

CATSKILL AREA
SCHOOLS
EMPLOYEE BENEFIT
PLAN

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC
FINANCIAL STATEMENTS

For the Year Ended
June 30, 2022

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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Catskill Area Schools Employee Benefit Plan (the Plan) as of and for the year ended June 30, 2022, 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.

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, 2022 and 2021, 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.

Basis for Opinion

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. 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 Catskill Area Schools Employee Benefit Plan, 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 opinion.

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 Catskill Area Schools Employee Benefit Plan'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Catskill Area Schools Employee Benefit Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Catskill Area Schools Employee Benefit Plan'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 on pages 4-6 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.

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 October 19, 2022, on our consideration of the Catskill Area Schools Workers' Compensation 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 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 Catskill Area Schools Workers' Compensation Plan'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 Catskill Area Schools Workers' Compensation Plan's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

October 19, 2022

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, 2022, 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 October 19, 2022.

Report on 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 the Catskill Area Schools Employee Benefit Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on 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

October 19, 2022

Rome, New York

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022 and 2021. 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.

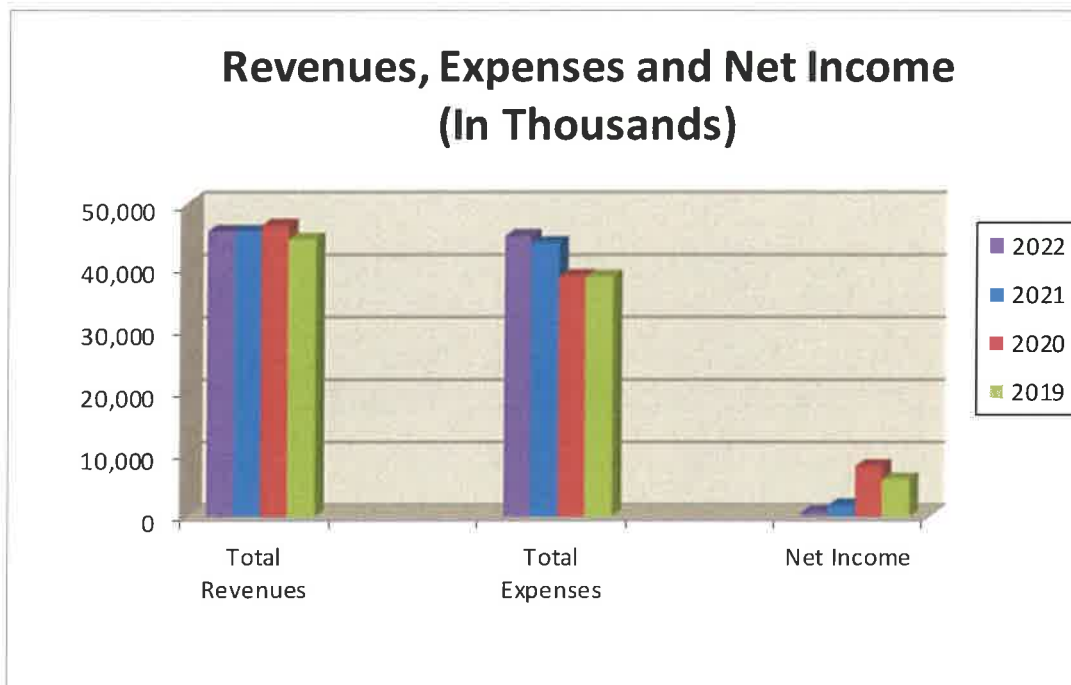
Basic Financial Statements

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 \$40,466,792 at June 30, 2022. 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 \$278,648 to \$1,902,060.
- The assets of the Plan exceeded liabilities at the close of the 2022 fiscal year by \$40,466,792 (net position). The net position during 2022 decreased by \$310,218 compared to 2021, after total dividends of \$1,000,000 were paid.



See Independent Auditor's Report

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Statements of Net Position

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|------------------------------------|----------------------|----------------------|--------------------------------|------------------------------|
| Assets | | | | |
| Current and Other Assets | \$ 42,627,547 | \$ 43,222,699 | \$ (595,152) | (1.4) |
| Total Assets | <u>\$ 42,627,547</u> | <u>\$ 43,222,699</u> | <u>\$ (595,152)</u> | (1.4) |
| Liabilities | | | | |
| Current Liabilities | \$ 2,160,755 | \$ 2,445,689 | \$ (284,934) | (11.7) |
| Total Liabilities | <u>2,160,755</u> | <u>2,445,689</u> | <u>(284,934)</u> | (11.7) |
| Net Position | | | | |
| Restricted - Statutory Reserves | 4,179,280 | 3,988,502 | 190,778 | 4.8 |
| Restricted - Stabilization Reserve | 1,771,238 | 1,789,855 | (18,617) | (1.0) |
| Unassigned - CASEBP | 34,444,083 | 34,950,523 | (506,440) | (1.4) |
| Unassigned - Flex | <u>72,191</u> | <u>48,130</u> | <u>24,061</u> | 50.0 |
| Total Net Position | <u>40,466,792</u> | <u>40,777,010</u> | <u>(310,218)</u> | (0.8) |
| Total Liabilities and Net Position | <u>\$ 42,627,547</u> | <u>\$ 43,222,699</u> | <u>\$ (595,152)</u> | (1.4) |

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, 2022 and 2021 is estimated at \$1,902,060 and \$2,180,708, 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:

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|---------------------------------------|---------------------|-------------------|--------------------------------|------------------------------|
| Revenues | | | | |
| Members' Contributions | \$ 42,364,146 | \$ 42,553,201 | \$ (189,055) | (0.4) |
| Other Revenues | <u>3,237,025</u> | <u>3,054,562</u> | <u>182,463</u> | 6.0 |
| Total Revenues | <u>45,601,171</u> | <u>45,607,763</u> | <u>(6,592)</u> | (0.0) |
| Expenses | | | | |
| Incurred Claims and Claim Adjustments | 35,719,190 | 34,772,865 | 946,325 | 2.7 |
| Other Expenses | <u>9,192,199</u> | <u>9,019,548</u> | <u>172,651</u> | 1.9 |
| Total Expenses | <u>44,911,389</u> | <u>43,792,413</u> | <u>1,118,976</u> | 2.6 |
| Changes in Net Position | 689,782 | 1,815,350 | (1,125,568) | (62.0) |
| Dividend to Members | <u>1,000,000</u> | <u>999,997</u> | <u>3</u> | 0.0 |
| Total Changes in Net Position | <u>\$ (310,218)</u> | <u>\$ 815,353</u> | <u>\$ (1,125,571)</u> | (138.0) |

See Independent Auditor's Report

**CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Revenues

The Plan's member contributions revenues decreased by \$189,055 primarily due to normal variation in participant enrollment. Other revenues increased by \$182,463 primarily due to additional prescription refunds received of \$130,768 during the current year as well as an increase in interest received of \$34,602.

Expenses

The Plan's expenses increased by \$1,118,976 due to normal increases in utilization and the cost of medical supplies and procedures.

Future Factors

The Board voted to increase rates 4% during the 2022-2023 plan year. The Board has also voted to pay out a dividend of \$1,000,000 to the members in 2022-2023.

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, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents - CASEBP | \$ 40,960,695 | \$ 41,797,748 |
| Cash and Cash Equivalents - Flex | 49,912 | 33,114 |
| Receivables - CASEBP | 763,538 | 544,795 |
| Receivables - Flex | 22,279 | 15,016 |
| Prepaid Assets | 609,421 | 565,984 |
| Current portion of Buy-in Receivable | <u>44,340</u> | <u>44,340</u> |
| Total Current Assets | <u>42,450,185</u> | <u>43,000,997</u> |
| Long-Term Assets | | |
| Buy-in Receivable | <u>177,362</u> | <u>221,702</u> |
| Total Assets | <u>\$ 42,627,547</u> | <u>\$ 43,222,699</u> |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts Payable | \$ 11,988 | \$ 17,848 |
| Estimated Claims Incurred But Not Reported | 1,902,060 | 2,180,708 |
| Premium Collection in Advance | <u>246,707</u> | <u>247,133</u> |
| Total Current Liabilities | <u>2,160,755</u> | <u>2,445,689</u> |
| Net Position | | |
| Restricted - Statutory Reserve | 4,179,280 | 3,988,502 |
| Restricted - Stabilization Reserve | 1,771,238 | 1,789,855 |
| Unassigned - CASEBP | 34,444,083 | 34,950,523 |
| Unassigned - Flex | <u>72,191</u> | <u>48,130</u> |
| Total Net Position | <u>40,466,792</u> | <u>40,777,010</u> |
| Total Liabilities and Net Position | <u>\$ 42,627,547</u> | <u>\$ 43,222,699</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, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Revenues | | |
| Members' Contributions | \$ 42,364,146 | \$ 42,553,201 |
| BOCES Administrative Coordination Fee Billing | 726,032 | 707,354 |
| Interest | 46,361 | 11,759 |
| Medicare Reimbursement (Net) and Miscellaneous | 2,327,656 | 2,231,490 |
| Premiums - Flex | 100,595 | 66,280 |
| Premiums - Vision | 20,532 | 18,297 |
| Premiums - Life Insurance | 15,849 | 19,382 |
| Total Revenues | <u>45,601,171</u> | <u>45,607,763</u> |
| Expenses | | |
| Incurred Claims and Claim Adjustment Expenses | 35,719,190 | 34,772,865 |
| BOCES Administrative Coordination Fee | 726,032 | 707,354 |
| Medigap Reimbursements | 6,939,391 | 6,756,110 |
| Stop-Loss Insurance | 496,691 | 545,326 |
| Administrative Fees and Expenses | <u>1,030,085</u> | <u>1,010,758</u> |
| Total Expenses | <u>44,911,389</u> | <u>43,792,413</u> |
| Changes in Net Position | 689,782 | 1,815,350 |
| Net Position, Beginning of Year | 40,777,010 | 39,961,657 |
| Dividend to Members | <u>(1,000,000)</u> | <u>(999,997)</u> |
| Net Position, End of Year | <u>\$ 40,466,792</u> | <u>\$ 40,777,010</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, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Cash Flows from (Used by) Operating Activities | | |
| Changes in Net Position | \$ 689,782 | \$ 1,815,350 |
| (Increase) Decrease in Assets | | |
| Accounts Receivable | (226,006) | 164,487 |
| Prepaid Assets | (43,437) | 9,824 |
| Buy in paid in current year | 44,340 | 431,363 |
| Increase (Decrease) in Liabilities | | |
| Accounts Payable | (5,860) | 11,856 |
| Premium Collection in Advance | (426) | 207,408 |
| District Run Out Liability | 0 | (213,637) |
| Estimated Claims Incurred But Not Reported | (278,648) | (22,437) |
| Net Cash Flows from Operating Activities | <u>179,745</u> | <u>2,404,214</u> |
| Cash Flows (Used by) Financing Activities | | |
| Dividends to Members | <u>(1,000,000)</u> | <u>(999,997)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (820,255) | 1,404,217 |
| Cash and Cash Equivalents, Beginning of Year | <u>41,830,862</u> | <u>40,426,645</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 41,010,607</u> | <u>\$ 41,830,862</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, 2022**

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, 2022 and 2021, the Plan had 21 participating member school districts, 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, 2022

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, 2022 and 2021, the Plan paid a total of \$496,691 and \$545,326, 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, 2022 and 2021, 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, 2022 and 2021, the Plan's bank balances of \$9,013,169 and \$9,466,419 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, 2022

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, 2022 and 2021 the amount included in unrestricted cash equivalents is \$31,997,438 and \$32,380,999 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. However, any underlying investments that are certificates of deposit are held at FDIC insured institutions. 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, 2022 and 2021, 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, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| <u>Unpaid Claims Liabilities</u> | | |
| Beginning of Fiscal Year | \$ 2,180,708 | \$ 2,203,145 |
| Incurred Claims and Claim Adjustment Expenses- Provision for Insured Events of Current Year | <u>35,719,190</u> | <u>34,772,865</u> |
| Subtotal | <u>37,899,898</u> | <u>36,976,010</u> |
| <u>Payments</u> | | |
| Claims and Claim Adjustment Expenses- Attributable to Insured Events of Current Fiscal Year | (33,817,130) | (32,592,157) |
| Claims and Claim Adjustment Expenses- Attributable to Insured Events of Prior Fiscal Year | <u>(2,180,708)</u> | <u>(2,203,145)</u> |
| Subtotal | <u>(35,997,838)</u> | <u>(34,795,302)</u> |
| <u>Unpaid claims liability</u> | | |
| <u>End of Fiscal Year</u> | <u>\$ 1,902,060</u> | <u>\$ 2,180,708</u> |

CATSKILL AREA SCHOOLS EMPLOYEE BENEFIT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 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 \$726,032 and \$707,354 for the years ended June 30, 2022 and 2021, respectively.

The BOCES paid premiums of \$4,911,429 and \$4,949,230 to the Plan for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 DIVIDEND

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 was paid to the members on November 9, 2021.

On January 25, 2022, the Board declared a dividend of \$1,000,000 payable to members of record as of that date. It will be paid to the members in fiscal year 2022-2023.

NOTE 9 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 \$44,340 and \$121,745 received during 2022 and 2021, respectively. The remaining schedule of payments to be received are as follows:

| | | |
|---------------------|----|----------------|
| Year Ended June 30: | | |
| 2023 | \$ | 44,340 |
| 2024 | | 44,340 |
| 2025 | | 44,340 |
| 2026 | | 44,340 |
| 2027 | | 44,342 |
| Total | \$ | <u>221,702</u> |

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, 2022. 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 15, 2022. 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 2022. 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 October 19, 2022.

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

October 19, 2022

Rome, New York

Client: 63887 - Otsego Northern Catskill BOCES Health Consortium
Engagement: 2022 FS - Catskill Area Schools Employee Benefit Plan
Period Ending: 6/30/2022
Trial Balance: 3900 - Trial Balance
Workpaper: 3400.00 - Adjusting Journal Entries Report

| Account | Description | W/P Ref | Debit | Credit |
|--|---|---------|---------------------|---------------------|
| Adjusting Journal Entries | | | | |
| Adjusting Journal Entries JE # 1 | | | | |
| To correct entries to Flex Fund balance instead of flex premiums, Flex fun balance moved from account 085-27 to 912-07 | | | | |
| 085-07 | FLEX PREMIUMS | 6100.05 | 2,519.00 | |
| 912-07 | FLEX FUND BALANCE | | | 2,519.00 |
| Total | | | <u>2,519.00</u> | <u>2,519.00</u> |
| Adjusting Journal Entries JE # 2 | | | | |
| To Record Coordination fee billing | | | | |
| 085-50 | BOCES Administrative Coordination Fee | 7300.20 | 726,032.00 | |
| 085-10 | BOCES Administrative Coordination Fee Billing | | | 726,032.00 |
| Total | | | <u>726,032.00</u> | <u>726,032.00</u> |
| Adjusting Journal Entries JE # 3 | | | | |
| To record current portion of Buy in recievable | | | | |
| 380-46 | Buy in Receivable- Current | 4300.10 | 44,340.00 | |
| 380-45 | Buy in Receivable | | | 44,340.00 |
| Total | | | <u>44,340.00</u> | <u>44,340.00</u> |
| Adjusting Journal Entries JE # 4 | | | | |
| To Record IBNR Adjustment | | | | |
| 086-04 | IBNR - HEALTH | 3800.00 | 278,648.00 | |
| 085-05 | HEALTH CLAIMS | | | 278,648.00 |
| Total | | | <u>278,648.00</u> | <u>278,648.00</u> |
| Total Adjusting Journal Entries | | | <u>1,051,539.00</u> | <u>1,051,539.00</u> |
| Total All Journal Entries | | | <u>1,051,539.00</u> | <u>1,051,539.00</u> |