

CATSKILL AREA  
SCHOOLS  
EMPLOYEE BENEFIT  
PLAN

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

AND

FINANCIAL STATEMENTS

For the Year Ended  
June 30, 2021

# CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN

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**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

**Independent Auditor's Report**

Board of Trustees  
Catskill Area Schools  
Employee Benefit Plan

**Report on the Financial Statements**

We have audited the accompanying statements of net position of the Catskill Area Schools Employee Benefit Plan (the Plan) as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Catskill Area Schools Employee Benefit Plan as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 11 to the financial statements, the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2020 has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted certain information required by GASB 44, "Economic Condition Reporting – The Statistical Section", which requires a statistical section with ten year trend information to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the Catskill Area Schools Employee Benefit Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Catskill Area Schools Employee Benefit Plan's internal control over financial reporting and compliance.

*D'Arcangelo + Co., LLP*

December 14, 2021

Rome, New York

**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

**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***

Board of Trustees  
Catskill Area Schools  
Employee Benefit Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Catskill Area Schools Employee Benefit Plan (the Plan), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Catskill Area Schools Employee Benefit Plan's basic financial statements, and have issued our report thereon dated December 14, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Catskill Area Schools Employee Benefit Plan'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 Catskill Area Schools Employee Benefit Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Catskill Area Schools Employee Benefit Plan'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 Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Catskill Area Schools Employee Benefit Plan'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 Plan'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 Catskill Area Schools Employee Benefit Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo & Co., LLP

December 14, 2021

Rome, New York

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Introduction**

Our discussion and analysis of the Catskill Area Schools Employee Benefit Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended June 30, 2021 and 2020. It should be read in conjunction with the basic financial statements to enhance to understanding of the Plan's financial performance, which immediately follows this section.

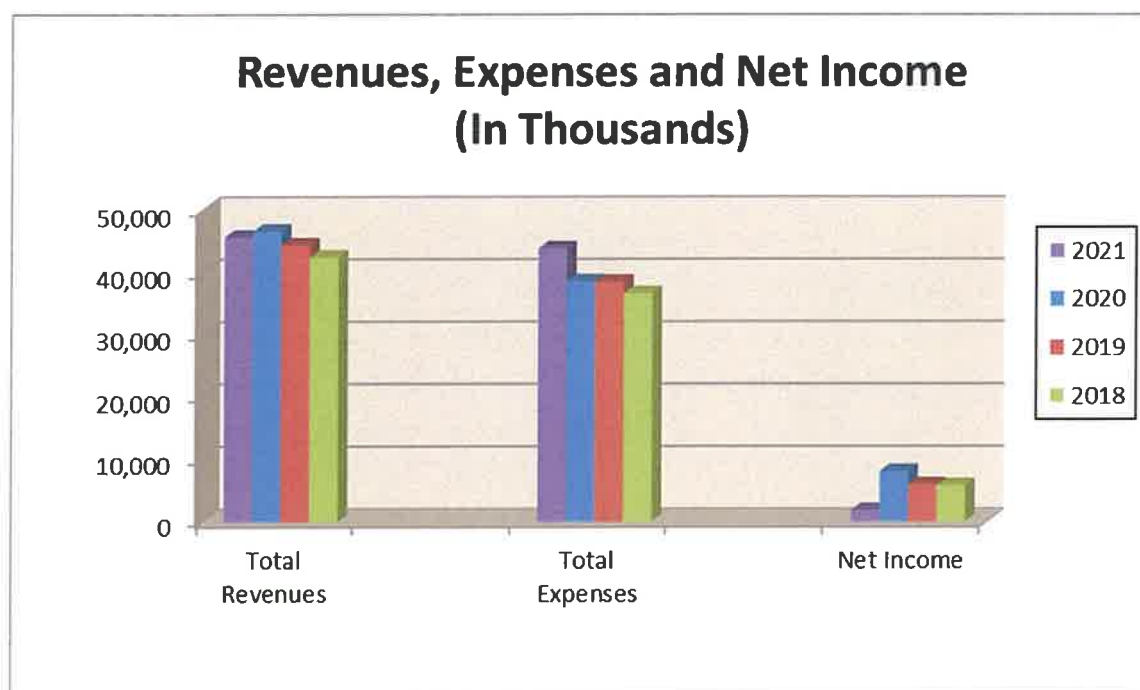
**Basic Financial Statements**

The Plan's objectives are to provide for the evaluation, processing, and administration of health benefits under a self-insured plan of benefits (the Plan). This Plan provides coverage to substantially all employees of the Plan's members. Currently, there are twenty-one member school districts including Ostego-Northern-Catskills (ONC) BOCES.

Revenue and expenses are recorded under the accrual method of accounting.

**Financial Highlights**

- The Plan's governmental fund had a net position of \$40,777,010 at June 30, 2021. Reserves have been established to maintain amounts consistent with Article 47 reserve requirements.
- The Plan's governmental fund accrued estimated claims incurred but not reported (IBNR) decreased by \$22,437 to \$2,180,708.
- The assets of the Plan exceeded liabilities at the close of the 2021 fiscal year by \$40,777,010 (net position). The net position during 2021 increased by \$815,353 compared to 2020, after total dividends of \$999,997 were paid.



See Independent Auditor's Report

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Statements of Net Position**

	2021	2020	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 43,222,699	\$ 42,424,156	\$ 798,543	1.9%
Total Assets	<u>\$ 43,222,699</u>	<u>\$ 42,424,156</u>	<u>\$ 798,543</u>	1.9%
<b>Liabilities</b>				
Current Liabilities	\$ 2,445,689	\$ 2,462,499	\$ (16,810)	(0.7)%
Total Liabilities	<u>2,445,689</u>	<u>2,462,499</u>	<u>(16,810)</u>	(0.7)%
<b>Net Position</b>				
Restricted - Statutory Reserves	3,159,531	3,459,563	(300,032)	(8.7)%
Restricted - Stabilization Reserve	1,789,855	1,780,840	9,015	0.5%
Unassigned - CASEBP	35,779,494	34,672,682	1,106,812	3.2%
Unassigned - Flex	48,130	48,572	(4,809)	(0.9)%
Total Net Position	<u>40,777,010</u>	<u>39,961,657</u>	<u>815,353</u>	2.0%
Total Liabilities and Net Position	<u>\$ 43,222,699</u>	<u>\$ 42,424,156</u>	<u>\$ 798,543</u>	1.9%

**Significant Estimates – Estimated Claims Incurred But Not Reported**

The cost of claims payable for health care services are provided to the Plan members, covered employees and dependents, include estimates based on evaluations of providers' claims submitted and provisions for incurred but not reported claims. The Plan liabilities for estimated claims incurred but not yet reported is estimated based upon a claims lag report provided by the processor. Since the majority of these claims will be paid within six months, no discounting has been computed. The liability for estimated claims incurred but not reported at June 30, 2021 and 2020 is estimated at \$2,180,708 and \$2,203,145, respectively for active employees. Since these amounts are estimated, it should be further noted that actual results may differ from these amounts.

**Statements of Revenues, Expenses, and Changes in Net Position**

A summary of revenues, expenses, and changes in net position is illustrated below:

	2021	2020	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Members' Contributions	\$ 42,553,201	\$ 42,429,324	\$ 123,877	0.3%
Other Revenues	3,054,562	4,153,940	(1,099,378)	(26.5)%
Total Revenues	<u>45,607,763</u>	<u>46,583,264</u>	<u>(975,501)</u>	(2.1)%
<b>Expenses</b>				
Incurred Claims and Claim Adjustments	34,772,865	30,060,311	4,712,554	15.7%
Other Expenses	9,019,548	8,449,781	569,767	6.7%
Total Expenses	<u>43,792,413</u>	<u>38,510,092</u>	<u>5,282,321</u>	13.7%
Changes in Net Position	1,815,350	8,073,172	(6,257,822)	(77.5)%
Member Buy-In		819,150	(819,150)	(100.0)%
Dividends to Members	(999,997)	(1,500,000)	(500,003)	(33.3)%
Total Changes in Net Position	<u>\$ 815,353</u>	<u>\$ 7,392,322</u>	<u>\$ (6,576,969)</u>	(89.0)%

See Independent Auditor's Report



**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Revenues**

The Plan's member contributions revenues increased by \$123,877, primarily due to normal variation in participants. Other revenues decreased by \$1,099,378 due to the large Retiree Drug Subsidy received during the prior year as well as the decrease in interest received of \$360,164.

**Expenses**

The Plan's expenses increased by \$5,282,321 due to 2020 being significantly lower than normal because of the pandemic and related business closures.

**Future Factors**

The Board voted not to increase the rates in 2021-22. The Board has also voted to pay out a dividend of \$1,000,000 to the members in 2021-22.

**Request for Information**

This financial report is designed to provide a general overview of the Catskill Area School Employee Benefit Plan's finances for all those with an interest in the Plan's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dr. Jennifer Avery; Otsego-Northern-Catskills BOCES NCOC Center, 2020 Jump Brook Road, Grand Gorge, NY 12434.



**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents - CASEBP	\$ 41,797,748	\$ 40,394,696
Cash and Cash Equivalents - Flex	33,114	31,949
Receivables - CASEBP	544,795	712,484
Receivables - Flex	15,016	11,814
Prepaid Assets	565,984	575,808
Current portion of Buy-in Receivable	44,340	121,745
Total Current Assets	<u>43,000,997</u>	<u>41,848,496</u>
<b>Long-Term Assets</b>		
Buy-in Receivable	<u>221,702</u>	<u>575,660</u>
<b>Total Assets</b>	<u>\$ 43,222,699</u>	<u>\$ 42,424,156</u>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 17,848	\$ 5,992
Estimated Claims Incurred But Not Reported	2,180,708	2,203,145
District Run Out Liability	0	213,637
Premium Collection in Advance	247,133	39,725
Total Current Liabilities	<u>2,445,689</u>	<u>2,462,499</u>
<b>Net Position</b>		
Restricted - Statutory Reserves	3,988,502	3,459,563
Restricted - Stabilization Reserve	1,789,855	1,780,840
Unassigned - CASEBP	34,950,523	34,672,682
Unassigned - Flex	48,130	48,572
Total Net Position	<u>40,777,010</u>	<u>39,961,657</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 43,222,699</u>	<u>\$ 42,424,156</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

		(Restated)
	2021	2020
<b>Revenues</b>		
Members' Contributions	\$ 42,553,201	\$ 42,429,324
BOCES Administrative Coordination Fee Billing	707,354	698,946
Interest	11,759	371,923
Medicare Reimbursement (Net) and Miscellaneous	2,231,490	2,990,511
Premiums - Flex	66,280	59,510
Premiums - Vision	18,297	15,652
Premiums - Life Insurance	19,382	17,398
Total Revenues	<u>45,607,763</u>	<u>46,583,264</u>
<b>Expenses</b>		
Incurred Claims and Claim Adjustment Expenses	34,772,865	30,060,311
BOCES Administrative Coordination Fee	707,354	698,946
Medigap Reimbursements	6,756,110	6,169,537
Stop-Loss Insurance	545,326	593,894
Health Claim Negotiations	0	575
Administrative Fees and Expenses	1,010,758	986,829
Total Expenses	<u>43,792,413</u>	<u>38,510,092</u>
<b>Changes in Net Position</b>	1,815,350	8,073,172
<b>Net Position, Beginning of Year</b>	39,961,657	33,388,485
<b>Dividend to Members</b>	<u>(999,997)</u>	<u>(1,500,000)</u>
<b>Net Position, End of Year</b>	<u>\$ 40,777,010</u>	<u>\$ 39,961,657</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from (Used by) Operating Activities</b>		
Changes in Net Position	\$ 1,815,350	\$ 8,073,172
(Increase) Decrease in Assets		
Accounts Receivable	164,487	(580,684)
Prepaid Assets	9,824	(79,538)
Buy in paid in current year	431,363	121,745
Increase (Decrease) in Liabilities		
Accounts Payable	11,856	(2,486)
Premium Collection in Advance	207,408	(8,910)
District Run Out Liability	(213,637)	(213,640)
Due to Other Governments	0	(12)
Estimated Claims Incurred But Not Reported	(22,437)	118,807
Net Cash Flows from Operating Activities	<u>2,404,214</u>	<u>7,428,454</u>
<b>Cash Flows (Used by) Financing Activities</b>		
Dividends Paid	<u>(999,997)</u>	<u>(1,500,000)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,404,217	5,928,454
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>40,426,645</u>	<u>34,498,191</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 41,830,862</u></u>	<u><u>\$ 40,426,645</u></u>

**Supplemental Cash Flows Disclosures**

Cash Paid During the Year For		
Interest	\$ <u>0</u>	\$ <u>0</u>
Income Taxes	\$ <u>0</u>	\$ <u>0</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

The following description of the Catskill Area Schools Employee Benefit Plan (the Plan) provides only general information. Participants (school districts) and related school district employees should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan provides medical, surgical, hospital, and prescription benefits to covered employees (including retirees) and their dependents of participating school districts. The Plan was organized under Article 47 of the New York State Insurance Law, which specifically permits the development of municipal cooperative health benefit plans. These plans are required under Section 4705 to be established and maintained under a Municipal Cooperation Agreement as defined by Section 119-N of the New York State General Municipal Law.

**Members' Contributions**

The Plan agreement provides that the Board of Trustees (Board) shall establish monthly premium equivalent rates for the employees of the participating municipalities using a community rating methodology. These rates are filed with and approved by the Insurance Superintendent. The Board uses an actuary to determine premiums. These premiums are determined by the actuary and authorized by the Board on an annual basis.

Additionally, each participating school district agrees to pay on demand its share of any assessment ordered by the Board or by the Superintendent of Insurance under Article 47 of the New York State Insurance Law.

**Membership**

The Plan derives its revenue from premium charges, which are paid by participating members. These members are billed on a monthly basis by the Plan.

As of June 30, 2021 and 2020, the Plan had 21 and 19 participating member school districts respectively, including the BOCES itself.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimate in the financial statements is for the estimated claims incurred but not reported. It is at least reasonably possible that the significant estimate will change within the next year.

**Basis of Accounting**

The Plan maintains its records on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recorded when incurred.

**Cash and Cash Equivalents**

The Plan considers all short-term debt securities and certificates of deposit with a maturity of three months or less to be cash equivalents.

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables**

The Plan considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Prepaid Assets**

Prepaid assets consist of items paid in the current year and expensed in the subsequent year. The Plan pays certain premiums in advance during the year due to timing.

**Premium Collection in Advance**

Premiums collected in advance consist of premiums collected in the current year and recorded in income in the subsequent year.

**Tax Status**

The municipal corporation established to hold the Plan's assets is tax-exempt; therefore, the Plan's net investment income is exempt from income tax. The Plan was organized under Article 47 of New York State Insurance Law and, therefore, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**NOTE 2 EXCESS REINSURANCE CONTRACT**

The Plan insures against catastrophic losses for amounts over \$250,000 up to \$1,000,000 for claims during the lifetime of an eligible member.

Premiums are paid to the insurer on an annual basis for the fiscal year beginning in July. During the years ended June 30, 2021 and 2020, the Plan paid a total of \$545,326 and \$593,894, respectively, for stop-loss insurance.

**NOTE 3 CUSTODIAL CREDIT RISK**

The Plan maintains its cash balances in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are secured by collateral held by a third-party custodian. Such collateral is limited to United States Government and New York State municipal obligations. At June 30, 2021 and 2020, the Plan had FDIC coverage and additional collateral at financial institutions greater than its deposits. However, there exists the possibility that at times deposits in these financial institutions could exceed insurance thereby subjecting the excess to potential loss.

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. New York State statutes govern the Plan's investment policies.

As of June 30, 2021 and 2020, the Plan's bank balances of \$9,466,419 and \$8,960,051 were covered by Federal Deposit Insurance Corporation (FDIC), or fully collateralized by securities held by an agent of the pledging financial institution in the Plan's name.

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 4 INVESTMENT POOL**

The Plan participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-o, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

As of June 30, 2021 and 2020 the amount included in unrestricted cash equivalents is \$32,380,999 and \$31,370,278 respectively.

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. The Investment Pool issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYLAF Administration, PMA Financial Network, 2135 City Gate Lane 7th FL, Naperville, IL 60563.

**NOTE 5 ESTIMATED CLAIMS INCURRED BUT NOT REPORTED (IBNR)**

Plan obligations at June 30, 2021 and 2020, for health claims, including prescriptions, incurred by participants but not reported are estimated by the Plan's actuary in accordance with accepted actuarial principles.

**NOTE 6 UNPAID CLAIMS LIABILITIES**

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related adjustment expenses. The following represents changes in those aggregate liabilities for the Plan for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<u>Unpaid Claims Liabilities</u>		
Beginning of Fiscal Year	\$ 2,203,145	\$ 2,084,338
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of Current Year	<u>34,772,865</u>	<u>30,060,311</u>
Subtotal	<u>36,976,010</u>	<u>32,144,649</u>
<u>Payments</u>		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	(32,592,157)	(27,857,166)
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	<u>(2,203,145)</u>	<u>(2,084,338)</u>
Subtotal	<u>(34,795,302)</u>	<u>(29,941,504)</u>
<u>Unpaid Claims Liabilities</u>		
End of Fiscal Year	<u>\$ 2,180,708</u>	<u>\$ 2,203,145</u>

**NOTE 7 DISTRICT RUN OUT LIABILITY**

The plan had accrued a runout liability for two members who elected to leave the plan. The remaining liability was \$0 and \$213,637 for the years ended June 30, 2021 and 2020, respectively.

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 8 RELATED-PARTY TRANSACTIONS**

The Otsego-Northern-Catskill BOCES (the BOCES), a Plan member, provides the Plan with technical and operational support services. The Plan and the BOCES are related through mutual management. The Plan is not billed for services provided by the BOCES. The BOCES is responsible for billing and collection of the administrative portion of the premiums from the Plan members. The administrative expense for this function was \$707,354 and \$698,946 for the years ended June 30, 2021 and 2020, respectively.

The BOCES paid premiums of \$4,949,230 and \$4,621,268 to the Plan for the years ended June 30, 2021 and 2020, respectively.

**NOTE 9 DIVIDEND**

On February 14, 2019, the Board declared a dividend of \$1,000,000 payable to members of record as of that date. It was paid to the members on November 11, 2019.

On February 13, 2020, the Board declared a dividend of \$500,000 payable to members of record as of that date. It was paid to the members on February 18, 2020.

On February 13, 2020, the Board declared a dividend of \$999,997 payable to members of record as of that date. It was paid to the members on November 17, 2020.

On February 11, 2021, the Board declared a dividend of \$1,000,000 payable to members of record as of that date. It will paid to the members in fiscal year 2021-2022.

**NOTE 10 DISTRICT BUY-IN RECEIVABLE**

The plan had two new members who elected to join the plan during the 2019-2020 plan year. The total buy-in amount recognized was \$819,150 with \$121,745 and \$431,365 received during 2020 and 2021, respectively. The remaining schedule of payments to be received are as follows:

Year Ended June 30:			
2022	\$	44,340	
2023		44,340	
2024		44,340	
2025		44,340	
2026		44,340	
2027		44,342	
Total	\$	<u>266,042</u>	

**NOTE 11 PRIOR PERIOD RESTATEMENT**

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2020 was restated to include \$698,946 for both revenues and administrative expenses that were previously netted. There is no impact to Net Position. These revenues and expenses were administered by the Otsego-Northern Catskill BOCES on the behalf of the Plan, but not grossed up previously and reflected in the records of the Plan.



# D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

## Required Communication With Those Charged With Governance

To the Trustees

Catskill Area Schools Employee Benefit Plan

We have audited the financial statements of the governmental activities, of Catskill Area Schools Employee Benefit Plan for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Catskill Area Schools Employee Benefit Plan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Catskill Area Schools Employee Benefit Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimate affecting the Plan's financial statements was:

Management's estimate of the claims incurred but not reported (IBNR) which is based on a study done by KBM Management Inc. based upon a claims lag report provided by the processor. We evaluated the key factors and assumptions used to develop the estimated claims incurred but not reported in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 14, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Catskill Area Schools Employee Benefit Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Catskill Area Schools Employee Benefit Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Trustees and management of Catskill Area Schools Employee Benefit Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

*D'Arcangelo + Co., LLP*

December 14, 2021

Rome, New York

Client: 63887 - Otsego Northern Catskill BOCES Health Consortium  
Engagement: 2021 FS - Catskill Area Schools Employee Benefit Plan  
Period Ending: 6/30/2021  
Trial Balance: 3900 - Trial Balance  
Workpaper: 3400.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To record current portion of buy-in receivable				
380-46	Buy in Receivable- Current		44,340.00	
380-45	Buy in Receivable			44,340.00
<b>Total</b>			<b>44,340.00</b>	<b>44,340.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
To Roll Retaining Earnings Adjustment for rounding				
085-05	HEALTH CLAIMS		2.00	
912-04	SELF INSURED HEALTH FUND			2.00
<b>Total</b>			<b>2.00</b>	<b>2.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To Adjust IBNR to Match Report				
086-04	IBNR - HEALTH		116,071.00	
085-05	HEALTH CLAIMS			116,071.00
<b>Total</b>			<b>116,071.00</b>	<b>116,071.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To Record BOCES Administrative Coordination Fee				
085-50	BOCES Administrative Coordination Fee		707,354.00	
085-10	BOCES Administrative Coordination Fee Billing			707,354.00
<b>Total</b>			<b>707,354.00</b>	<b>707,354.00</b>
<b>Total Adjusting Journal Entries</b>			<b>867,767.00</b>	<b>867,767.00</b>
<b>Total All Journal Entries</b>			<b>867,767.00</b>	<b>867,767.00</b>