

DUTCHESS COUNTY SCHOOLS COOPERATIVE
SELF-INSURANCE PLAN FOR
WORKERS' COMPENSATION

FINANCIAL STATEMENTS

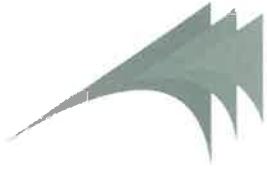
JUNE 30, 2021 AND 2020

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

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Sickler, Torchia
Allen & Churchill, CPA's, PC
Your Partner When It Counts

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Dutchess County Schools Cooperative
Self-Insurance Plan for Workers' Compensation
Poughkeepsie, New York

We have audited the accompanying financial statements of the Dutchess County Schools Cooperative Self-Insurance Plan for Workers' Compensation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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. 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 opinion.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS COMPENSATION

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Schools Cooperative Self-Insurance Plan for Workers' Compensation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Diablo, Forchin, Allen + Churchill, LLP, P.C.

Hudson, New York
May 11, 2022

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
<i>ASSETS</i>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 18,998,223	\$ 16,694,710
Short-Term Investments	3,523,235	3,589,041
Total Current Assets	22,521,458	20,283,751
NON-CURRENT ASSETS:		
Long-Term Investments	6,921,848	6,852,094
Total Non-Current Assets	6,921,848	6,852,094
Total Assets	\$ 29,443,306	\$ 27,135,845
<i>LIABILITIES AND NET ASSETS</i>		
LIABILITIES:		
Current Liabilities:		
Reserve for Lost Wages	\$ 2,186,879	\$ 2,009,490
Declared Distribution of Net Assets	2,000,000	-
Reserve for Claims Due in One Year	2,333,470	2,384,418
Total Current Liabilities	6,520,349	4,393,908
Non-Current Liabilities:		
Reserve for Claims Due in More Than One Year	11,678,265	12,093,719
Total Non-Current Liabilities	11,678,265	12,093,719
Total Liabilities	18,198,614	16,487,627
NET ASSETS:		
Without Donor Restrictions	11,244,692	10,648,218
	\$ 29,443,306	\$ 27,135,845

See independent auditor's report and notes to the financial statements.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Unrestricted	
	2021	2020
REVENUE FROM OPERATIONS:		
Premiums	\$ 4,319,000	\$ 4,810,000
EXPENSES:		
Program	1,347,758	1,570,187
Administrative	387,632	376,865
	1,735,390	1,947,052
INCOME (LOSS) FROM OPERATIONS	2,583,610	2,862,948
OTHER INCOME (LOSS):		
Interest and Realized Gain/(Loss) - Current Operations	295,546	426,336
	295,546	426,336
OTHER CHANGES IN NET ASSETS:		
Declared Distribution of Prior Year Premiums	(2,000,000)	-
Change in Market Value of Investments	(282,682)	244,125
	(2,282,682)	244,125
INCREASE (DECREASE) IN NET ASSETS	596,474	3,533,409
NET ASSETS, BEGINNING	10,648,218	7,114,809
NET ASSETS, ENDING	\$ 11,244,692	\$ 10,648,218

See independent auditor's report and notes to the financial statements.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Expenses	Administrative and General	Total
Professional Fees	\$ -	\$ 8,481	\$ 8,481
Administrative Fees	-	314,650	314,650
Index System Fees	-	584	584
Actuary Fees	-	31,625	31,625
Broker Fee	-	13,959	13,959
Other	-	12,242	12,242
Bank Charges	-	6,091	6,091
Medical	331,157	-	331,157
Claims	255,100	-	255,100
Lost Wages	280,682	-	280,682
Loss Adjustment Expenses	-	-	-
Reinsurance	469,736	-	469,736
Workers' Compensation Board	11,083	-	11,083
Total Expenses	\$ 1,347,758	\$ 387,632	\$ 1,735,390

See independent auditor's report and notes to the financial statements.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Expenses	Administrative and General	Total
Professional Fees	\$ -	\$ 7,489	\$ 7,489
Administrative Fees	-	304,390	304,390
Index System Fees	-	1,314	1,314
Actuary Fees	-	30,925	30,925
Broker Fee	-	15,024	15,024
Other	-	11,760	11,760
Bank Charges	-	5,963	5,963
Medical	339,160	-	339,160
Claims	196,237	-	196,237
Lost Wages	616,907	-	616,907
Loss Adjustment Expenses	-	-	-
Reinsurance	415,508	-	415,508
Workers' Compensation Board	2,375	-	2,375
Total Expenses	\$ 1,570,187	\$ 376,865	\$ 1,947,052

See independent auditor's report and notes to the financial statements.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES:		
Collections from Operations	\$ 4,319,000	\$ 4,810,000
Interest Income	295,546	426,336
Deduct Operating Uses of Cash and Equivalents:		
Payments of Operating Expenses	(2,024,403)	(4,213,272)
Net Cash Provided (Used) by Operating Activities	2,590,143	1,023,064
INVESTING ACTIVITIES:		
Purchase of Investments	(4,290,978)	(5,917,045)
Maturity of Investments	-	-
Sale of Investments	4,004,348	5,678,213
Net Cash Provided (Used) by Investing Activities	(286,630)	(238,832)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,303,513	784,232
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,694,710	15,910,478
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,998,223	\$ 16,694,710

*RECONCILIATIONS OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020:*

Increase (Decrease) in Net Assets	\$ 596,474	3,533,409
Subtract Non-Operating Revenue:		
Declared Distribution of Surplus	2,000,000	-
Change in Market Value	282,682	(244,125)
Working Capital Provided (Used) by Operating Activities	2,879,156	3,289,284
Add (Deduct) Changes in Non-Cash Working Capital and Non-Operating Items:		
Increase (Decrease) in Reserve for Workers' Compensation Claims	(466,402)	(1,579,647)
Increase (Decrease) in Reserve for Lost Wages Retained	177,389	(686,573)
Working Capital Provided (Used) by Non-Operating Activities	(289,013)	(2,266,220)
Net Cash Provided (Used) by Operating Activities	\$ 2,590,143	\$ 1,023,064

See independent auditor's report and notes to the financial statements.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization:

The Dutchess County Schools Cooperative Self-Insurance Plan for Workers' Compensation (the Cooperative) was formed under New York State General Municipal Law on July 1, 1991. Its purpose is to provide efficiency and economy through centralized administration and accounting for self-insured workers' compensation coverage to members. Revenues are predominately from premiums. Members continue to be individually liable for ultimate Workers' Compensation risk for employees and third parties. The members of the Cooperative are:

Arlington Central School District
Beacon City School District
Dover Union Free School District
Dutchess County BOCES
Hyde Park Central School District
Millbrook Central School District
Pawling Central School District
Pine Plains Central School District
Poughkeepsie City School District
Red Hook Central School District
Rhinebeck Central School District
Spackenkill Union Free School District
Webutuck Central School District

B. Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Cooperative and changes therein are classified and reported as follows:

I. Net Assets Without Donor Restrictions:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

II. Net Assets With Donor Restrictions:

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Cooperative and/or the passage of time. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities of net assets released from restrictions.

See independent auditor's report.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of the resources available to the Cooperative, the accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. This treatment is in accordance with the by-laws Article V(2).

D. Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

E. Claims Payable:

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

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Reserve for Workers' Compensation Claims:

The provisions for unpaid claims and adjustment expenses include amounts determined on individual claims and other estimates based on prior experience. The methods of making such estimates and for establishing the resulting reserves are periodically reviewed and updated by the Cooperative and any adjustments resulting there-from are reflected in income currently. The reserve was created in accordance with New York State Education Law [Section 1709(8)(c) or Section 1950(4)(aa)] and New York State General Municipal Law (Section 6-j). These claim reserves include only those amounts incurred and reported.

G. Premiums and Reinsurance:

As premiums to members are billed on an accrual fiscal year basis (July 1 to June 30) and the term of coverage is for one year, then 100 percent of such provisions are earned as of each year end. Costs of reinsurance ceded are incurred on a fiscal year-end contract basis; therefore, there is no prepaid reinsurance cost.

H. Cash and Cash Equivalents:

Cash and cash equivalents are comprised of monies on hand and in the bank, plus short-term investments with maturities of three months or less.

I. Deferred Revenue:

Deferred revenue in the unrestricted fund results from premiums received that are for next year's premiums due to the provider.

J. Investment Return – Measure of Operations:

The Board designates all of the entity's cumulative investment return for support of current operations. Investments in fixed income, equity mutual funds and money accounts are adjusted for dividends and capital gains distributions received and reinvested dividends received, and for established market value at fiscal year end, if applicable.

K. Basis of Revenue Recognition:

The Cooperative recognition of revenue with the policy effective date based on the premise that the revenue has been earned in the placement of the policy.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Excess-Loss Insurance:

The Cooperative purchases an excess-loss insurance policy on an annual basis in order to limit its exposure for claims paid for Workers' Compensation and employer's liability within any one fiscal year.

The excess-lost insurance includes the following terms:

	2021	2020
Specific Retention per Occurrence	\$ 750,000	\$ 600,000
Maximum Benefit for Specific Losses per Occurrence:		
Workers Compensation Statutory New York State		
Employers Liability	\$ 2,000,000	\$ 3,000,000

M. Functional Allocation of Expenses:

The cost of providing program services and other activities have been summarized on a functional basis in the financial statements.

NOTE 2 – CHANGE IN PRESENTATION OF FINANCIAL STATEMENTS:

Effective July 1, 2020, the Cooperative changed its accounting method for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, as applicable under Accounting Standards Update 2020-05.

The new revenue recognition guidance requires the recognition of revenue with the policy effective date based on the premise that the revenue has been earned in the placement of the policy. Under this standard recognition is focused on the effective date of the policy when control of the policy transfers to the client. The Cooperative adopted the requirements of the new revenue recognition guidance as of July 1, 2020, utilizing the full retrospective transition method. A practical expedient was applied for revenue contracts that began and ended in the same year. Though these contracts were not restated, the effect of applying this shortcut was not significant to the financial statements. Further, the Cooperative has been recognizing revenues based on policy effective dates for several years and eligibility for contingent revenues is calculated on the same year end, further minimizing impact of adoption of the standard.

See independent auditor's report.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 3 – CASH AND CASH EQUIVALENTS:

The Cooperative's investment policies are governed by the Board of Trustees.

Deposits and investments at year-end were entirely covered by Federal Deposit Insurance or by collateral held by the Cooperative's custodial bank in the name of Dutchess County Board of Cooperative Educational Services (Dutchess County BOCES) or the Cooperative.

They consisted of:

A. Investment Pool:

The Cooperative participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2021, the Cooperative held \$19,080,933 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and are considered to be cash and cash equivalents.

The amount represented in the investment pool is considered to approximate market value.

The investment pool is categorically exempt from New York State collateralization requirements.

B. Summary of Cash and Cash Equivalents:

	2021	2020
Investment in Pools	\$ 18,997,211	\$ 16,691,072
Investments < 3 Months	1,012	3,638
	<u>\$ 18,998,223</u>	<u>\$ 16,694,710</u>

NOTE 4 – LIQUIDITY AND AVAILABILITY:

The following reflects Cooperative's financial assets as of the balance sheet date, reduced by amounts available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 4 – LIQUIDITY AND AVAILABILITY (CONTINUED):

	2021	2020
Financial Assets at Year-End	\$ 29,443,306	\$ 27,135,845
Less Those Unavailable for General Expenses Within One Year, Due to:		
Prepays	-	-
Declared Distribution of Net Assets	2,000,000	-
Financial Assets Available to Meet Cash Needs for General Expenses Within One Year	\$ 27,443,306	\$ 27,135,845

As part of the Cooperative's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically U.S. Treasury bills.

NOTE 5 – CLAIMS PAYABLE:

An analysis of the activity in the undiscounted claims payable for the years ended June 30, 2021 and 2020, shown as follows:

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 5 – CLAIMS PAYABLE (CONTINUED):

	2021	2020
Unpaid losses and defense and cost containment expense (DCCE) at the beginning of the fiscal period	\$ 14,206,808	\$ 15,710,046
Incurred loss and DCCE at end of fiscal period:		
a) Provision for accidents of the current fiscal year	2,666,250	3,053,500
b) Increases/(Decreases) in provision for accidents of prior fiscal years	(1,079,401)	(2,255,201)
c) Total incurred claims, allocated claim adjustment expenses and assessments	1,586,849	798,299
	15,793,657	16,508,345
Payments:		
Loss and DCCE attributable to accidents of the current fiscal year	158,497	285,457
Loss and DCCE attributable to accidents of the prior fiscal years	1,863,061	2,016,080
Total Payments	2,021,558	2,301,537
Total unpaid loss and DCCE at the end of the fiscal year	13,772,099	14,206,808
Total unpaid adjusting and other expenses at the end of fiscal year	784,365	789,530
Total unpaid loss claim adjustment expenses and hospital surcharge at the end of the fiscal year	\$ 14,556,464	\$ 14,996,338

At June 30, 2020 and 2019, \$14,556,464 and \$14,996,338, respectively, of unpaid claims and claim adjustment expenses and assessments are presented at their net present value of \$14,011,735 and \$14,478,137, respectively. These claims are discounted at a rate of 0.05 percent.

NOTE 6 – INVESTMENTS:

The Organization held \$10,358,886 and \$10,072,255 in United States government agency obligations at June 30, 2021 and 2020, respectively.

See independent auditor's report.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 6 – INVESTMENTS (CONTINUED):

The fair value of investments is determined by utilizing market price quotes at year end as summarized below:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Fixed Income:				
US Government/Agency Obligations	\$ 10,445,083	\$ 10,358,886	\$ 10,441,134	\$ 10,072,255

The schedule below summarizes the investment return, including realized and unrealized gains and losses, of the aforementioned investments and other interest bearing cash accounts and deposit certificates maintained by the Organization:

	2021	2020
Interest Designated for Current Operations	\$ 185,649	\$ 414,130
Realized and Unrealized Losses (Gains)	(172,786)	256,320
	\$ 12,863	\$ 670,450

NOTE 7 – PREMISES:

All records and Board meetings are presently held at the Dutchess County BOCES Administration Building.

NOTE 8 – DONATED SERVICES:

The value of donated services is not reflected in the accompanying financial statements since there is no effective measurable basis available by which to value such services.

NOTE 9 – LIABILITIES:

The June 30, 2021 and 2020, net assets of the operating fund have been reserved for the following purposes. Such reserves will be carried over to the subsequent year for resolution.

	2021	2020
Unpaid Workers' Compensation Claims	\$ 14,011,735	\$ 14,478,137
Lost Wages Retained	2,186,879	2,009,490
Declared Surplus	2,000,000	-
	\$ 18,198,614	\$ 16,487,627

See independent auditor's report.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 10 – NET ASSETS:

Unrestricted:

The amounts contained in unrestricted net assets are both current and unrestricted.

NOTE 11 – CONTRACTS:

The contract with Wright Risk Management is for administrative and claims services to operate a comprehensive workers' compensation self-insured program. The contract for the years ended June 30, 2021 and 2020, paid a yearly retainer of \$304,390 and \$314,650, respectively. The contract has been renewed and shall remain effective until June 30, 2026.

The contract with Midwest Employers Casualty Company, effective July 1, 2020 through July 1, 2023 for excess insurance coverage, is renewable annually, and rates will be adjusted on an annual basis.

The contract with Bay Oaks Group, Inc. provides services to act as an insurance consultant. The contract was resigned effective July 1, 2019 and shall continue in effect until June 30, 2022. The annual fee as of July 1, 2021 and 2020 was \$12,240 and payable in monthly installments of 1,020, and \$11,760 payable in monthly installments of \$980, respectively.

The contract with Kingtree Group, Inc. provides services as nurse case management. The contract was effective January 1, 2020 through June 30, 2021. The contract was renewed effective July 1, 2021 through July 1, 2024.

NOTE 12 – TAX-EXEMPT STATUS:

The Cooperative has applied for tax-exempt status under Section 501(c)(9) of the Internal Revenue Code and is awaiting a determination by the Internal Revenue Service (IRS).

The Board of Directors believes that tax-exempt status will be granted.

NOTE 13 – INCOME TAXES:

The Organization files annual information tax returns with the Internal Revenue Service and the New York State Department of Law, Charities Bureau.

A. Interest and Penalties related to Income Taxes:

During the years ended June 30, 2021 and 2020, the Organization recognized approximately \$0 and \$0 in interest and penalties.

See independent auditor's report.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 13 – INCOME TAXES (CONTINUED):

The Organization has accrued approximately \$0 and \$0 for the payment of interest and penalties as of June 30, 2021 and 2020 respectively.

B. Uncertain Tax Positions:

The Organization does not believe that it has any uncertain tax positions that could result in a more likely than not conclusion that could result in an increase in tax liability during the next 12 months.

NOTE 14 – RELATED PARTIES:

The Cooperative shares facilities with Dutchess County BOCES, who owns the facilities. In addition, Dutchess County BOCES supplies administration, management, and clerical support to the Cooperative. There was no charge for these services for the years ended June 30, 2021 and 2020.

NOTE 15 – FAIR VALUE MEASUREMENTS:

A. Major categories of assets and liabilities measured at fair value on a recurring basis comprise the following:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2021				
Assets				
Cash and Cash Equivalents	\$ 18,998,223	\$ 18,998,223	\$ -	\$ -
Investments	10,445,083	10,445,083	-	-
	<u>\$ 29,443,306</u>	<u>\$ 29,443,306</u>	<u>\$ -</u>	<u>\$ -</u>
As of June 30, 2020				
Assets				
Cash and Cash Equivalents	\$ 16,694,710	\$ 16,694,710	\$ -	\$ -
Investments	10,441,135	10,441,135	-	-
	<u>\$ 27,135,845</u>	<u>\$ 27,135,845</u>	<u>\$ -</u>	<u>\$ -</u>

I. Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

See independent auditor's report.

DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
PLAN FOR WORKERS' COMPENSATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 15 – FAIR VALUE MEASUREMENTS (CONTINUED):

- II. Level 2 Inputs: Directly or indirectly observable (market based) information. This includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- III. Level 3 Inputs: Unobservable inputs for the asset or liability for which there is no market data, or for which asset and liability values are not correlated with market value. As needed impairments in value are recognized as a reduction in fair value.

The table below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value and classified as Level 3 in the fair value hierarchy:

	Year Ended June 30,	
	2021	2020
Balance at Beginning of Period	\$ -	\$ -
Transfers in and/or out of Level 3	-	-
Balance at End of Period	<u>\$ -</u>	<u>\$ -</u>

There were no transfers into Level 3 from Level 2 or transfers out of Level 3 because of observable market data becoming available for either period.

B. Other Fair Value Disclosures:

Financial instruments are recorded at carrying value in the financial statements, however the fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate that value:

I. Cash and Cash Equivalents:

The carrying amount approximates fair value because of the short maturity of those instruments.

II. Accounts Receivable:

The carrying value amount approximates fair value because of the short term to collection of the instrument.

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DUTCHESS COUNTY SCHOOLS COOPERATIVE SELF-INSURANCE
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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NOTE 15 – FAIR VALUE MEASUREMENTS (CONTINUED):

III. Claim Reserves and Lost Wages Reserves:

The carrying amount approximates fair value because of the short term liquidation of the instruments.

NOTE 16 – CLAIMS DEVELOPMENT INFORMATION:

The table on the following page illustrates how the Cooperative's earned revenues and investment income compares to related costs of loss and other expenses assumed by the Cooperative. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenues, investment revenue and amounts of contributions ceded.
- (2) This line shows the total of each fiscal year's other operating costs of the Cooperative including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the Cooperative's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of each successive year for each policy year.
- (5) This line shows the cumulative amounts paid as of the end of each successive year for each policy year.
- (6) This line shows how each policy year incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) This section compares the re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims is greater or less than originally estimated. As data from individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The periods from July 1st of the prior calendar year to June 30th of the current calendar year are covered in the following tables.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 16 - CLAIMS DEVELOPMENT INFORMATION (CONTINUED):

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Contributions and Investments										
Revenue:										
Earned	\$ 4,270,209	\$ 4,959,342	\$ 5,577,385	\$ 5,191,021	\$ 5,431,412	\$ 5,552,414	\$ 5,802,214	\$ 5,433,065	\$ 5,233,373	\$ 4,608,455
Ceded	164,427	188,588	196,082	227,251	235,646	253,556	244,355	266,917	272,545	299,488
Net Earned	<u>4,105,782</u>	<u>4,770,754</u>	<u>5,381,303</u>	<u>4,963,770</u>	<u>5,195,766</u>	<u>5,298,858</u>	<u>5,557,859</u>	<u>5,166,148</u>	<u>4,960,828</u>	<u>4,308,967</u>
2 Unallocated Expenses	<u>1,085,191</u>	<u>885,320</u>	<u>553,780</u>	<u>454,409</u>	<u>389,877</u>	<u>372,789</u>	<u>389,668</u>	<u>373,332</u>	<u>364,123</u>	<u>385,483</u>
3 Estimated Losses and Expenses										
End of Accident Year:										
Incurred	1,685,122	1,019,915	958,682	785,561	918,599	792,331	807,807	1,175,063	907,001	712,181
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	<u>1,685,122</u>	<u>1,019,915</u>	<u>958,682</u>	<u>785,561</u>	<u>918,599</u>	<u>792,331</u>	<u>807,807</u>	<u>1,175,063</u>	<u>907,001</u>	<u>712,181</u>
4 Net Paid (Cumulative) as of:										
End of Accident Year	330,389	219,185	179,695	181,805	371,547	276,382	209,114	312,107	285,457	158,497
One Year Later	1,172,121	802,082	771,165	812,814	927,520	971,769	480,591	852,130	675,229	-
Two Years Later	1,615,844	1,500,176	1,193,718	1,333,379	1,328,507	1,382,047	628,633	1,243,389	-	-
Three Years Later	2,152,885	1,795,000	1,387,229	1,590,228	1,607,890	1,722,589	713,378	-	-	-
Four Years Later	2,409,572	1,997,810	1,556,369	1,797,279	1,780,724	2,030,570	-	-	-	-
Five Years Later	2,773,053	2,193,092	1,761,797	1,900,529	1,869,092	-	-	-	-	-
Six Years Later	3,107,816	2,320,073	2,055,846	1,935,387	-	-	-	-	-	-
Seven Years Later	3,235,784	2,481,032	2,160,156	-	-	-	-	-	-	-
Eight Years Later	3,341,276	2,556,844	-	-	-	-	-	-	-	-
Nine Years Later	3,396,466	-	-	-	-	-	-	-	-	-
5 Re-Estimated Ceded Losses and Expenses	<u>779,508</u>	<u>95,983</u>	-	-	-	-	-	-	-	-
6 Re-Estimated Net Income (Losses) and Expenses										
End of Accident Year	1,685,122	1,019,915	958,682	785,561	918,599	792,331	807,807	1,175,063	907,001	712,181
One Year Later	1,995,000	1,999,438	1,813,252	1,497,859	1,536,155	1,567,940	780,846	1,378,795	1,534,430	-
Two Years Later	2,603,951	2,543,222	1,930,307	2,057,985	2,148,366	1,957,772	895,955	1,958,752	-	-
Three Years Later	3,523,529	2,410,293	1,958,730	2,120,199	2,134,752	2,148,672	1,090,266	-	-	-
Four Years Later	3,305,706	2,549,547	2,266,199	2,271,632	2,384,665	2,488,383	-	-	-	-
Five Years Later	3,411,895	2,891,047	2,268,544	2,289,971	2,411,295	-	-	-	-	-
Six Years Later	3,487,221	2,892,944	2,462,639	2,154,251	-	-	-	-	-	-
Seven Years Later	3,712,900	2,970,372	2,474,036	-	-	-	-	-	-	-
Eight Years Later	3,739,843	2,928,572	-	-	-	-	-	-	-	-
Nine Years Later	3,642,777	-	-	-	-	-	-	-	-	-
7 Increase in Estimated Net Incurred Losses and Expenses from End of Accident Year	<u>\$ 1,957,655</u>	<u>\$ 1,908,657</u>	<u>\$ 1,515,354</u>	<u>\$ 1,368,690</u>	<u>\$ 1,492,696</u>	<u>\$ 1,696,052</u>	<u>\$ 282,459</u>	<u>\$ 783,689</u>	<u>\$ 627,429</u>	<u>\$ -</u>

See independent auditor's report.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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NOTE 17 – COMMITMENTS & CONTINGENCIES:

A. Risks Related to Coronavirus (COVID-19):

Management continues to evaluate the effects of the COVID-19 matter, considering the facts and circumstances related to the impact of the virus on the Cooperative's industry and has concluded that while it is reasonably possible that the virus could have a negative effect on Cooperative's financial position and, results of its operations, the specific impact is not readily available as of the date of these statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

1. The Cooperative has complied with guidance issued by Center for Disease Control and will work diligently to continue complying.
2. The Cooperative does not anticipate any loss of revenue from the premiums.

B. Declared Distribution of Net Assets:

On June 11, 2021, the Cooperative had allocated \$2,000,000 to each participating District proportionally, to be used to reduce future contributions to the plan. The allocation to the participating District is based on their total contribution to the plan since inspection.

NOTE 18 – SUBSEQUENT EVENTS:

A) Date Through Which Subsequent Events Evaluated:

The date to which events after June 30, 2021, and the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is May 11, 2022, which is the date on which the financial statement were available to be issued.