Statement No. 101, Compensated Absences. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the WSI's financial statements as a result of the implementation of this standard and there were no adjustments to amounts previously reported.

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.

NOTES TO FINANCIAL STATEMENTS

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

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 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.

NOTES TO FINANCIAL STATEMENTS

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.

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 \$3 million at June 30, 2025 and June 30, 2024. 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 \$9 million at June 30, 2025 and June 30, 2024.

Prepaid Expenses

Payments made to vendors which exceed \$12,000 per year, for services that will benefit periods beyond June 30, 2025 and 2024 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 \$10,000.

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" and "Due to other state agencies" in accounts payable on the balance sheet in the period for which the receivable or liability applies.

NOTES TO FINANCIAL STATEMENTS

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.

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 and notes 9 and 18 for additional information on WSI's leases.

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 3.5% discount for 2025 and a 4% discount for 2024 to report this liability at its estimated present value.

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.

NOTES TO FINANCIAL STATEMENTS

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. See note 11 for additional information.

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. See note 12 for additional information.

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 2025. Terms, limits, and pricing are re-evaluated annually.

Leases

Lessee: WSI is a lessee for a noncancellable leases for equipment and office space. WSI recognizes a lease liability and an intangible right-to-use asset (lease asset) in the financial statements. WSI recognizes lease liabilities for all leases.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: WSI is a lessor for a non-cancellable lease for office space. WSI recognizes a lease receivable and deferred inflows of resources on the financial statement for the non-cancellable portion of the lease payments.

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

NOTES TO FINANCIAL STATEMENTS

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.

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, 2025 and 2024 are presented below:

	2025	2024
Administrative expenses on an appropriations basis	\$ 45,748,639	\$ 42,576,163
Reconciling adjustments		
Fixed asset additions	(3,264,488)	(3,451,788)
Payroll and benefits	(27,572,651)	(26,292,361)
Unallocated loss adjustment expense	(12,306,484)	(11,989,815)
Increase (decrease) in compensated absences payable	456,089	118,050
Increase (decrease) in pension payable	(731,887)	(11,711,006)
Increase (decrease) in OPEB payable	(208,041)	(235,634)
Increase (decrease) in administrative payable	279,055	(1,395,836)
Decrease (Increase) in prepaid expenses	(41,752)	(72,790)
Refund of prior biennium expenses	-	(910)
Increase (decrease) in lease liabilities	(210,738)	218,858
Decrease (increase) in deferred outflow	8,612,313	8,049,176
Increase (decrease) in deferred inflow	(9,017,333)	4,592,586
Revolving loan fees and banking fees	865	560
Ceded Reinsurance Premium	(1,151,948)	(990,701)
Administrative expenses on a GAAP basis	<u>\$ 591,638</u>	<u>\$ (585,449)</u>

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 \$8,218,135 on June 30, 2025 and \$3,143,265 on June 30, 2024. Bank balances for June 30, 2025 and June 30, 2024 were \$10,118,719 and \$5,732,785, 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.

NOTES TO FINANCIAL STATEMENTS

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.

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 2022. The WSI Board recommended adopting a new asset allocation policy in February 2022, 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 12% in domestic equity, 8% in international equity, 62% 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	Over 10 years
Fixed Income Pool	\$1,392,457	\$384,090	\$288,706	\$134,886	\$584,774
Diversified Real Assets Pool	172,929	15,401	84,857	51,469	21,203
Total Debt Securities	<u>\$1,565,386</u>	<u>\$399,491</u>	<u>\$373,563</u>	<u>\$186,356</u>	<u>\$605,977</u>

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.

NOTES TO FINANCIAL STATEMENTS

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, 2025, and June 30, 2024, the total amount of cash collateral related to these lent securities was \$19,026,317 and \$19,248,457, 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 \$3 million as of June 30, 2025 and June 30, 2024. The allowance for doubtful accounts for overpayments to medical providers or injured workers is \$9 million as of June 30, 2025 and June 30, 2024. The higher allowance for doubtful accounts for other accounts receivable is due to a litigation in the administrative hearing process involving the assessment of premium on an uninsured employer with a significant claim pursuant to NDCC 65-04-33(d).

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets, not being depreciated				
Land	\$ 901,974	\$ -	\$ -	\$ 901,974
Construction in progress	2,644,035	3,158,479	(3,133,437)	2,669,076
Total capital assets, not being depreciated	<u>3,546,009</u>	<u>3,158,479</u>	<u>(3,133,437)</u>	<u>3,571,050</u>
Capital assets, being depreciated				
Building	11,474,168	-	-	11,474,168
Furniture and equipment	460,607	76,792	(11,163)	526,236
Software	25,730,873	3,162,655	-	28,893,528
Right-to-use leased property	661,905	-	(382,918)	278,987
Total capital assets, being depreciated	<u>38,327,554</u>	<u>3,239,447</u>	<u>(394,081)</u>	<u>41,172,920</u>
Less accumulated depreciation for				
Building	(4,733,958)	(229,483)	-	(4,963,441)
Furniture and equipment	(295,506)	(62,815)	11,163	(347,157)
Software	(18,247,865)	(3,334,052)	-	(21,581,916)
Right-to-use leased property	(271,429)	(210,708)	382,918	(99,220)
Accumulated Depreciation and Amortization	<u>(23,548,758)</u>	<u>(3,837,058)</u>	<u>394,081</u>	<u>(26,991,735)</u>
Total capital assets, net	<u>\$ 18,324,805</u>	<u>\$ 2,560,867</u>	<u>\$ (3,133,437)</u>	<u>\$ 17,752,235</u>

A summary of changes in capital assets for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets, not being depreciated				
Land	\$ 901,974	\$ -	\$ -	\$ 901,974
Construction in progress	3,245,426	3,074,917	(3,676,308)	2,644,035
Total capital assets, not being depreciated	<u>4,147,400</u>	<u>3,074,917</u>	<u>(3,676,308)</u>	<u>3,546,009</u>
Capital assets, being depreciated				
Building	11,474,168	-	-	11,474,168
Furniture and equipment	429,747	38,573	(7,712)	460,607
Software	22,054,565	3,676,308	-	25,730,873
Right-to-use leased property	294,974	413,723	(46,791)	661,905
Total capital assets, being depreciated	<u>34,253,454</u>	<u>4,128,603</u>	<u>(54,503)</u>	<u>38,327,554</u>
Less accumulated depreciation for				
Building	(4,504,475)	(229,483)	-	(4,733,958)
Furniture and equipment	(230,782)	(72,436)	7,712	(295,506)
Software	(14,920,358)	(3,327,507)	-	(18,247,865)
Right-to-use leased property	(123,356)	(194,864)	46,791	(271,429)
Accumulated Depreciation and Amortization	<u>(19,778,971)</u>	<u>(3,824,290)</u>	<u>54,503</u>	<u>(23,548,758)</u>
Total capital assets, net	<u>\$ 18,621,882</u>	<u>\$ 3,379,230</u>	<u>\$ (3,676,308)</u>	<u>\$ 18,324,805</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

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, 2025 and June 30, 2024.

DUE TO	2025	2024
Information Technology	\$ (155,666)	\$ (164,485)
Department of Transportation	(7,924)	(7,625)
Office of Administrative Hearing	(7,526)	(366)
Office Management & Budget	(4,927)	(5,359)
Attorney General Office	(356)	(542)
Bismarck State College	(109)	(1,500)
Total	<u>\$ (176,508)</u>	<u>\$ (179,877)</u>
DUE FROM	2025	2024
Office of Management & Budget	\$ 300	\$ -
	<u>\$ 300</u>	<u>\$ -</u>

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, 2025 and 2024. The actuarial computations for unpaid loss and LAE include a 3.5% discount to report this liability at its estimated present value for year ended June 30, 2025 and a 4% discount for year ended June 30, 2024.

For the year ended June 30, 2025 and June 30, 2024, 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 2025	Low	(In Thousands) Central Value	High
Full value basis, undiscounted	\$ 1,197,955	\$ 1,301,604	\$ 1,365,621
Present value basis, discounted at 3.5 %	848,765	920,060	963,782

WSI management recorded the consulting actuary's central estimate of the ultimate cost for unpaid loss and LAE of \$920,060,000.

NOTES TO FINANCIAL STATEMENTS

FY 2024	(In Thousands)		
	Low	Central Value	High
Full value basis, undiscounted	\$ 1,252,397	\$ 1,363,790	\$ 1,451,955
Present value basis, discounted at 4 %	845,852	917,681	971,691

WSI management recorded the consulting actuary's central estimate of the ultimate cost for unpaid loss and LAE of \$917,681,000.

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) 2025	(In Thousands) 2024
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 917,681	\$ 950,231
Discount	446,109	468,648
Undiscounted Reserves	1,363,790	1,418,879
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	129,311	159,053
Change in provision for prior fiscal years	(82,220)	(95,953)
Change in LAE and other claim recoveries	12,795	2,475
Total incurred losses and loss adjustment expenses	59,886	65,575
Claims and claim adjustment expenses attributable:		
To events of the current year	(46,313)	(53,137)
To insured events of prior years	(75,759)	(67,527)
Total paid	(122,072)	(120,664)
Change in provision for liability discount	(381,544)	(446,109)
Total unpaid claims and claim adjustment expenses at fiscal year end	\$ 920,060	\$ 917,681

NOTES TO FINANCIAL STATEMENTS

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 - LEASES

WSI entered into various leases for office space and equipment. The leases contain a clause allowing for termination with a 90-120 day notice and a clause stating that renewal options are dependent on appropriation funding by the State Legislature. At June 30, 2025, WSI recognized a right to use asset of \$278,987 net of amortization amount of \$99,220, which is presented in Note 5. WSI recognized a lease liability of \$179,768 related to these agreements. WSI uses the US prime interest at the time the lease was signed plus 1%. The interest expense for these leases at June 30, 2025 was \$210,708.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 52,477	\$ 13,676
2027	57,736	8,802
2028	36,223	5,603
2029	33,332	2,131
	<u>\$179,768</u>	<u>\$ 30,211</u>

NOTES TO FINANCIAL STATEMENTS

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 \$2,473,650 and \$2,071,128 on June 30, 2025, and June 30, 2024 respectively. This balance includes the employer's share of taxes.

	FY 2025 Beginning Balance	Additions	Reductions	FY 2025 Ending Balance	Amount Due Within One Year
Other long-term liabilities					
Leases	\$ 390,476	\$ -	\$ 210,708	\$ 179,768	\$ 52,477
Compensated absences	2,017,561	456,089 *		2,473,650	549,372
Total other long-term liabilities	<u>\$ 2,408,037</u>	<u>\$ 456,089</u>	<u>\$ 210,708</u>	<u>\$ 2,653,417</u>	<u>\$ 601,849</u>

* The change in compensated absences liability is presented as a net change.

	FY 2024 Beginning Balance	Additions	Reductions	FY 2024 Ending Balance	Amount Due Within One Year
Other long-term liabilities					
Leases	\$ 171,617	\$ 413,723	\$ 194,864	\$ 390,476	\$ 210,708
Compensated absences	1,899,511	1,578,485	1,460,435	2,017,561	1,735,102
Total other long-term liabilities	<u>\$ 2,071,128</u>	<u>\$ 1,992,208</u>	<u>\$ 1,655,299</u>	<u>\$ 2,408,037</u>	<u>\$ 1,945,810</u>

WSI's employee turnover rate for fiscal year 2025 and 2024 were 12.61% and 7.76%, 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.

NOTES TO FINANCIAL STATEMENTS

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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

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 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.

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.

NOTES TO FINANCIAL STATEMENTS

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

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

At June 30, 2025, the WSI reported a liability of \$24,184,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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 \$24,916,414 reported on June 30, 2024, which was measured as of June 30, 2023; 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, 2024, WSI's proportion was measured as 1.293044 percent, which is an increase of 0.0009 from its proportionate share of 1.292176 percent measured as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2025, WSI recognized pension expense (income) of (\$181,955). At June 30, 2025, 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	\$ 1,148,272	\$ -
Change in assumptions	5,828,422	(10,974,507)
Net differences between projected and actual earnings on pension plan investments	-	(221,132)
Changes in proportion and differences between employer contributions and proportionate share of contributions	218,443	(584,023)
Employer contributions subsequent to the measurement date	794,078	-
WSI Total	7,989,215	(11,779,662)
Allocation from Retirement Investment Office	182,604	(155,101)
Total	\$ 8,171,819	\$ (11,934,763)

In the year ended, June 30, 2025, \$794,078 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, 2026.

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

<u>Year Ending June 30,</u>	
2025	\$ (3,246,425)
2026	292,944
2027	(1,459,161)
2028	(171,883)
	<u>\$ (4,584,525)</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2024, WSI recognized pension expense of \$880,723. At June 30, 2024, 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	\$ 811,110	\$ (137,412)
Change in assumptions	13,739,202	(18,912,191)
Net differences between projected and actual earnings on pension plan investments	653,762	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	307,444	(1,240,972)
Employer contributions subsequent to the measurement date	744,464	-
WSI Total	16,255,982	(20,290,575)
Allocation from Retirement Investment Office	281,702	(241,524)
Total	\$ 16,537,684	\$ (20,532,099)

In the year ended, June 30, 2024, \$744,464 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, 2025.

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

<u>Year Ending June 30,</u>	
2024	\$ (546,365)
2025	(3,185,381)
2026	351,775
2027	(1,399,086)
	<u>\$ (4,779,057)</u>

Actuarial assumptions

The total North Dakota PERS pension liability in the July 1, 2024 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	6.50%, net of investment expenses

NOTES TO FINANCIAL STATEMENTS

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	31.9%	4.10%
International Equity	19.1%	7.00%
Private Equity	7%	8.50%
Domestic Fixed Income	23%	2.88%
International Fixed Income	0%	0.00%
Global Real Assets	19%	6.10%
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. 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 6.50%; the municipal bond rate is 3.9%; and the resulting Single Discount Rate is 6.50%.

NOTES TO FINANCIAL STATEMENTS

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 current discount rate, 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 or 1-percentage-point higher than the current rate:

2025

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net pension liability	\$ 34,178,456	\$ 24,184,527	\$15,895,883

2024

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.50%)
Employer's proportionate share of the net pension liability	\$ 34,353,749	\$ 24,916,414	\$17,087,413

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, 2025 and 2024 totaled \$74,434 and \$89,293, respectively.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - POSTRETIREMENT 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, 2025, and 2024 were \$173,737 and \$174,083, 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. 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.

NOTES TO FINANCIAL STATEMENTS

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, 2025, WSI reported a liability of \$1,232,045, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. This compares to the proportionate liability of \$1,440,086 reported at June 30, 2024, which was measured as of June 30, 2023 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, 2024 and 2023, WSI's proportion was 1.425886 percent and 1.440444 percent, respectively.

For the year ended June 30, 2025, WSI recognized OPEB expense of \$211,069. At June 30, 2025, 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	\$ 15,204	\$ (9,470)
Change in assumptions	187,422	(84,349)
Net differences between projected and actual earnings on pension plan investments	-	(46,082)
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,704	(23,304)
Employer contributions subsequent to the measurement date	173,737	-
WSI Total	\$ 399,067	\$ (163,205)

NOTES TO FINANCIAL STATEMENTS

\$173,737 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ 54,222
2026	110,634
2027	(70,279)
2028	(32,452)
	<u>\$ 62,125</u>

For the year ended June 30, 2024, WSI recognized OPEB expense of \$271,013. At June 30, 2024, 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	\$ 27,092	\$ (16,480)
Change in assumptions	307,137	(119,257)
Net differences between projected and actual earnings on pension plan investments	104,014	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,189	(28,543)
Employer contributions subsequent to the measurement date	174,083	-
WSI Total	\$ 645,515	\$ (164,280)

\$174,83 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2024	\$ 106,042
2025	90,005
2026	146,908
2027	(35,803)
	<u>\$ 307,152</u>

NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions

The total OPEB liability in the July 1, 2024 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	5.75%, 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	4.00%
Small Cap Domestic Equities	6%	6.00%
Domestic Fixed Income	35%	3.29%
International Equities	26%	7.00%

Discount rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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.

NOTES TO FINANCIAL STATEMENTS

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 Plan calculated using the current discount rate, 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 or 1-percentage-point higher than the current rate:

2025

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Employer's proportionate share of the net OPEB liability	\$1,683,902	\$1,232,045	\$851,472

2024

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Employer's proportionate share of the net OPEB liability	\$1,892,625	\$1,440,086	\$1,059,103

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 held by WSI, the investments and related obligation to employees is not included in WSI's statement of net position.

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.

NOTES TO FINANCIAL STATEMENTS

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 2025 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, 2025 and 2024 WSI recorded ceded losses of negative \$3,297,044 and \$5,611,974 and ceded premiums of \$1,151,948 and \$990,701, respectively.

NOTE 16 - SIGNIFICANT LEGISLATIVE CHANGES

Significant legislative changes relating to WSI that were enacted by the 2025 Legislative Assembly are listed below:

- HB 1423 increased the benefit amounts for real estate adaptations and motor vehicles for catastrophic injured workers.
- SB 2046 allows for a one-time premium credit for new businesses owned by a North Dakota national guard member, member of the armed forces, veterans, or a surviving spouse of a veteran of up to \$250.
- SB 2109 increased the lifetime cap for death benefits and increased the maximum amount awarded annually for scholarships.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 18 - TENANT LEASES

During the current fiscal year, WSI leased suites in their main office building at 1600 East Century Avenue, Bismarck, ND. All tenants had an increase in their lease rates on July 1, 2007, July 1, 2011, July 1, 2015 and again on July 1, 2021. WSI recognized \$440,578 in lease revenue during the current fiscal year related to these leases. Tenant leases are two year leases that mature on June 30, 2025. WSI uses the US prime interest rate at the time the lease was signed plus 1%.

WSI's lease rates on office space for fiscal year 2025 is provided below:

	Monthly Rent	Annual Rent
ND Department of Commerce	\$ 4,380	\$ 52,561
ND Human Services	10,392	124,701
ND OMB Risk Management	2,058	24,690
ND Public Employees Retirement System	8,320	99,843
ND Retirement & Investment Office	9,270	111,243
ND State Auditors Office	2,295	27,540
Total	<u>\$ 36,715</u>	<u>\$ 440,578</u>

WSI's lease rates on office space for fiscal year 2024 is provided below:

	Monthly Rent	Annual Rent
ND Department of Commerce	\$ 4,380	\$ 52,561
ND Human Services	10,392	124,701
ND OMB Risk Management	2,058	24,690
ND Public Employees Retirement System	8,320	99,843
ND Retirement & Investment Office	8,606	103,275
ND State Auditors Office	2,200	26,404
Total	<u>\$ 35,956</u>	<u>\$ 431,474</u>

NOTES TO FINANCIAL STATEMENTS

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 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. SB2116 of the 2023 Legislative Assembly repealed the revolving school loan fund so these funds are no longer to be deducted from the surplus calculation.

WSI's statutorily defined fund surplus of \$1.17 billion on June 30, 2025 equals 127.2% of the estimated actuarial discounted reserve liability of \$920 million. This compares to the available total of \$1.03 billion fund surplus on June 30, 2024, which equaled 112.3% of the estimated actuarial discounted reserve liabilities of \$918 million. The available surplus of \$910 million on June 30, 2023, equaled 95.8% of the estimated actuarial discounted reserve liabilities of \$950 million. WSI granted a 50% dividend credit in fiscal year 2025, 2024, and 2023, respectively.

	Actual June 2023	Actual June 2024	Actual June 2025
Estimated Discounted Financial Reserves	\$950,231,000	\$ 917,681,000	\$ 920,060,000
NET POSITION or "SURPLUS"	\$943,223,349	\$1,044,634,384	\$1,179,170,412
2009 HB 1035 Allowable Deductions from Net Assets (Surplus)			
Safety & Education Grants	18,994,581	13,904,423	8,525,612
Revolving School Loan Fund	13,994,965	-	-
Total Exclusions from Net Position(Surplus)	32,989,546	13,904,423	8,525,612
Available Net Position / Fund Surplus	\$910,233,803	\$ 1,030,729,961	\$ 1,170,644,800
	95.8%	112.3%	127.2%

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 – completed July 2022, cost of \$12.1 million.

NOTES TO FINANCIAL STATEMENTS

- Phase 4 – Claims: consists of 8 Releases – release 2 finished August 2024, cost of \$4.5 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 2031.

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 – completed July 2022, cost \$1 million
- Release 6 – Employer Online Application / Provider Dashboard / Forms Foundation – completed August 2023, cost \$1.4 million
- Release 7 – Provider Forms Submittal / Medical Records / Safety & Ergonomics Refactor – completed August 2024, cost through June 2025 was \$700 thousand
- 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 65-02-05.1 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.

NOTES TO FINANCIAL STATEMENTS

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 65-03-04 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 65-05-36 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.

NOTES TO FINANCIAL STATEMENTS

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 not classified in the fair value hierarchy. Investments measured at NAV are as follows as of June 30, 2025 and June 30, 2024:

June 30, 2025

Investments	Fair Value
Investments held with RIO	\$ 2,257,579,945

June 30, 2024

Investments	Fair Value
Investments held with RIO	\$ 2,123,447,022

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

NOTE 23 - CONTINGENCY

During fiscal year 2025, there were no active lawsuits that directly or indirectly affected Workforce Safety & Insurance.

WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2025 – JUNE 30, 2016

Schedules of Required Supplementary Information										
Schedule of WSI's Share of Net Pension Liability										
Last 10 Fiscal Years*										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
WSI's portion of NDPERS net pension liability (asset)	1.29%	1.29%	1.27%	1.36%	1.38%	1.49%	1.52%	1.55%	1.53%	0.92%
WSI's proportionate share of NDPERS net pension liability (asset)	\$ 24,184,527	\$ 24,916,414	\$ 36,627,420	\$ 13,923,103	\$ 43,558,302	\$ 17,419,152	\$ 25,710,589	\$ 24,862,684	\$ 14,957,537	\$ 6,282,403
WSI's covered payroll	16,962,132	15,801,634	14,763,003	15,126,528	15,273,282	15,458,848	15,651,096	15,790,737	15,466,560	8,230,866
WSI's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	142.6%	157.7%	248.1%	92.0%	285.2%	112.7%	164.3%	157.5%	96.7%	76.3%
NDPERS Plan fiduciary net position as a percentage of the total pension liability	68.02%	65.31%	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.50%	77.20%

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.

WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2025 – JUNE 30, 2016

Schedules of Required Supplementary Information
Schedule of WSI's Pension Contributions
Last 10 Fiscal Years **

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 1,396,288	\$ 1,195,405	\$ 1,111,906	\$ 1,115,515	\$ 1,154,657	\$ 1,149,734	\$ 1,150,515	\$ 1,161,753	\$ 1,145,021	\$ 1,119,754
Contributions in relation to the actuarially determined contribution	(1,322,044)	(1,150,764)	(1,123,880)	(1,123,531)	(1,154,657)	(1,149,734)	(1,150,515)	(1,161,753)	(1,129,272)	(884,731)
Contribution deficiency (excess)	74,244	44,641	(11,974)	(8,016)	-	-	-	-	15,749	235,023
Covered payroll	\$ 16,962,132	\$ 15,801,634	\$ 14,763,003	\$ 16,187,280	\$ 16,217,087	\$ 16,147,950	\$ 16,158,925	\$ 16,316,753	\$ 15,790,737	\$ 15,466,560
Contributions as a percentage of covered payroll	7.79%	7.28%	7.61%	6.94%	7.12%	7.12%	7.12%	7.12%	7.15%	7.24%

Changes of benefit terms.

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of assumptions.

All actuarial assumptions used in the actuarial valuation as of July 1, 2024 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2023.

WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER POSTEMPLOYMENT LIABILITY AND CONTRIBUTIONS
JUNE 30, 2025 - JUNE 30, 2018

Schedules of Required Supplementary Information								
Schedule of WSI's Share of Net Postemployment Benefit Liability								
Last 10 Fiscal Years*								
	2025	2024	2023	2022	2021	2020	2019	2018
WSI's portion of NDPERS net postemployment benefit liability (asset)	1.4258860%	1.4404440%	1.3960730%	1.3785980%	1.3648890%	1.4264390%	1.4715670%	1.4988550%
WSI's proportionate share of NDPERS net postemployment liability (asset)	\$ 1,232,045	\$ 1,440,086	\$ 1,675,720	\$ 766,739	\$ 1,148,141	\$ 1,145,698	\$ 1,158,959	\$1,189,880
WSI's covered payroll	14,782,264	14,479,092	14,413,129	15,030,271	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 payroll	8.3%	9.9%	11.6%	5.1%	7.4%	7.2%	7.2%	7.5%
NDPERS Plan fiduciary net position as a percentage of the total postemployment benefit liability	68.4%	62.7%	56.3%	76.6%	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.

WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER POSTEMPLOYMENT LIABILITY AND CONTRIBUTIONS
JUNE 30, 2025 - JUNE 30, 2017

Schedules of Required Supplementary Information
Schedule of WSI's Contributions - Postemployment Benefit
Last 10 Fiscal Years **

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 175,785	\$ 174,834	\$ 175,425	\$ 180,743	\$ 182,790	\$ 185,116	\$ 180,980	\$ 182,748	\$ 188,490
Contributions in relation to the actuarilly determined contribution	<u>(172,204)</u>	<u>(171,374)</u>	<u>(176,493)</u>	<u>(179,911)</u>	<u>(183,529)</u>	<u>(184,608)</u>	<u>(180,980)</u>	<u>(182,748)</u>	<u>(180,810)</u>
Contribution deficiency (excess)	<u>3,581</u>	<u>3,460</u>	<u>(1,068)</u>	<u>832</u>	<u>(739)</u>	<u>508</u>	<u>-</u>	<u>-</u>	<u>7,680</u>
Covered payroll	\$ 14,782,264	\$ 14,479,092	\$ 14,413,129	\$ 15,030,271	\$ 15,559,329	\$ 15,917,029	\$ 16,158,925	\$ 16,316,753	\$ 15,790,737
Contributions as a percentage of covered payroll	1.16%	1.18%	1.22%	1.20%	1.18%	1.16%	1.12%	1.12%	1.14%

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

Changes of benefit 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, 2023.

Changes of assumptions.

All actuarial assumptions used in the actuarial valuation as of July 1, 2024 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2023.

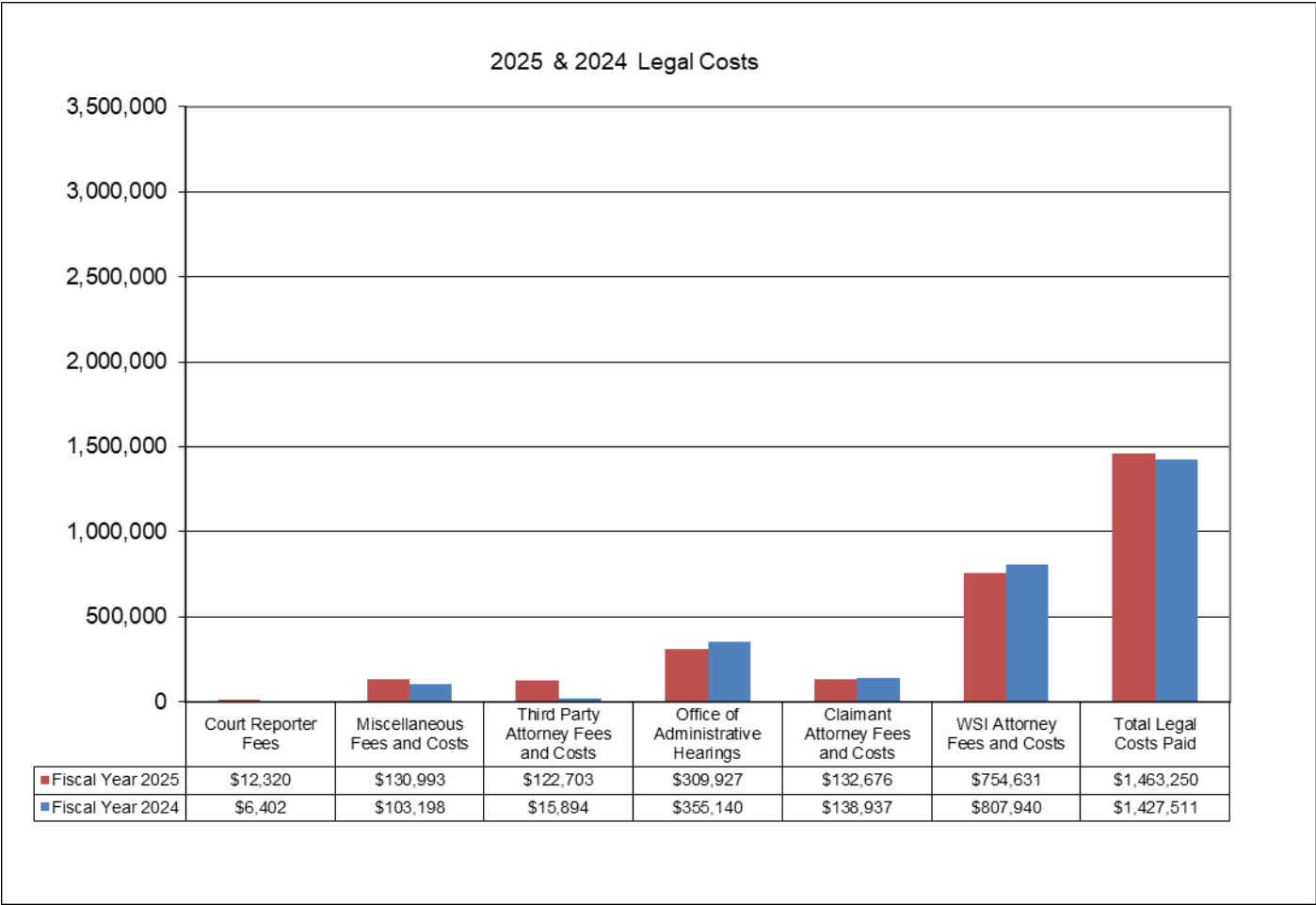
WORKFORCE SAFETY & INSURANCE
REQUIRED SUPPLEMENTARY INFORMATION
LOSS DEVELOPMENT INFORMATION
JUNE 30, 2025

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.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. Net earned required contribution and investment revenues	377,414	395,966	343,011	385,561	353,015	429,406	(30,913)	249,398	310,619	371,801
2. Unallocated expenses	42,938	46,758	44,338	44,587	43,837	130,787	43,469	48,790	133,483	125,537
3. Estimated incurred claims and expense, end of policy year	228,620	198,315	193,275	186,815	176,999	144,856	126,387	139,683	158,769	129,311
4. Paid (cumulative) as of										
End of policy year	40,871	39,799	42,068	42,252	41,898	32,823	34,397	42,783	53,137	46,313
One year later	74,368	65,251	75,856	69,008	61,856	50,377	52,099	67,414	77,455	
Two years later	84,052	72,725	75,856	77,295	67,370	53,880	57,268	70,875		
Three years later	84,238	78,144	79,916	82,085	69,935	56,458	58,811			
Four years later	87,809	81,557	81,677	84,891	72,755	57,595				
Five years later	90,634	83,724	83,316	85,951	74,374					
Six years later	92,231	85,133	84,919	86,977						
Seven years later	93,464	85,888	86,104							
Eight years later	94,169	86,427								
Nine years later	94,214									
5. Reestimated incurred claims and expense										
End of policy year	228,620	198,315	193,275	186,815	176,999	144,856	126,387	139,683	158,769	129,311
One year later	203,973	176,563	179,272	174,336	156,450	117,654	113,361	133,025	142,505	
Two years later	191,051	163,983	171,651	167,964	133,848	103,406	101,012	120,260		
Three years later	174,204	154,316	156,195	151,162	122,762	100,392	96,142			
Four years later	160,983	141,185	139,760	137,429	115,663	92,558				
Five years later	147,650	131,029	130,994	128,864	114,556					
Six years later	138,732	125,520	126,864	124,237						
Seven years later	133,021	126,943	122,444							
Eight years later	121,467	116,319								
Nine years later	124,968									
6. Change in estimated incurred claims and expense from end of policy year	\$ (103,652)	\$ (81,996)	\$ (70,831)	\$ (62,578)	\$ (62,443)	\$ (52,298)	\$ (30,245)	\$ (19,423)	\$ (16,264)	\$ -

WORKFORCE SAFETY & INSURANCE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ATTORNEY FEES AND COSTS
JUNE 30, 2025 AND JUNE 30, 2024

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 2025 and 2024 were \$1,463,250 and \$1,427,511, 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.



**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 (*Government Auditing Standards*), the financial statements of the business-type activities of Workforce Safety & Insurance (WSI) as of and for the year ended June 30, 2025, 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 22, 2025.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

Fargo, North Dakota
October 22, 2025

Workforce Safety & Insurance
Auditor's Specific Comments Requested by the North Dakota Legislative Audit and Fiscal Review
Committee
Year Ended June 30, 2025

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 requires a separate audit summary from certified public accountants performing audits of state agencies. The separate audit summary regarding the June 30, 2025 audit of Workforce Safety & Insurance is as follows:

Purpose of the Audit

Workforce Safety & Insurance is a component of the financial statements of the state of North Dakota. The purpose of the audit of Workforce Safety & Insurance is to express an opinion on each financial statement opinion unit.

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with Government Auditing Standards, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually and in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Type of Audit Opinion

We issued an unmodified opinion on the financial statements of Workforce Safety & Insurance.

Findings and Recommendations

We have no findings or recommendations to communicate as a result of the audit.

Status of Prior Recommendations

There were no findings or recommendations communicated in the prior audit.

Explanations of Significant Audit Adjustments and Misstatements

There were no significant audit adjustments or uncorrected misstatements that were identified as a result of our audit procedures.

Disagreements with Management or Difficulties Encountered during the Audit

No disagreements with management arose during the course of the audit.

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

Other Audit Report Highlights

None

Cost of the Audit Compared to the Prior Audit

The cost of the 2025 Workforce Safety & Insurance audit was \$69,900.

The cost of the 2024 Workforce Safety & Insurance audit was \$67,250.

This report is intended solely for the information and use of the Governor of North Dakota, Legislative Assembly, North Dakota Industrial Commission, Bank of North Dakota Advisory Board and management of the Workforce Safety & Insurance, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Erik Sallie LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota

October 22, 2025

October 22, 2025

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, 2025, and have issued our report thereon dated October 22, 2025. 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 planning presentation on June 18, 2025, 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 the entity'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 22, 2025.

Planned Scope and Timing of the Audit

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

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.

Significant Risks Identified that were not Previously Communicated

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks that were not previously communicated:

- Pension and OPEB Liability - We identified the pension and OPEB liability as a significant risk as it relates to the estimation process and accuracy of development of the underlying assets and assumptions.

Qualitative Aspects of the Entity'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 Workforce Safety & Insurance is included in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, Workforce Safety & Insurance has changed accounting policies related to accounting for compensated absences to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2024. However, as the impact of the adoption was immaterial to the financial statements as a whole, no adjustment was made to amounts previously recorded. In addition, Workforce Safety & Insurance has adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires financial statement disclosure about risks related to a government's vulnerabilities due to certain concentrations or constraints for the year ended June 30, 2025. 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.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures 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 3.5% 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.

In addition, management's estimate of the allowance for doubtful accounts over assessments receivable is based on the likelihood of collectability of individual receivables. We evaluated the key factors and assumptions used to develop the allowance 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 Workforce Safety & Insurance'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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

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 the Workforce Safety & Insurance's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. Our auditor's report was modified to include an emphasis of matter paragraph regarding the relationship between WSI and the State of North Dakota.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated October 22, 2025.

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 Workforce Safety & Insurance, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Workforce Safety & Insurance's auditors.

Internal Audit

We used the work of Internal Auditors of Workforce Safety & Insurance to assist us in obtaining audit evidence related to claims, premiums and loss expense controls.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota