

LINCOLNWAY AREA AFFILIATION  
OF PARTICIPATING SCHOOL  
DISTRICTS EMPLOYEE BENEFIT  
PLAN

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ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023

111 North Canal Street  
Suite 550  
Chicago, IL 60606  
<https://lincolnwayareaaffiliation.org>

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

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## **FINANCIAL SECTION**

This section includes:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

## **INDEPENDENT AUDITORS' REPORT**

This section includes the opinion of the Plan's independent auditing firm.



## **INDEPENDENT AUDITORS' REPORT**

October 2, 2023

Members of the Board of Trustees  
Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan  
Chicago, Illinois

### **Opinions**

We have audited the accompanying financial statements of the Lincolnway Area Affiliation of Participating School Districts Employee Benefit 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 Plan's basic 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 Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan, Illinois, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinions.

### **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 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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 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 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, as listed in the table of contents, 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.

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE BENEFIT PLAN

## Management's Discussion and Analysis

June 30, 2023

Our discussion and analysis of the Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan's (the Plan) financial performance provides an overview of the Plan's financial activities for the year ended June 30, 2023. Please read it in conjunction with the Plan's financial statements.

### Financial Highlights

- The assets of the Plan exceeded its liabilities at June 30, 2023 by \$5,418,714 (net position). The entire amount is restricted at June 30, 2023, which must be used for insurance and related employee benefits.
- The Plan's total net position decreased by \$2,312,587.

### USING THIS ANNUAL REPORT

Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan is a joint insurance pool providing certain benefits including, but not limited to, self-funded medical, life, dental, and vision for eligible employees, dependents, and retirees of participating members, all of which are in Illinois. The members, as well as covered employees, contribute to the Plan. The contributions are based on the Plan's prior experience and projected claimed costs.

The Plan utilized the services of Blue Cross and Blue Shield of Illinois as the claims paying agent for self-funded medical claims during the fiscal year. Benefits provided include medical, dental, and vision and life for all eligible employees of Plan members. Liabilities in excess are covered by stop-loss insurance coverage. Contributions to the Plan are paid monthly by each member based upon rates determined annually by the Board of Trustees.

Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan is comprised of 18 member school districts and other educational entities that have pooled resources to provide employee benefits.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Plan, assets exceeded liabilities by \$5,418,714.

|                        | Statement of Net Position |               |
|------------------------|---------------------------|---------------|
|                        | June 30, 2023             | June 30, 2022 |
| Current Assets         | \$ 12,710,392             | 14,398,995    |
| Current Liabilities    | 7,291,678                 | 6,667,694     |
| Net Position           |                           |               |
| Restricted - Insurance | 5,418,714                 | 7,731,301     |

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Management's Discussion and Analysis**

**June 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

Net position decreased by \$2,312,587 from 2022 to 2023, decreasing the overall net position to \$5,418,714. Operating revenues increased mainly due to an increase in contributions from participants and the addition of a new member. Operating expenses increased mainly due to an increase in paid claims.

|  | Statement of Revenues, Expenses<br>and Changes in Net Position |                         |
|--|--|-------------------------|
|  | 6/30/2023  | 6/30/2022               |
| Operating Revenue  |  |                         |
| Contributions from Participants                            | \$ 28,784,557  | 22,249,072              |
| Stop Loss Internal Self-Funding Program                    | 118,911  | 706,610                 |
| Reinsurance Reimbursements                                 | 896,351  | 1,143,023               |
| Total Operating Revenues                                   | <u>29,799,819</u>  | <u>24,098,705</u>       |
| Operating Expenses   |  |                         |
| Paid Claims  | 28,232,321   | 20,494,317              |
| Stop Loss Internal Self-Funding Program                    | 118,911  | 706,610                 |
| Reinsurance Reimbursements - Internal Self-Funding Program | 58,196   | 283,382                 |
| Employee Assistance  | 40,435   | 32,102                  |
| Liability Insurance  | 12,993   | 12,993                  |
| Professional Fees  | 4,858,205  | 4,028,581               |
| Member Equity Allocation                                   | (987,547)  | (957,320)               |
| Other Expenses   | 4,339  | 266                     |
| Total Operating Expenses                                   | <u>32,337,853</u>  | <u>24,600,931</u>       |
| Operating (Loss)   | (2,538,034)  | (502,226)               |
| Nonoperating Revenues                                      |  |                         |
| Investment Income  | <u>225,447</u>   | <u>49,705</u>           |
| Change in Net Position                                     | (2,312,587)  | (452,521)               |
| Net Position - Beginning                                   | <u>7,731,301</u>   | <u>8,183,822</u>        |
| Net Position - Ending                                      | <u><u>5,418,714</u></u>  | <u><u>7,731,301</u></u> |

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Management's Discussion and Analysis**

**June 30, 2023**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Lincolnway Area Affiliation of Participating School Districts 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 the Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan, 111 North Canal Street, Suite 550, Chicago, IL 60606.

## **BASIC FINANCIAL STATEMENTS**

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Statement of Net Position**

**June 30, 2023**

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| <b>ASSETS</b>                   |                   |
|---------------------------------|-------------------|
| Cash and Investments            | \$ 12,592,500     |
| Receivables - Net of Allowances |                   |
| Accounts                        | 36,639            |
| Accrued Interest                | 81,253            |
| Total Assets                    | <u>12,710,392</u> |
| <b>LIABILITIES</b>              |                   |
| Current Liabilities             |                   |
| Accounts Payable                | 3,587,349         |
| Claims Payable                  | 1,772,645         |
| Due to Other Governments        | 1,931,684         |
| Total Liabilities               | <u>7,291,678</u>  |
| <b>NET POSITION</b>             |                   |
| Restricted - Insurance          | <u>5,418,714</u>  |

The notes to the financial statements are an integral part of this statement.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2023**

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|  |                         |
|--|-------------------------|
| Operating Revenues   |                         |
| Contributions from Participants                            | \$ 28,784,557           |
| Stop Loss Internal Self-Funding Program                    | 118,911                 |
| Reinsurance Reimbursements                                 | 896,351                 |
| Total Operating Revenues                                   | <u>29,799,819</u>       |
| Operating Expenses   |                         |
| Paid Claims  | 28,232,321              |
| Stop Loss Internal Self-Funding Program                    | 118,911                 |
| Reinsurance Reimbursements - Internal Self-Funding Program | 58,196                  |
| Employee Assistance  | 40,435                  |
| Liability Insurance  | 12,993                  |
| Professional Fees  | 4,858,205               |
| Member Equity Allocation                                   | (987,547)               |
| Other Expenses   | 4,339                   |
| Total Operating Expenses                                   | <u>32,337,853</u>       |
| Operating (Loss)   | (2,538,034)             |
| Nonoperating Revenues                                      |                         |
| Investment Income  | <u>225,447</u>          |
| Change in Net Position                                     | (2,312,587)             |
| Net Position - Beginning                                   | <u>7,731,301</u>        |
| Net Position - Ending                                      | <u><u>5,418,714</u></u> |

The notes to the financial statements are an integral part of this statement.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2023**

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|  |                           |
|--|---------------------------|
| Cash Flows from Operating Activities           |                           |
| Receipts from Customers and Users              | \$ 29,700,526             |
| Payments to Suppliers                          | (31,713,869)              |
|  | <u>(2,013,343)</u>        |
| Cash Flows from Investing Activities           |                           |
| Interest Received                              | <u>225,447</u>            |
| Net Change in Cash and Cash Equivalents        | (1,787,896)               |
| Cash and Cash Equivalents                      |                           |
| Beginning                                      | <u>14,380,396</u>         |
| Ending   | <u><u>12,592,500</u></u>  |
| Reconciliation of Operating Income to Net Cash |                           |
| Provided (Used) by Operating Activities        |                           |
| Operating (Loss)                               | (2,538,034)               |
| Adjustments to Reconcile Operating Income to   |                           |
| Net Income to Net Cash                         |                           |
| Provided by (Used in) Operating Activities:    |                           |
| (Increase) Decrease in Current Assets          | (99,293)                  |
| Increase (Decrease) in Current Liabilities     | <u>623,984</u>            |
| Net Cash Provided by Operating Activities      | <u><u>(2,013,343)</u></u> |

The notes to the financial statements are an integral part of this statement.

# LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE BENEFIT PLAN

## Notes to the Financial Statements

June 30, 2023

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lincolnway Area Affiliation of Participating School Districts Employee Benefit Plan (the Plan), Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Plan's accounting policies are described below.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Plan's accounting policies established in GAAP and used by the Plan are described below.

#### REPORTING ENTITY

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations to which the elected officials of the primary government are financially accountable. The Plan is comprised of 18 member school districts and other educational entities that have pooled resources to provide employee benefits.

The Plan is a joint insurance pool providing certain benefits including, but not limited to, self-funded medical, life, dental, and vision for eligible employees, dependents, and retirees of participating members, all of which are in Illinois. The members, as well as covered employees, contribute to the Plan. The contributions are based on the Plan's prior experience and projected claimed costs.

The Plan utilized the services of Blue Cross and Blue Shield of Illinois as the claims paying agent for self funded medical claims during the fiscal year. Benefits provided include medical, dental, and vision and life for all eligible employees of Plan members. Liabilities in excess are covered by stop-loss insurance coverage. Contributions to the Plan are paid monthly by each member based upon rates determined annually by the Board of Trustees.

#### BASIS OF PRESENTATION

##### Basic Financial Statements

In the Statement of Net Position, the Plan's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Plan only reports restricted net position

The Plan utilizes proprietary fund type accounting. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to members and are accounted for as enterprise funds. The Plan maintains only one fund. Funding is provided by contributions from participants and recovered claims.

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Notes to the Financial Statements**

**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

**Measurement Focus**

All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

The Plan’s basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Plan are member assessment charges and reinsurance reimbursements. Operating expenses for the Plan include the the cost of services related to medical, dental, prescription, life, and liability insurance benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**ASSETS, LIABILITIES, AND NET POSITION**

**Cash and Investments**

For purpose of the Statement of Net Position, the Plan' cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the Plan does not have any investments.

**Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Claims Payable**

Claims liabilities are established based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts recoverable on unpaid claims are deducted from the claim expenses for unpaid claims. No provision for inflation or for present value is provided, as a majority of claims are generally settled within one year. The claims incurred but not recorded expense on insurance is based on twenty-four months of claims reported on the Claims Analysis Report provided by the insurance provider.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Notes to the Financial Statements**

**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**ASSETS, LIABILITIES, AND NET POSITION - Continued**

**Reinsurance**

The Plan utilizes reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses, although it does not discharge the Plan's liability as direct insurer of the risks reinsured. Reinsured risks are reported as liabilities.

**Net Position**

In the government-wide financial statements, equity is classified as net position and displayed in two components (if, applicable):

Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

**NOTE 2 - DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS**

**DEPOSITS AND INVESTMENTS**

Permitted Deposits and Investments - Statutes authorize the Board to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, and commercial paper rated within the three highest classifications by at least two standard rating services.

*Deposits.* At year-end, the carrying amount of the Plan's deposits totaled \$12,592,500 and the bank balances totaled \$12,592,500. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

**NOTE 3 - OTHER INFORMATION**

**CLAIMS PAYABLE**

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a number of claims that have been incurred but not reported (IBNR). Claims liabilities are established based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE  
BENEFIT PLAN**

**Notes to the Financial Statements**

**June 30, 2023**

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**NOTE 3 - OTHER INFORMATION - Continued**

**CLAIMS PAYABLE - Continued**

Changes in the balances of claims payable are as follows:

|                            | 2023             | 2022             |
|----------------------------|------------------|------------------|
| Claims Payable - Beginning | \$ 1,284,786     | —                |
| Claims Incurred            | 28,720,180       | 21,779,103       |
| Claims Paid                | (28,232,321)     | (20,494,317)     |
| Claims Payable - Ending    | <u>1,772,645</u> | <u>1,284,786</u> |

**MAJOR PARTICIPANTS**

During the fiscal year, the major participants of the Plan were:

| Participant               | Contributed<br>Amount | Contributed<br>Percentage |
|---------------------------|-----------------------|---------------------------|
| CCSD 181                  | \$ 4,391,177          | 15%                       |
| Dixon Public Schools #170 | 4,382,868             | 15%                       |
| Will County SD 92         | 3,189,422             | 11%                       |

**CONTINGENT LIABILITIES**

**Litigation**

The Plan is not involved in any lawsuits.