

CATSKILL AREA
SCHOOLS
WORKERS' COMPENSATION
PLAN

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC
FINANCIAL STATEMENTS

For the Year Ended
June 30, 2023

CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN

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Certified Public Accountants & Consultants

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Independent Auditor's Report

Board of Trustees
Catskill Area Schools
Workers' Compensation Plan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Catskill Area Schools Workers' Compensation Plan (the Plan) as of and for the year ended June 30, 2023, 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 Workers' Compensation Plan as of June 30, 2023 and 2022, 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 Workers' Compensation 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 Workers' Compensation 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 Workers' Compensation 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 Workers' Compensation 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 24, 2023, 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 24, 2023

Rome, New York

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

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
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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
Workers' Compensation 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 Workers' Compensation Plan (the Plan), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Catskill Area Schools Workers' Compensation Plan's basic financial statements, and have issued our report thereon dated October 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Catskill Area Schools Workers' Compensation 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 Workers' Compensation Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Catskill Area Schools Workers' Compensation 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 Workers' Compensation 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 Workers' Compensation Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo & Co., LLP

October 24, 2023

Rome, New York

**CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Introduction

Our discussion and analysis of the Catskill Area Schools Workers' Compensation Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended June 30, 2023 and 2022. It should be read in conjunction with the basic financial statements to enhance the understanding of the Plan's financial performance, which immediately follows this section.

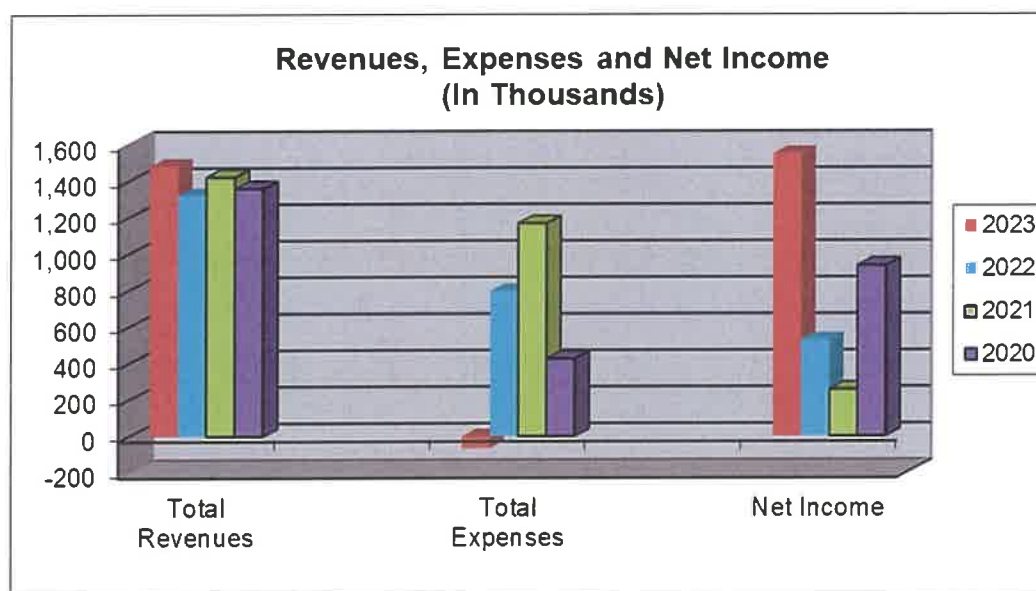
Basic Financial Statements

The Plan's objectives are to provide for the evaluation, processing, and administration of workers' compensation 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-four member school districts including ONC BOCES.

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

Financial Highlights

- The Plan's governmental fund maintains accrued estimated workers' compensation claims outstanding including incurred but not reported claims and claims reserves totaling \$2,751,594 and \$3,372,181, at June 30, 2023 and 2022, respectively.
- The assets of the Plan exceeded liabilities at the close of the 2023 fiscal year by \$3,629,575 (net position). The net position during 2023 increased by \$1,547,312 compared to 2022. The increase is due primarily to contributions exceeding claims expense during the year.



See Independent Auditor's Report

**CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Statements of Net Position

	2023	2022	Increase (Decrease)	Percentage Change
Assets				
Cash and Cash Equivalents	\$ 6,381,169	\$ 5,351,241	\$ 1,029,928	19.2%
Prepaid Expense	<u>0</u>	<u>103,203</u>	<u>(103,203)</u>	(100.0)%
Total Assets	<u>\$ 6,381,169</u>	<u>\$ 5,454,444</u>	<u>\$ 926,725</u>	17.0%
Liabilities				
Claims Outstanding Including				
Claims Incurred But Not Reported and				
Claims Reserves	\$ 2,751,594	\$ 3,372,181	\$ (620,587)	(18.4)%
Total Liabilities	<u>2,751,594</u>	<u>3,372,181</u>	<u>(620,587)</u>	(18.4)%
Net Position				
Unassigned	<u>3,629,575</u>	<u>2,082,263</u>	<u>1,547,312</u>	74.3%
Total Net Position	<u>3,629,575</u>	<u>2,082,263</u>	<u>1,547,312</u>	74.3%
 Total Liabilities and Net Position	 <u>\$ 6,381,169</u>	 <u>\$ 5,454,444</u>	 <u>\$ 926,725</u>	 17.0%

Significant Estimates – Claims Reserves Including Claims Incurred But Not Reported

The cost of claims payable for workers' compensation benefits are provided to the Plan members and covered employees, include estimates based on evaluations of providers' claims submitted and actuarial provisions for incurred but not reported (IBNR) claims. The Plan's liabilities include outstanding case reserves on known claims, plus IBNR reserves which provide for future development on known cases and for claims which have occurred but have not yet been reported. Case reserves are set by the third-party administrator (TPA), while the IBNR reserve is determined on an actuarial basis. Since the majority of these claims will be adjusted annually, no discounting has been computed. The liability for unpaid claims is estimated at \$2,751,594 and \$3,372,181 for the years ended June 30, 2023 and 2022, respectively. 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:

	2023	2022	Increase (Decrease)	Percentage Change
Revenues				
Members' Contributions	\$ 1,266,000	\$ 1,266,001	\$ (1)	0.0%
Other Revenues	<u>214,604</u>	<u>55,439</u>	<u>159,165</u>	287.1 %
Total Revenues	<u>1,480,604</u>	<u>1,321,440</u>	<u>159,164</u>	12.0 %
Expenses				
Incurred Claims and Claims Adjustments	(326,473)	538,811	(865,284)	(160.6) %
Other Expenses	<u>259,765</u>	<u>255,298</u>	<u>4,467</u>	1.7 %
Total Expenses	<u>(66,708)</u>	<u>794,109</u>	<u>(860,817)</u>	(108.4) %
 Total Changes in Net Position	 <u>\$ 1,547,312</u>	 <u>\$ 527,331</u>	 <u>\$ 1,019,981</u>	 193.4%

See Independent Auditor's Report

**CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Revenues

The Plan's members' contributions remained consistent for the fiscal year.

Expenses

The Plan's expenses decreased by \$860,817, primarily due to a decrease in incurred claims expense and claim adjustment expense.

Future Factors

The Board voted not to increase the premium rates for the 2023-24 plan year.

Request for Information

This financial report is designed to provide a general overview of the Catskill Area Schools Workers' Compensation 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 Catskill BOCES NCOC Center, 2020 Jump Brook Road, Grand Gorge, NY 12434.

CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,381,169	\$ 5,351,241
Prepaid Expense	<u>0</u>	<u>103,203</u>
Total Current Assets	<u>6,381,169</u>	<u>5,454,444</u>
Total Assets	<u><u>\$ 6,381,169</u></u>	<u><u>\$ 5,454,444</u></u>
Liabilities and Net Position		
Current Liabilities		
Claims Incurred But Not Reported and Claim Reserves	\$ 2,751,594	\$ 3,372,181
Total Current Liabilities	<u>2,751,594</u>	<u>3,372,181</u>
Net Position		
Unrestricted	<u>3,629,575</u>	<u>2,082,263</u>
Total Net Position	<u>3,629,575</u>	<u>2,082,263</u>
Total Liabilities and Net Position	<u><u>\$ 6,381,169</u></u>	<u><u>\$ 5,454,444</u></u>

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

CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenues		
Members' Contributions	\$ 1,266,000	\$ 1,266,001
BOCES Administrative Coordination Fee Billing	47,774	48,710
Interest Income	<u>166,830</u>	<u>6,729</u>
Total Revenues	<u>1,480,604</u>	<u>1,321,440</u>
Expenses		
Incurred Claims and Claims Adjustment Expenses	(326,473)	538,811
Stop-Loss Insurance	103,203	102,931
Workers Compensation Board Assessment	74,799	70,691
BOCES Administrative Coordination Fee	47,774	48,710
Administrative Fees	<u>33,989</u>	<u>32,966</u>
Total Expenses	<u>(66,708)</u>	<u>794,109</u>
Changes in Net Position	1,547,312	527,331
Net Position, Beginning of Year	<u>2,082,263</u>	<u>1,554,932</u>
Net Position, End of Year	<u>\$ 3,629,575</u>	<u>\$ 2,082,263</u>

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

CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from (Used by) Operating Activities		
Changes in Net Position	\$ 1,547,312	\$ 527,331
(Increase) Decrease in Assets		
Prepaid Expense	103,203	(103,203)
Increase (Decrease) in Liabilities		
Claims Incurred But Not Reported	<u>(620,587)</u>	<u>94,289</u>
Net Cash from Operating Activities	<u>1,029,928</u>	<u>518,417</u>
Net Increase in Cash and Cash Equivalents	1,029,928	518,417
Cash and Cash Equivalents, Beginning of Year	<u>5,351,241</u>	<u>4,832,824</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,381,169</u></u>	<u><u>\$ 5,351,241</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 WORKERS' COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Catskill Area Schools Workers' Compensation Plan (the Plan) was established July 1, 1991. The Plan is governed by a Plan agreement administered by a Board of Trustees consisting of one trustee for each member. As of June 30, 2023, there were twenty-four school district members including ONC BOCES. The Plan receives a majority of its revenue from member assessments.

Description of the Plan

The purpose of the Plan is to provide for group self-insurance as provided in the Workers' Compensation Law; to provide for the efficient and economical evaluation, processing, administration, defense, and payment of claims against Plan members for workers' compensation payments through self-insurance and otherwise; to effect cost savings insofar as may be possible in members' expenses for such claims and services; to provide for centralized administration, funding and disbursements for such services; to provide for risk management, to the extent permitted by law, to reduce future liability for workers' compensation payments; and to perform all other functions reasonably necessary and incident to such purposes, including, but not limited to, the obtaining of excess workers' compensation insurance and employers' liability insurance for the Plan members in such amounts and on such terms as the Board deems appropriate.

Funding of the Plan

Each Plan member is assessed for workers' compensation coverage in accordance with a reasonable estimate of each member's responsibility or actual claims and expenses of the Plan. Assessments are based on such factors as the cost of insurance premiums, the amount of anticipated interest income, number of employees, payrolls, claims experience, services rendered, benefits received, and other relevant factors.

The Plan agreement requires the Plan to fund its obligations as they become payable. There is no continuing liability for claim payments by the Plan.

In the event there are excess funds at the close of any Plan year, such funds inure to the benefit of the members as a return of amounts previously assessed or as a reduction of future assessments, as provided for in the trust agreement. The Board may transfer a portion or all of any such excess to a Claims Contingency Fund, to be used to pay future claims. Any deficiency would be borne by the members as additional assessments.

Tax Status

The Plan is recognized as a government plan and, as such, is exempt from income taxes.

Plan Benefits

Workers' compensation benefits are provided by the Plan and administered under contract with the Plan's consultant. The Plan also has specific excess workers' compensation and employers' liability indemnity coverage. The Plan pays for an annual premium for the insurance coverage. Fees for claims administration are based on the number of covered employees and are included in claims and administrative expenses.

Assessment Revenue

Additional assessments, if needed, are billed to the members to meet obligations of the Plan as they become due.

Membership

The Plan derives its revenue from charges per payroll, which are paid by participating members. These members are billed on a semi-annual basis by the Plan. As of June 30, 2023 and 2022, the Plan has 24 participating member school districts including ONC BOCES.

CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unpaid Claims' Liabilities

The Plan establishes claims liabilities based on estimates of the ultimate cost of the claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims' liabilities does not necessarily result in an exact amount. Claims' liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates which reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data which reflect past inflation and on other factors which are considered to be appropriate modifiers of past experience. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made.

Reinsurance

The Plan uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Plan and the members as direct insurer of the risks reinsured. The Plan does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. No amounts were deducted from claim liabilities as of June 30, 2023 and 2022, for reinsurance.

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimate in the financial statements is for the estimated claims incurred but not reported and claim reserve liability. It is at least reasonably possible that the significant estimate will change within the next year.

Prepaid Assets

Prepaid assets consist of items paid in the current year and expensed in the subsequent year.

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.

Basis of Accounting

The Plan, which is a proprietary fund, is accounted for on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred. Proprietary funds apply all applicable GASB pronouncements as issued.

CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 UNPAID CLAIMS LIABILITIES

As discussed in Note 1, the Plan establishes a liability for both reported and unreported insured events, which include estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Plan during the years ended June 30.

	<u>2023</u>	<u>2022</u>
<u>Unpaid Claims Liabilities</u>		
Beginning of Year	\$ 3,372,181	\$ 3,277,892
Incurred Claims and Claims Adjustment Expenses		
Provision for Insured Events of the Current Year		
(Including Claims Reimbursements)	368,913	609,502
Payments		
Claims and Claims Adjustment Expenses Attributable to		
Insured Events of the Current Year	<u>(989,500)</u>	<u>(515,213)</u>
<u>Unpaid Claims Liabilities</u>		
End of Year	<u>\$ 2,751,594</u>	<u>\$ 3,372,181</u>

NOTE 3 EXCESS REINSURANCE CONTRACT

The Plan insures against catastrophic losses for amounts over \$350,000 with a \$5,000,000 limit for each occurrence.

Premiums are paid to the insurer on an annual basis for the fiscal year beginning in July. During the years ended June 30, 2023 and 2022, the Plan paid a total of \$103,203 and \$102,931 respectively.

NOTE 4 CUSTODIAL CREDIT RISK

The Plan maintains its cash balances in a financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts in excess of FDIC coverage are collateralized by a third-party custodian. Such collateral is limited to United States Government and New York State municipal obligations. All balances were fully collateralized at June 30, 2023 and 2022.

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, 2023 and 2022, the Plan's bank balances of \$860,781 and \$643,458 were fully collateralized by Federal Deposit Insurance Corporation (FDIC) and securities held by an agent of the pledging financial institution in the Plan's name.

NOTE 5 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, 2023 and 2022, the amount included in unrestricted cash equivalents is \$5,520,388 and \$4,707,783, 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 individual 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.

**CATSKILL AREA SCHOOLS WORKERS' COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 6 RELATED-PARTY TRANSACTIONS

The Otsego-Northern Catskill BOCES (the BOCES), a Plan participant, provides the Plan with technical and operational support services. The Plan and the BOCES are related through mutual management. 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 \$47,774 and \$48,710 for the years ended June 30, 2023 and 2022, respectively.

The BOCES paid premiums of \$89,748 and \$102,591 to the Plan for the years ended June 30, 2023 and 2022, respectively.

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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Required Communication With Those Charged With Governance

To the Trustees

Catskill Area Schools Workers' Compensation Plan

We have audited the financial statements of the governmental activities, of Catskill Area Schools Workers' Compensation Plan for the year ended June 30, 2023. 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 13, 2023. 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 Workers' Compensation 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 2023. We noted no transactions entered into by Catskill Area Schools Workers' Compensation 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) and claims reserves which is based on a study done by KBM Management Inc. 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. There were no misstatements noted during the audit.

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 24, 2023.

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 Workers' Compensation 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 Workers' Compensation 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 Workers' Compensation Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

October 24, 2023

Rome, New York