

Assurance

LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL DISTRICTS EMPLOYEE BENEFITS PLAN

AUDITED STATEMENTS OF CASH RECEIPTS,
DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEARS ENDED JUNE 30, 2021 AND 2020

LOCAL
KNOWLEDGE,
GLOBAL
EXPERTISE

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING
SCHOOL DISTRICTS EMPLOYEE BENEFITS PLAN
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lincolnway Area Affiliation of
Participating School Districts
Employee Benefits Plan
Shorewood, Illinois

We have audited the accompanying statements of cash receipts, disbursements and changes in cash balances of Lincolnway Area Affiliation of Participating School Districts Employee Benefits Plan for the years ended June 30, 2021 and 2020, 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash receipts, disbursements and changes in cash balances of Lincolnway Area Affiliation of Participating School Districts Employee Benefits Plan for the years ended June 30, 2021 and 2020, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

PKF Mueller

Orland Park, Illinois
August 30, 2021

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING SCHOOL
DISTRICTS EMPLOYEE BENEFITS PLAN
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Receipts:		
Contributions from participants	\$ 22,412,735	\$ 30,759,313
Recovered claims	224,200	523,129
Investment income	<u>173,273</u>	<u>452,635</u>
Total receipts	<u>22,810,208</u>	<u>31,735,077</u>
Disbursements:		
Paid claims	11,568,044	12,885,616
HMO premiums	8,308,748	11,088,216
District refunds	7,212,423	0
Prescription card reimbursements	3,781,609	4,119,926
Stop loss premiums	597,954	667,679
Life and other premiums	379,588	439,203
Administrative fee	294,027	375,311
Consultant fees	100,237	86,250
Fiduciary liability premiums	10,851	10,800
Professional fees	9,725	9,330
Section 125 expenses	8,354	483,990
Transition reinsurance payment	3,920	3,780
Other expense	<u>0</u>	<u>57</u>
Total disbursements	<u>32,275,480</u>	<u>30,170,158</u>
Excess (deficiency) of receipts over disbursements	(9,465,272)	1,564,919
Cash at beginning of year	<u>24,761,278</u>	<u>23,196,359</u>
Cash at end of year	<u>\$ 15,296,006</u>	<u>\$ 24,761,278</u>

The accompanying notes are an integral part of the financial statements.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING
SCHOOL DISTRICTS EMPLOYEE BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lincolnway Area Affiliation of Participating School Districts Employee Benefits Plan ("the Plan") is comprised of 18 member school districts and other educational entities that have pooled resources to provide self-funded employee benefits.

B. Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized in the financial statements. The cash basis differs from accounting principles generally accepted in the United States of America primarily because receivables, claims payable, estimated claims incurred but not reported, accrued income and expenses, which are material in amount, are not reflected in the financial statements.

C. Subsequent Events

Management has evaluated subsequent events through August 30, 2021 which is the date the financial statements were available to be issued.

D. Management's Evaluation of Going Concern

Management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Plan's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Plan's ability to continue as a going concern for the period from August 30, 2021 to August 30, 2022.

E. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets, the disclosures, and the reported receipts and disbursements. Actual results could differ from those estimates.

**LINCOLNWAY AREA AFFILIATION OF PARTICIPATING
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NOTES TO FINANCIAL STATEMENT
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2. PLAN DESCRIPTION

The following description of the Plan is for general information only; participants should refer to the Plan agreement for a complete description of the Plan's provisions.

The Plan is a self-funded employee benefit plan which covers substantially all employees of the members, all of which are located in northeastern Illinois. The members, as well as covered employees, contribute to the Plan. The contributions are based on the Plan's prior experience and projected claims costs.

The Plan utilized the services of Blue Cross and Blue Shield of Illinois as the claims paying agent during the years ended June 30, 2021 and 2020. They were paid \$294,027 and \$375,311 for these services during the years ended June 30, 2021 and 2020, respectively.

Benefits provided include hospitalization, surgical, medical, dental, vision and temporary disability coverage for all full-time employees of Plan members. The Plan is self-insured to \$300,000 per covered individual. Liabilities in excess of these limits 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.

NOTE 3. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be recovered. The Plan does not have a policy for custodial credit risk. As of June 30, 2021 and 2020, \$2,664,904 and \$7,352,524 of the Plan's bank balances of \$15,313,558 and \$24,797,709, respectively, were exposed to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
Uninsured and collateralized with securities held by the pledging bank	\$ 2,664,904	\$ 3,973,122
Uninsured and uncollateralized	<u>0</u>	<u>3,379,402</u>
Total	<u>\$ 2,664,904</u>	<u>\$ 7,352,524</u>

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NOTE 4. OTHER INFORMATION

A. Related Party Transactions

The Trustees of the Plan are employees of the participating members and do not receive compensation from the Plan for their services as trustees.

B. Major Participants

During the years ended June 30, 2021 and 2020, Dixon Public Schools No. 170 contributed \$4,046,882 and \$3,473,005 to the Plan, which represented 18% and 11%, respectively, of the total contributions to the Plan.

During the years ended June 30, 2021 and 2020, Will County District No. 92 contributed \$3,197,250 and \$2,697,355 to the Plan, which represented 14% and 9%, respectively, of the total contributions to the Plan.

During the year ended June 30, 2020, Lincoln-Way High School District No. 210 contributed \$9,038,446 to the Plan, which represented 29% of the total contributions to the Plan.

C. Plan Termination

A contributing member may withdraw from the Plan at the end of any plan year after giving the Trustees written notice by the January 1st prior to the end of the Plan year. If at the time of withdrawal, the Plan reserves are determined to be inadequate after the most recent review, the terminating member will be charged an assessment equal to its proportional share of the shortfall.

If 75% of the contributing members provide written notice to all other members and the Trustees at least 91 days before the end of any Plan year, the Plan will then be terminated. Upon termination of the Plan, the Trustees are to satisfy all obligations of the Plan and then turn the remaining assets, if any, over to any future health and welfare fund created by and between the contributing members.

D. District Refunds

As of July 1, 2020, Lincoln-Way High School District No. 210 no longer was a participant in the Plan. During the year ended June 30, 2021, contributions received from Lincoln-Way High School District No. 210 in previous years of \$7,200,000 were refunded to the District.

E. Subsequent Events

As of July 1, 2021, Beecher Community Unit School District 200U will no longer be participating in the Plan.