



Financial Statements
December 31, 2021

Multiple Injury Trust Fund

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Independent Auditor's Report

Special Counsel
Multiple Injury Trust Fund
Oklahoma City, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Multiple Injury Trust Fund (MITF) of the State of Oklahoma, as of and for the year ended December 31, 2021, and the related notes to the 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 respective financial position of the governmental activities and each major fund for the Multiple Injury Trust Fund of the State of Oklahoma, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 the Multiple Injury Trust Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Net Deficit

As discussed in Note 5, MITF's net position is in a deficit position of approximately \$437,017,000 primarily due to court awards exceeding the apportionment of special tax revenue collected. Our opinion is not modified with regards 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 the MITF'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 MITF'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.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022 on our consideration of the Multiple Injury Trust Fund of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Multiple Injury Trust Fund of the State of Oklahoma'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 the Multiple Injury Trust Fund of the State of Oklahoma's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma

As management of the Multiple Injury Trust Fund (MITF), we offer readers of the MITF financial statements this overview and analysis of the financial activities for the fiscal years ended December 31, 2021 and 2020.

Financial Highlights

- At December 31, 2021, MITF's liabilities exceeded its assets by \$437 million. At December 31, 2020, MITF's liabilities exceeded its assets by \$467 million. The FY21 year-end net position decreased its deficit by \$30 million. The 2020 year-end net position decreased its deficit by \$23.4 million from the previous year-end.
- During fiscal year 2021, MITF had revenue of \$64.5 million, which consisted of \$54 million from its apportionment from the Oklahoma Tax Commission (OTC), \$10.5 million appropriated and \$0.1 million from interest income. During fiscal year 2020, MITF had revenue of \$54 million, which consisted of \$50.5 million from its apportionment from the Oklahoma Tax Commission (OTC), \$3.5 million appropriated and \$0.1 million from interest income. The premium assessment was at 7.00% for 2021 and 2020.
- At December 31, 2021 long-term liabilities of \$459 million related to court awarded claims payable which comprised 99% of the total liabilities. At December 31, 2020 long-term liabilities of \$479.9 million related to court awarded claims payable which comprised 99% of the total liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MITF's basic financial statements. MITF's basis financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the MITF's finances in a manner similar to a private-sector business.

The statement of net deficit presents information on all of MITF's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between these reported as a net position (or deficit). Over time, increases or decreases in net position (deficit) may serve as a useful indicator of whether the financial position of MITF is expanding or contracting.

The statements of activities present information showing how MITF's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances (deficit) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MITF maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances (deficit) for the special revenue fund and the debt service fund, both of which are considered to be major funds.

The special revenue fund accounts for all financial resources of MITF, except for those related to the debt. The debt service fund accounts for the proceeds and payments for principal and interest related to the notes payable.

Notes to Financial Statements

The notes provided additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

MITF's net position or deficit at December 31, 2021 and 2020 are reported as follows:

	<u>2021</u>	<u>2020</u>
Current assets	\$ 21,997,538	\$ 12,757,630
Capital assets, net of depreciation	<u>26,765</u>	<u>3,855</u>
Total assets	<u>22,024,303</u>	<u>12,761,485</u>
Current liabilities	52,092,347	54,854,059
Long-term liabilities, net of current portion	<u>406,949,442</u>	<u>425,247,524</u>
Total liabilities	<u>459,041,789</u>	<u>480,101,583</u>
Net Deficit		
Total net deficit	<u><u>\$ (437,017,486)</u></u>	<u><u>\$ (467,340,098)</u></u>

MITF's changes in net position for the years ended December 31, 2021 and 2020 are reported as follows:

	<u>2021</u>	<u>2020</u>
Program expenses	\$ 34,268,281	\$ 30,717,000
General revenues	64,500,245	53,996,947
Other revenues	<u>90,648</u>	<u>112,960</u>
(Increase) decrease in net deficit	30,322,612	23,392,907
Net deficit, beginning of year	<u>(467,340,098)</u>	<u>(490,733,005)</u>
Net deficit, end of year	<u><u>\$ (437,017,486)</u></u>	<u><u>\$ (467,340,098)</u></u>

Multiple Injury Trust Fund
Management's Discussion and Analysis (Unaudited)
December 31, 2021

Fund Financial Analysis

MITF's special revenue fund balances at December 31, 2021 and 2020 are reported as follows:

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	<u>\$ 21,997,538</u>	<u>\$ 12,757,629</u>
Current liabilities	22,581	26,688
Fund balance	<u>21,974,957</u>	<u>12,730,941</u>
Total liabilities and fund balance	<u>\$ 21,997,538</u>	<u>\$ 12,757,629</u>

MITF's special revenue fund changes in fund balances for the years ended December 31, 2021 and 2020 are reported as follows:

	<u>2021</u>	<u>2020</u>
Revenues	\$ 64,590,893	\$ 54,109,907
Expenditures	<u>51,422,147</u>	<u>52,498,370</u>
Excess of revenues over expenditures	<u>13,168,746</u>	<u>1,611,537</u>
Other Financing Uses: Transfers out	<u>(3,924,730)</u>	<u>(4,424,728)</u>
Net change in fund balances	9,244,016	(2,813,191)
Fund balances, beginning of year	<u>12,730,941</u>	<u>15,544,132</u>
Fund balances, end of year	<u>\$ 21,974,957</u>	<u>\$ 12,730,941</u>

Multiple Injury Trust Fund
Management's Discussion and Analysis (Unaudited)
December 31, 2021

MITF's debt service fund deficit at December 31, 2021 and 2020 are reported as follows:

	2021	2020
Total assets	\$ -	\$ -
Total liabilities	24,748	72,110
Total fund deficit	(24,748)	(72,110)
Total liabilities and fund deficit	\$ -	\$ -

MITF's debt service fund changes in fund deficit for the years ended December 31, 2021 and 2020 are reported as follows:

	2021	2020
Total revenues	\$ -	\$ -
Total expenditures	2,877,368	2,880,543
Excess of revenues under expenditures	(2,877,368)	(2,880,543)
Other Financing Sources: Transfers in	2,924,730	2,924,728
Net change in fund deficit	47,362	44,185
Fund deficit, beginning of year	(72,110)	(116,295)
Fund deficit, end of year	\$ (24,748)	\$ (72,110)

Total governmental funds' assets at December 31, 2021 of \$22 million increased \$12.6 million from the previous year-end due primarily to the increase in cash. Total governmental funds liabilities at December 31, 2021 of approximately \$47,300 decreased with that of prior year's \$98,798 largely due to a decrease in the interest payable on the notes payable.

The special revenue fund balance for the years 2021 and 2020 was \$22 million and \$12.7 million, respectively. The fund balance increase in 2021 from 2020 of \$9.2 million is primarily due to the increase in revenue.

The debt service fund deficit for the years 2021 and 2020 was \$24,748 and \$72,110, respectively. The fluctuations in the deficit reflect the difference between payments made to CompSource on the outstanding note payable as discussed in the debt administration section and transfers from the special revenue fund provided to fund the debt payments.

Debt Administration and Capital Assets

At December 31, 2021 and 2020, MITF had \$459 million and \$480 million, respectively, of notes and orders payable. Of this amount, \$1.4 million and \$4.1 million are notes payable to CompSource at December 31, 2021 and 2020, respectively, with the remainder relating to orders payable at a future date.

	2021	2020
Notes payable	\$ 1,414,260	\$ 4,120,562
Permanent partial orders	234,297	428,160
Permanent total orders	457,260,461	475,355,848
	<u>\$ 458,909,018</u>	<u>\$ 479,904,570</u>

At December 31, 2021, MITF's long-term debt decreased due to a continued decrease in orders and by a reduction in notes payable.

See note 4 for additional information on notes payable and court order payables.

Capital assets consists of internally developed software and data processing equipment and are consistent with prior year. See Note 3 for additional information.

Contacting MITF's Financial Management

This financial report is designed to provide interested parties with a general overview of MITF's finances and to demonstrate MITF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Multiple Injury Trust Fund, P.O. Box 528801, Oklahoma City, Oklahoma 73152-8801.

Multiple Injury Trust Fund

Statement of Net Deficit

December 31, 2021

Assets

Cash and cash equivalents	\$ 10,262,330
Receivables from Oklahoma Tax Commission	11,724,767
Interest receivable	10,441
Capital assets, net of depreciation	<u>26,765</u>
Total assets	<u>22,024,303</u>

Liabilities

Accounts payable	22,581
Compensated absences	85,442
Accrued interest payable on notes payable	24,748
Notes payable	
Payable within one year	1,414,260
Permanent partial orders payable	
Payable within one year	200,460
Payable after one year	33,837
Permanent total orders payable	
Payable within one year	50,344,856
Payable after one year	<u>406,915,605</u>
Total liabilities	<u>459,041,789</u>

Net Deficit

Total net deficit	<u><u>\$ (437,017,486)</u></u>
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Multiple Injury Trust Fund
Statement of Activities
Year Ended December 31, 2021

Program expenses	
Court awarded future payments	\$ 31,530,131
Medical and claimant travel	343,801
Interest on notes payable	171,065
Operating, general, and administrative	<u>2,223,284</u>
Total program expenses	<u>34,268,281</u>
General revenues	
Apportionment from Oklahoma Tax Commission	54,000,245
Appropriated Funds	<u>10,500,000</u>
Total program revenues	<u>64,500,245</u>
Other revenues	
Interest income	<u>90,648</u>
Total other revenues	<u>90,648</u>
Change in net position (deficit)	30,322,612
Net deficit, beginning of year	<u>(467,340,098)</u>
Net deficit, end of year	<u><u>\$ (437,017,486)</u></u>

Multiple Injury Trust Fund
Balance Sheet – Governmental Funds
December 31, 2021

	Special Revenue	Debt Service	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 10,262,330	\$ -	\$ 10,262,330
Receivable from Oklahoma Tax Commission	11,724,767	-	11,724,767
Interest receivable	10,441	-	10,441
Total assets	<u>\$ 21,997,538</u>	<u>\$ -</u>	<u>\$ 21,997,538</u>
Liabilities			
Payable to CompSource Oklahoma			
Accounts payable	\$ 22,581	\$ -	\$ 22,581
Accrued interest payable on notes payable	-	24,748	24,748
Total liabilities	<u>22,581</u>	<u>24,748</u>	<u>47,329</u>
Restricted fund balance			
Claim payments, operating, general and administrative	21,974,957	-	21,974,957
Unassigned	-	(24,748)	(24,748)
Total fund balance (deficit)	<u>21,974,957</u>	<u>(24,748)</u>	<u>21,950,209</u>
Total liabilities and fund balance (deficit)	<u>\$ 21,997,538</u>	<u>\$ -</u>	<u>\$ 21,997,538</u>

Multiple Injury Trust Fund

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Deficit

December 31, 2021

Total fund balance - governmental funds	\$ 21,950,209
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Capital assets	\$ 393,035
Less accumulated depreciation	<u>(366,270)</u>
	26,765
Permanent partial orders payable will not be paid with current financial resources and therefore are not reported in the funds	(234,297)
Permanent total orders payable will not be paid with current financial resources and therefore are not reported in the funds.	(457,260,461)
Notes payable will not be paid with current financial resources and therefore are not reported in the funds.	(1,414,260)
Compensated absences are not due and payable in the current period and therefore is not reported in the funds.	<u>(85,442)</u>
Net deficit of governmental activities	<u><u>\$ (437,017,486)</u></u>

Multiple Injury Trust Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Governmental Funds Year Ended December 31, 2021

	Special Revenue	Debt Service	Total Governmental Funds
Revenues			
Apportionment from Oklahoma Tax Commission	\$ 54,000,245	\$ -	\$ 54,000,245
Appropriated funds	10,500,000	-	10,500,000
Interest income	90,648	-	90,648
Total revenues	<u>64,590,893</u>	<u>-</u>	<u>64,590,893</u>
Expenditures			
Court awards	49,819,381	-	49,819,381
Medical and claimant travel	343,801	-	343,801
Principal on notes payable	-	2,706,303	2,706,303
Interest on notes payable	-	171,065	171,065
Operating, general, and administrative	1,258,965	-	1,258,965
Total expenditures	<u>51,422,147</u>	<u>2,877,368</u>	<u>54,299,515</u>
Excess (deficiency) of expenditures over (under) revenues	13,168,746	(2,877,368)	10,291,378
Other Financing Sources (Uses)			
Transfers in	-	2,924,730	2,924,730
Transfers out	(2,924,730)	-	(2,924,730)
Distributions to Oklahoma Department of Labor	(1,000,000)	-	(1,000,000)
Total other financing sources (uses)	<u>(3,924,730)</u>	<u>2,924,730</u>	<u>(1,000,000)</u>
Net change in fund balances (deficit)	9,244,016	47,362	9,291,378
Fund balances (deficit), beginning of year	<u>12,730,941</u>	<u>(72,110)</u>	<u>12,658,831</u>
Fund balances (deficit), end of year	<u>\$ 21,974,957</u>	<u>\$ (24,748)</u>	<u>\$ 21,950,209</u>

Multiple Injury Trust Fund
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
of Governmental Funds to Statement of Activities
Year Ended December 31, 2021

Net change in fund balances (deficit) - total governmental funds	\$ 9,291,378
Repayment of long-term notes payable is considered an expenditure in the governmental funds, but their repayment reduces long-term notes payable in the statement of net assets. This represents principal payments.	2,706,303
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their useful lives. The capital outlay expenditures recorded as current year additions and depreciation expense are as follows:	
Capital outlays	26,682
Current year depreciation	(3,773)
Compensated absences are expensed as used in the governmental funds. However, they are expensed as earned on the statement of activities. The amount earned exceeded the amount used.	12,772
Reductions in permanent total orders payable and the long-term portion of permanent partial orders payable are reported as expenditures in governmental funds.	49,819,381
Increases in permanent total orders payable and the long-term portion of permanent partial orders payable are reported as expenses in the statements of activities.	(31,530,131)
Change in net deficit of governmental activities	<u>\$ 30,322,612</u>

Note 1 - Reporting Entity

In 1943, the Oklahoma legislature created the Multiple Injury Trust Fund (MITF), formerly the Special Indemnity Fund, with a dual purpose: to encourage the hiring of individuals with a preexisting disability and to protect those employers from liability for the preexisting disability. It does so by carrying the responsibility for a portion of the benefits if the disabled worker suffers a subsequent injury. MITF is a discretely presented governmental fund component unit of the State of Oklahoma, as agreed to by the Office of State Finance and the State Auditor and Inspector of Oklahoma.

When the workers' compensation court or the workers' compensation commission makes an award for benefits, those benefits are based upon the individual's percentage of disability. MITF applies to situations where a physically impaired person suffers an on-the-job injury and those two injuries (or disabilities), in combination, result in a percentage of disability greater than that which would apply if there had been no preexisting disability. In other words, the employer is only liable for the benefits that would have been due for the subsequent injury alone. MITF picks up the remainder of the liability for the combined disability.

Benefits from MITF are not received automatically, but can be obtained by a worker by filing a claim against MITF. In order to make a claim, the combined percentage of disability must be greater than 40% to the body as a whole for injuries occurring prior to November 2, 1999. There are no such thresholds for injuries occurring on or after November 1, 1999. For example, an individual with an existing 25% impairment would have to have more than 15% impairment from the subsequent injury in order to make a claim against MITF.

Summary of Significant Accounting Policies

The financial statements of MITF have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of MITF's accounting policies are described below.

Basis of Presentation and Accounting

The government-wide financial statements (i.e., the statement of net deficit and the statement of activities) report information on all of the nonfiduciary activities of the government. Taxes, appropriations, and intergovernmental revenue support governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as general revenues. MITF has no program revenues.

Separate financial statements are provided for governmental funds in which major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to long-term claims and judgments, are recorded only when payment is due. Amounts payable in the next current period are recorded as under accrual accounting.

MITF reports the following major governmental funds:

- The special revenue fund is MITF's primary operating fund. It accounts for all financial resources of MITF, except those required to be accounted for in another fund.
- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The majority of monies received by MITF are restricted in accordance with predesigned purposes as to how they can be transferred or used. Such restrictions are disclosed in the accounting policy describing cash accounts. MITF retains full control of all monies to achieve the designated purposes.

Revenue Recognition

Until December 1, 2001, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workers' compensation insurance in the State of Oklahoma was assessed and paid to the Oklahoma Tax Commission (OTC) a sum equal to 2% of the total gross direct premiums written for workers' compensation on risks located in the State of Oklahoma. Also until December 31, 2011, the OTC assessed and collected from employers carrying their own risk, including group self-insurance associations, a temporary assessment at the rate of 4% of the total compensation for permanent total disability awards, permanent partial disability awards, and death benefits paid out during each quarter of the calendar year by the employers and group self-insurance associations.

Effective January 1, 2002, the Workers' Compensation Court Administrator assesses an amount and the OTC collects such assessments from each mutual or interinsurance association, stock company, CompSource, employers carrying their own risk including group self-insurance associations, and other insurance carriers writing workers' compensation insurance in the State of Oklahoma up to 6% (updated to 7% effective October 1, 2019) of total direct written premiums for workers' compensation on risks located in this state. The enacted rate has been 6.0% since July 1, 2014 and increased to 7.0% effective October 1, 2019. This was the rate used during FY2021.

A portion of the monies received from premium and loss assessments by the OTC are apportioned to the MITF. Earned apportionments from the OTC are recognized monthly when the amounts due from the OTC are measurable. MITF considers receivables collected by the OTC within 30 days after year-end to be available and recognizes them as revenues of the current year.

Income Taxes

As a component unit and an integral part of the State of Oklahoma, the income of the MITF is not subject to federal or state income tax.

Cash Amounts

The various monies received or disbursed are recorded in the following account in accordance with the statutes and intent of how the monies are to be expended:

- **General Operating Account.** This account contains monies received from taxes on all permanent workers' compensation orders for payments of claims from MITF. Monies may only be expended for claim payments, personnel payroll, and operating expenses, as directed by statute.

Cash Equivalents

- Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash with an original maturity of three months or less when purchased.

Governmental Fund – Fund Balance Designations

Governmental Fund Financial Statements – MITF adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Types* which defines how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which MITF is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. MITF has no fund balances designated as nonspendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. MITF has classified all special revenue fund balance as restricted for claim payments or the operation and administration of MITF.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of MITF. These amounts cannot be used for any other purpose unless MITF removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. MITF has no fund balance designated as committed.

Assigned: This classification includes amounts that are constrained by MITF's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by MITF delegating this responsibility to management. MITF has no assigned funds.

Unassigned: As all positive fund balances are all restricted, MITF has no unassigned positive fund balances. As the debt service fund is in a deficit position, it has been classified as unassigned.

Compensated Absences

The liability and expense incurred for employee paid time off are recorded as accrued leave obligation in the statement of net position (deficit), and as a component of operating, general, and administrative expenses in the statement of activities.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period, and is therefore deferred until that time. Governmental funds report revenue that is unavailable as deferred inflows of resources. This amount would be deferred and recognized as revenue in the period that the amount becomes available.

Deferred outflows are the consumption of net position by MITF that are applicable to a future reporting period.

There were no such amounts for the year ended December 31, 2021.

Note 2 - Cash and Cash Equivalents

All cash and cash equivalents are on deposit with the State Treasurer's office. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. Restrictions by state statute of cash balances by cash account are as follows:

- **General Operating Account.** The cash balance remaining at December 31, 2021 of approximately \$10.5 million represents the excess of cash receipts over disbursements and is carried forward to the next fiscal year.

Note 3 - Capital Assets

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

The following is a summary of property and equipment, at cost less accumulated depreciation:

	December 31, 2020	Increases	Decreases	December 31, 2021
Internally developed software	\$ 269,217	\$ 18,600	\$ -	\$ 287,817
Data processing equipment	97,136	8,082	-	105,218
Total capital assets, being depreciated	<u>366,353</u>	<u>26,682</u>	<u>-</u>	<u>393,035</u>
Less accumulated depreciation	<u>(362,497)</u>	<u>(3,773)</u>	<u>-</u>	<u>(366,270)</u>
	<u>\$ 3,856</u>	<u>\$ 22,909</u>	<u>\$ -</u>	<u>\$ 26,765</u>

Note 4 - Long-Term Obligations

Orders Payable

At December 31, 2021, MITF was indebted to claimants for court awarded judgments. Only those judgments currently in arrears bear interest. The rate for the year ended December 31, 2021, set by state, is the Treasury bill rate plus 4% to be updated annually.

Principal payments required under the court awarded judgments as recorded in the statement of net position (deficit) at December 31, 2021 is as follows:

Awarded future payments due within one year	\$ 50,545,316
Awarded future payments due after one year	<u>406,949,442</u>
Total awarded future payments	<u>\$ 457,494,758</u>

The principal allocated by year cannot be determined as amounts paid are contingent on amounts collected from the OTC. The long-term payments have not been discounted to present value. These obligations are paid out of the special revenue fund.

Notes Payable

At December 31, 2021, notes payable amounted to approximately \$1.4 million. The notes were entered into to satisfy delinquent permanent partial disability awards and simple interest due on such awards owned by MITF. The notes bear interest at 7% and are payable over 30 years in quarterly installments. The loans are secured by MITF revenues and equity or other interest of the State of Oklahoma, and any amounts appropriated or otherwise available to MITF. In addition, \$6,000,000 advanced in 2001 is also secured by any underlying claims paid by virtue of the notes including, but not limited to, any special priority, right to interest or enforcement mechanism available. Advances from CompSource were made as permitted by Section 138(B) of State of Oklahoma Title 85.

These payments are made from the debt service fund as these come due. The remaining balance, including interest of approximately \$37,000 is expected to be paid in full by December 31, 2022.

At December 31, 2021, unpaid accrued interest on notes payable totaled approximately \$25,000.

Changes in Long-Term Obligations

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Awarded future payments	\$ 475,784,008	\$ 31,530,131	\$ (49,819,381)	\$ 457,494,758	\$ 50,545,316
Notes payable	4,120,563	-	(2,706,303)	1,414,260	1,414,260
Compensated absences	98,214	-	(12,772)	85,442	85,442
	<u>\$ 480,002,785</u>	<u>\$ 31,530,131</u>	<u>\$ (52,538,456)</u>	<u>\$ 458,994,460</u>	<u>\$ 52,045,018</u>

Note 5 - Net Deficit

At December 31, 2021, MITF had a net deficit of \$437 million primarily due to court awards exceeding the apportionment of special tax revenue collected. Currently, MITF pays all awards for permanent partial and permanent total claims as they become due. However, cash and cash equivalents at December 31, 2021 are not sufficient to pay all current and non-current liabilities.

Under state statutes, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workers' compensation insurance in this state, and each employer carrying its own risk, including each group self-insurance association, is assessed an amount up to 7% of the written premiums total for workers' compensation on risks located in this state. If the maximum assessment does not provide in any one year an amount sufficient to make all necessary payments for obligations of MITF, the unpaid portion shall be paid as soon thereafter as funds become available. Effective October 2019, the MITF tax was increased from to 7.00%, the maximum assessment which has not been altered as of December 31, 2021. MITF has seen a decline in orders payable since 2019.

Note 6 - Interfund Transfers

Interfund transfers for the years ended December 31, 2021 consisted of the following:

	Transfer From		
	Special Revenue	Debt Service	Total
Transfer to:			
Debt service	<u>\$ 2,924,730</u>	<u>\$ -</u>	<u>\$ 2,924,730</u>

Transfers are used to: (1) move note proceeds from the debt service fund to the fund required to expend them and (2) move receipts for debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 7 - Contingencies

Additionally, MITF is a defendant in various litigation matters. Although the outcome of these matters is not presently determinable, in the opinion of MITF's management, the resolution of these matters will not have a material effect on the financial position of MITF.

Note 8 - Subsequent Events

There are no subsequent events through June 29, 2022, which is the date the financial statements were available to be issued, requiring recording or disclosure in the financial statements for the year ended December 31, 2021.



**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***

To Special Counsel
Multiple Injury Trust Fund
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Multiple Injury Trust Fund (MITF) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Multiple Injury Trust Fund's basic financial statements, and have issued our report thereon dated June 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Multiple Injury Trust Fund'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 the Multiple Injury Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Multiple Injury Trust Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MITF'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oklahoma City, Oklahoma