

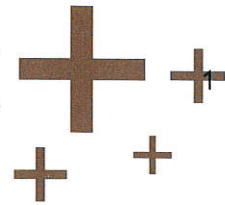
**EGYPTIAN AREA SCHOOLS
EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**FINANCIAL STATEMENTS WITH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

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Independent Auditor's Report

To the Board of Managers
of Egyptian Area Schools
Employee Benefit Trust
Belleville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Egyptian Area Schools Employee Benefit Trust as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Egyptian Area Schools Employee Benefit Trust's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits 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. 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 judgement, 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 Trust'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 Trust'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 above present fairly, in all material respects, the respective financial position of Egyptian Area Schools Employee Benefit Trust as of June 30, 2020 and 2019, and the respective changes in financial position and its cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Claims Development Information and Statement of Reconciliation of Unpaid Claims and Claim Adjustment Expense Liability on pages 6-10, 28 and 29 be presented to supplement the basic financial statements. Such 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, 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.

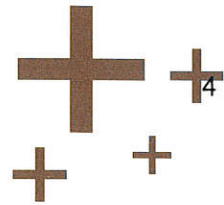
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of Egyptian Area Schools Employee Benefit Trust'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 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 Egyptian Area Schools Employee Benefit Trust'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 Egyptian Area Schools Employee Benefit Trust's internal control over financial reporting and compliance.

RICE SULLIVAN, LLC

Swansea, Illinois
December 2, 2020



**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**

To the Board of Managers
of Egyptian Area Schools
Employee Benefit Trust
Belleville, Illinois

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 Egyptian Area Schools Employee Benefit Trust, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Egyptian Area Schools Employee Benefit Trust's basic financial statements and have issued our report thereon dated December 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Egyptian Area Schools Employee Benefit Trust'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Egyptian Area Schools Employee Benefit Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Egyptian Area Schools Employee Benefit Trust'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 trust's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency,

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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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Egyptian Area Schools Employee Benefit Trust'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 trust'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 trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RICE SULLIVAN, LLC

Swansea, Illinois
December 2, 2020

Egyptian Area Schools Employee Benefit Trust**Management's Discussion and Analysis (M D & A)****June 30, 2020****Using this Annual Report**

This annual report includes the following parts:

- Management's Discussion and Analysis;
- Basic Financial Statements, including the Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position, and Statements of Cash Flows;
- Notes to the Financial Statements;
- Required Supplementary Information.

This management's discussion and analysis provides a review of the Trust's financial condition and operating results for its fiscal years ending June 30, 2020 and 2019.

Basic Financial Statements

The Statements of Net Position present information regarding all of the Trust's assets and liabilities, with the difference between the two being reported as Net Position. Over time, increases or decreases in Net Position may provide a useful indicator regarding how the Trust is meeting the needs and expectations of its members.

The Statements of Revenue, Expenses and Changes in Net Position present the financial results of the Trust. This statement presents information showing how the Trust's Net Position changed during the most recent fiscal year. The Trust utilizes enterprise fund accounting and thus uses the accrual method of accounting. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. loss and loss adjustment expenses, accrued investment income and reinsurance premiums payable).

The Statements of Cash Flows present the sources and uses of cash from operating activities, financing activities, and investing activities. This statement ends with the cash in the statements of net position. A reconciliation of operating income to cash provided by the operating activities is also presented.

The basic financial statements begin on page 12.

Notes to the Financial Statements

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 16.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this financial report also presents certain required supplementary information regarding the Trust's recent year claims development history. Setting member contribution rates today to cover the assumed risk of possible future loss occurrences is largely guided by claim development. Analysis of trends in claims development indicates

whether losses are increasing, decreasing, or remain constant. Required supplementary information is located on pages 28-29.

Overview

The Egyptian Area Schools Employee Benefit Trust (Trust) is a joint insurance pool operating under authority of the Illinois Intergovernmental Cooperation Act, 5 ILCS 220/6. Participation in the Trust is open to public school districts and regional offices of education in the State of Illinois. The Trust allows participating employers to jointly insure and self-insure and pool their funds and risks to provide comprehensive health benefits for employees on a collective basis. Dental, vision and life insurance benefits are offered on a fully insured basis. Medical and prescription drug coverage is provided on a self-insured basis. The Trust is controlled by a Board of Managers comprised of one representative from each participating employer.

By pooling their funds and risks, participating employers are able to provide cost-effective benefit programs uniquely designed to meet the needs of public school employees.

Administration

The Trust contracts with a third party administrator (TPA) and other service providers to administer the Trust. For many years, through August 31, 2017, the TPA was Meritain Health. Meritain provided comprehensive administrative services for the Trust, including member enrollment, billing and collection of contributions from participating employers, adjudication and payment of medical claims, liaison with insurers and other service providers, and financial administration. Effective September 1, 2017, the Board of Managers retained HealthSCOPE Benefits to replace Meritain as the TPA. Meritain continued through June 30, 2018, to process and pay medical claims incurred prior to September 1, 2017.

Effective March 1, 2019, the Trust entered into a contract with BlueCross BlueShield of Illinois (BCBSIL) for its provider network, medical claims administration services, and prescription drug management services through a BCBSIL affiliate, Prime Therapeutics. BCBSIL handles adjudication and payment of medical and prescription drug claims incurred on and after March 1, 2019. HealthSCOPE continues to manage member enrollment, billing and collection of contributions from participating employers, provides financial administration services and acts as liaison with insurers and other service providers. HealthSCOPE also continues to process and pay medical claims incurred prior to March 1, 2019.

Financial Overview and Highlights

The analysis below presents a comparison of the Trust's current year financial position with the prior year.

	<u>2019</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 5,116,439	\$10,175,244
Investment securities – At fair value	10,477,431	11,456,148
Prescription drug rebates	307,203	227,295
Other assets	<u>129,057</u>	<u>65,015</u>
Total assets	<u>16,030,130</u>	<u>21,923,702</u>
Liabilities		
Deferred contribution revenue	3,673,107	3,405,145

Claims reserve and claim adjustment expenses reserves	10,500,000	6,300,000
Accounts payable and accrued expenses	<u>1,970,900</u>	<u>615,651</u>
Total Liabilities	<u>16,144,007</u>	<u>10,320,796</u>
Total Net Position - Unrestricted	<u>\$ (113,877)</u>	<u>\$ 11,602,906</u>

Approximately 99% in 2020 and 97% in 2019 of total assets consist of cash, cash equivalents and investments. The Trust invests only in U.S. government and agency securities and money market funds. The only other sizeable assets at June 30, 2020 and June 30, 2019 were prescription drug rebate receivables.

Deferred contribution revenue represents amounts pre-paid by employers for contributions due for the following year. The claims reserve is the estimated amount required for incurred but unpaid claims, including claims received and not paid and claims incurred but not yet submitted. The claim reserve is determined and certified by the Trust's actuary in conformance with the relevant standards of practice promulgated by the Actuarial Standards Board. This year the actuary decreased the claims reserve by \$4.2 million, from \$10.5 million at June 30, 2019 to \$6.3 million at June 30, 2020. The decrease can be attributed in large part to a marked reduction in medical services during the months of March through June 2020 as a result of COVID-19.

At June 30, 2020, the Trust had 8,247 covered employees and retirees and a total of 14,371 covered members, including dependents. At June 30, 2019 the Trust had 8,409 covered employees and retirees and a total of 14,424 covered members, including dependents.

The net position increased by \$11,716,783 from June 30, 2019 to June 30, 2020. As expected, the move to BCBSIL has improved the Trust's funded position. In addition, medical claims costs were significantly lower than projected in spring 2020 due to COVID-19.

The following table shows the major components of income from operations for the current year compared with the prior year.

	<u>2019</u>	<u>2020</u>
Operating Revenue		
Membership contributions	<u>\$99,960,613</u>	<u>\$103,091,673</u>
Total operating revenue	<u>99,960,613</u>	<u>103,091,673</u>
Operating Expenses		
Claims paid by Trust (net of refunds)	100,387,968	82,015,318
Insurance premiums	6,402,148	6,500,483
Change in claims reserve	(10,300,000)	(4,200,000)
Administrative fees and expenses	<u>6,451,016</u>	<u>7,493,061</u>
Total operating expenses	<u>102,941,132</u>	<u>91,808,862</u>
Operating Income (Loss)	<u>(2,980,519)</u>	<u>11,282,811</u>

Nonoperating Revenue (Expenses)

Investment earnings – Interest and dividends	203,853	196,069
Net realized and unrealized gains (losses)	<u>230,376</u>	<u>237,903</u>
Total nonoperating revenue (expenses)	<u>434,229</u>	<u>433,972</u>
Change in Net Position	<u>\$(2,546,290)</u>	<u>\$11,716,783</u>

The Trust purchases excess loss reinsurance to mitigate the risk of extremely large claims for individual participants. The reinsurer will reimburse the Trust to the extent that claims paid on behalf of an individual participant exceed \$600,000, after the aggregate amount of claims over \$600,000 for one or more individuals exceeds \$400,000. Reinsurance premiums totaled \$520,925 and \$542,020 for the years ended June 30, 2020 and June 30, 2019, respectively. The Trust was not eligible for reimbursement under the excess loss policy for either year. Effective July 1, 2019, the Trust moved its reinsurance from Aetna Life Insurance Company to HCC Life Insurance Company with the same level of reinsurance coverage.

All investments maintained by the Trust are reported at fair market value (marked to market). Annual changes in these values are recognized in the statements of revenue, expenses and changes in net position as net realized and unrealized gains (losses) on investments. Net realized and unrealized gains (losses) on investments totaled \$237,903 and \$230,376 for the years ended June 30, 2020 and June 30, 2019, respectively.

Total operating expenses of the Trust decreased \$11,132,270 largely due to the decrease in paid medical claims resulting from the move to the BCBSIL provider network and the decrease in medical services in spring 2020 as a result of COVID-19.

Economic Factors and Next Year's Rates

Participating employer contribution rates are established in May each year and effective for the 12-month period beginning September 1. Through the first 30 plus years of the Trust's history, employer contribution rates were uniform for all participating employers, varying only by covered family members and the benefit plans selected. In 2017, the Board of Managers engaged in an extensive analysis of ways to improve the Trust's funded status in view of changes in the commercial health insurance markets. The insurance markets have become increasingly competitive while school districts are under severe budget constraints. While the uniform rate structure worked well for the Trust for over 30 years, in the current environment participating employers with the best claims experience are being targeted by commercial insurers offering better premium rates, risking the loss of the Trust's best performing employer groups. At the same time, community rating rules that require insurers to offer guaranteed issue policies without underwriting to small employer groups create an opportunity for some small groups with very poor experience to obtain cheaper coverage outside the Trust despite adverse claims experience.

The Board analyzed the 5-year loss ratios for each participating employer and determined that some employers have consistently had superior loss ratios while others have consistently had very poor performance over the 5-year period. This is in part due to the demographics of an employer's covered employees and dependents, but a more significant factor is the considerable variation in health costs in different geographic areas around the State of Illinois. Costs in metro areas with significant competition among health care providers are substantially lower than costs in outstate areas with very limited competition.

As a result of this analysis the Board decided to adopt a new rate structure in 2017. Instead of uniform rates for all employers, an employer's loss ratio over the recent 2.5-year period, excluding shock claims,

was taken into account as one factor in setting premium rate increases effective September 1, 2017. The same methodology was used in setting premium rate increases effective September 1, 2018 and effective September 1, 2019. Essentially the same methodology was used in setting premium rate increases effective September 1, 2020, with two modifications: (1) the loss ratio lookback period for all districts was reduced from 2.5 to 2 years; and (2) given the Trust's improved financial condition, a small number of districts were awarded premium rate reductions based on consistent superior performance over the last 1, 2 and 3-year periods. All participating employers still benefit from pooling their risks and the low overhead costs possible with a larger group. The objective is to make the Trust the most cost-effective solution for all participating employers relative to the alternatives available to them in the insurance market place. This change in structure has had the desired result of retaining the best performing employer groups for the long-term success of the Trust.

Contacting the Trust's Management

This financial report is intended to provide participating employers with a general overview of the Trust's finances and accountability for the revenue the Trust receives. Additional information regarding the Trust can be found on the Trust's website at www.egtrust.org. If you have questions about this report or need additional financial information please contact:

Tom Dahncke: 618-791-5541
Leo Hefner: 618-973-8221
c/o HealthSCOPE Benefits
P.O. Box 270237
St. Louis, MO 63127

BASIC FINANCIAL STATEMENTS

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 10,175,244	\$ 5,116,439
Investment securities - At fair value	11,456,148	10,477,431
Member contributions receivable	4,038	60,823
Other receivable	174	6,652
Prescription drug rebates	227,295	307,203
Accrued investment income	54,788	55,567
Prepaid insurance	6,015	6,015
	<u>21,923,702</u>	<u>16,030,130</u>
Total current assets		
	<u>21,923,702</u>	<u>16,030,130</u>
Total assets		
	<u>21,923,702</u>	<u>16,030,130</u>
Current Liabilities		
Accounts payable and accrued expenses	615,651	1,970,900
Claims and claim adjustment expense reserves	6,300,000	10,500,000
Deferred contribution revenue	3,405,145	3,673,107
	<u>10,320,796</u>	<u>16,144,007</u>
Total liabilities		
	<u>10,320,796</u>	<u>16,144,007</u>
Net Position - Unrestricted	<u>\$ 11,602,906</u>	<u>\$ (113,877)</u>

See Notes To Financial Statements.

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Member contributions	\$ 103,091,673	\$ 99,960,613
Total operating revenue	<u>103,091,673</u>	<u>99,960,613</u>
Operating Expenses		
Claims paid by Trust (net of refunds)	82,015,318	100,387,968
Change in claims reserve	<u>(4,200,000)</u>	<u>(10,300,000)</u>
Total claims and claim adjustment expenses	77,815,318	90,087,968
Group insurance premiums	6,491,460	6,393,125
Tethered group payments	-0-	118,573
Member services	-0-	35,000
Administrative fees	3,171,817	2,150,222
PPO network expense	2,818,806	2,451,858
Audit fees	47,355	43,142
Actuarial fees	21,016	54,975
Legal fees	224,462	307,085
Other consulting fees	1,085,061	1,089,489
Bank trust fees	34,171	35,325
Insurance	9,023	9,023
Chairman reimbursement - administration	3,600	3,600
Miscellaneous	82,342	158,414
Bank charges	<u>4,431</u>	<u>3,333</u>
Total operating expenses	<u>91,808,862</u>	<u>102,941,132</u>
Operating Income (Loss)	<u>11,282,811</u>	<u>(2,980,519)</u>
Nonoperating Revenue (Expenses)		
Investment earnings - Interest and dividends	196,069	203,853
Net realized gains (losses) on investments	54,521	32,266
Net unrealized gains (losses) on investments	<u>183,382</u>	<u>198,110</u>
Total nonoperating revenue (expenses)	<u>433,972</u>	<u>434,229</u>
Change in Net Position	11,716,783	(2,546,290)
Net Position - Beginning of year	<u>(113,877)</u>	<u>2,432,413</u>
Net Position - End of year	<u>\$ 11,602,906</u>	<u>\$ (113,877)</u>

See Notes To Financial Statements.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from members	\$ 102,880,496	\$ 100,491,310
Cash received from reinsurance recoveries	-0-	-0-
Cash paid for claims	(81,408,007)	(97,142,971)
Cash paid for group insurance premiums	(6,491,460)	(6,393,125)
Cash paid for reinsurance premiums	(520,925)	(542,020)
Cash paid for administrative and general expenses	<u>(8,857,333)</u>	<u>(4,535,132)</u>
Net cash provided by (used in) operating activities	<u>5,602,771</u>	<u>(8,121,938)</u>
Cash Flows from Investing Activities		
Investment income received	196,848	175,850
Purchase of investments	(5,817,615)	(8,837,394)
Proceeds from sales and maturities of investments	<u>5,076,801</u>	<u>4,902,545</u>
Net cash provided by (used in) investing activities	<u>(543,966)</u>	<u>(3,758,999)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,058,805	(11,880,937)
Cash and Cash Equivalents - Beginning of year	<u>5,116,439</u>	<u>16,997,376</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 10,175,244</u></u>	<u><u>\$ 5,116,439</u></u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
A reconciliation of operating income to net cash provided by operating activities is as follows:		
Operating income	\$ 11,282,811	\$ (2,980,519)
Adjustments to reconcile operating income to net cash from operating activities:		
(Increase) decrease in assets:		
Member contributions receivable	56,785	112,880
Other receivable	6,478	140,857
Prescription drug rebates	79,908	2,680,693
Prepaid insurance	-	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(1,355,249)	1,806,334
Claims and claim adjustment expense reserves	(4,200,000)	(10,300,000)
Deferred contribution revenue	(267,962)	417,817
Net cash provided by (used in) operating activities	<u>\$ 5,602,771</u>	<u>\$ (8,121,938)</u>

Supplemental Disclosure of Cash Flow Information -

Noncash investing activities - Net unrealized gains (losses) and amortization on investments	<u>\$ 183,382</u>	<u>\$ 198,110</u>
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**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1. Nature of Business and Significant Accounting Policies

The following description of the Egyptian Area Schools Employee Benefit Trust (the Trust) provides only general information. Participants should refer to the plan and plan documents for a complete description of the plan's provisions.

General - The Trust was formed on January 1, 1984 as a result of an agreement to provide health and dental care, and death benefits for eligible employees and their dependents. The Trust is a joint insurance pool that offers medical benefits to participating school districts in the State of Illinois administered by the Board of Managers of the Trust. The Trust Agreement establishing the Plan and Trust provides that contribution requirements are established and may be amended by the Board of Managers of the Trust. The Board of Managers of the Trust sets the contribution rates each year based on an actuarial valuation.

Benefits - Health costs incurred by participants and their dependents are partially covered by a stop-loss insurance policy detailed in Note 5 maintained by the Trust. Health costs and prescription benefits are self-funded. Life, accidental death and dismemberment, vision and dental coverages are provided through group insurance contracts for active participants. The vision and dental insurance are voluntary products, elected separately by each participating employee.

To become initially eligible for benefits, a participant must have been employed by a contributing employer and be a full-time employee working at least 20 hours a week or the minimum hours set by the participating employer, if less.

Continuation of health care benefits to persons, who would otherwise lose those benefits due to certain events, as mandated by COBRA (Consolidated Omnibus Budget Reconciliation Act), was adopted by the Trust on July 1, 1986.

Termination Priorities - It is the intent of the Board of Managers to continue the Trust in full force and effect. However, in the unlikely event of termination and in order to safeguard against any unforeseen contingencies, the right to discontinue the Trust is reserved to the Board of Managers. In the event of termination, the Board of Managers shall first satisfy or make provisions to satisfy the obligations of the Trust. Any remaining assets will be distributed in such a manner as will, in the opinion of the Board of Managers, bring about the purpose of the Trust. Termination shall not permit any part of the Trust to be used for or diverted to purposes other than the exclusive benefit of the participants.

Districts may require their employees and/or retirees to pay some or all of the required contributions.

The only additional assessment to each district is a withdrawal liability that is charged to any member district leaving the Trust at a time when the Trust experiences a deficit

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1. Nature of Business and Significant Accounting Policies (Continued)

fund balance. The number of active employees and retirees enrolled in the Trust at June 30, 2020 and 2019 was 8,247 and 8,409 with a total enrollment including dependents of 14,371 and 14,424, respectively. The enrolled participants at June 30, 2020 and 2019 include retirees receiving benefits totaling 123 and 131, respectively.

The accompanying basic financial statements are presented using the full accrual method of accounting in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities.

The Trust distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Trust's principal ongoing operations. The principal operating revenue relates to member contributions. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating.

The Trust contracts with a third party administrator (TPA) and other service providers to administer the Trust. For many years, through August 31, 2017, the TPA was Meritain Health. Meritain provided comprehensive administrative services for the Trust, including member enrollment, billing and collection of contributions from participating employers, adjudication and payment of medical claims, liaison with insurers and other service providers, and financial administration. Effective September 1, 2017, the Board of Managers retained HealthSCOPE Benefits to replace Meritain as the TPA. Meritain continued through June 30, 2018, to process and pay medical claims incurred prior to September 1, 2017.

Effective March 1, 2019, the Trust entered into a contract with BlueCross BlueShield of Illinois (BCBSIL) for its provider network, medical claims administration services, and prescription drug management services through a BCBSIL affiliate, Prime Therapeutics. BCBSIL handles adjudication and payment of medical and prescription drug claims incurred on and after March 1, 2019. HealthSCOPE continues to manage member enrollment, billing and collection of contributions from participating employers, provides financial administration services and acts as liaison with insurers and other service providers. HealthSCOPE also continues to process and pay medical claims incurred prior to March 1, 2019.

Cash Equivalents - The Trust classifies certain securities with original maturity dates of three months or less from the date of purchase as cash equivalents. Cash equivalents are comprised of deposits in financial institutes and money market funds as of June 30, 2020 and 2019. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. During the normal course of business, the Trust may maintain cash balances in excess of the FDIC insurance limit. It is the Trust's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investments - The Trust accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statement of revenue, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. Investment purchases are recognized on the settlement date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service. The Trust's investment policy allows for the purchase of obligations of the United States Government and its Agencies, Certificate of Deposits, Guaranteed Income Contracts and Fiduciary Grade Money Market Funds.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*, certain disclosures regarding deposit and investment risks have been provided in Note 2.

Member Contributions Receivable – Member contributions receivable represent amounts due from members of the Trust and are considered collectible. Accordingly, the Trust has no allowance for doubtful accounts for financial reporting purposes.

Claims and Claim Adjustment Expense Reserves – Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claim expenses from reported claims and claims incurred but not reported. Claims reserve is actuarially calculated and based on the historical paid claim development of the Trust. Claims payable and currently due for participants are not tracked separately. Claims that have been received but not processed are included in the claims reserve. The incurral date for a claim is defined to be the date of service of the claim. Paid claims are sorted by incurred date. Factors based on the Trust's claim development are applied to projected total incurred claims for each month. The liability is then the sum over all months of the excess of total estimated incurred claims for a month over the payments made. Since claim payments for the most recent months are not large enough to produce credible claim estimates using claim development factors, the incurred claim estimate for those months is based on alternative methods. For these months, the estimated incurred claims are determined using a weighted average of an estimate of per member per month incurred claims based on historical patterns, times the monthly exposure and the estimate using the monthly paid and incurred claims by the appropriate completion factor. A risk margin of 15% of the claims outstanding and a loss adjustment expense of 4% of the unpaid claim liability are included. Changes to estimates are currently reflected in the statement of revenue, expense, and changes in net position.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Membership Contributions – Member contributions are recognized under the accrual method of accounting and follow the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. As of June 30, 2020, each of the 117 participating school districts contribute premiums based on the coverages requested by their employees. Member contributions are developed annually with assistance from the trusts actuary and reflect the amount to be contributed by members for payment of incurred claims, reinsurance expenses and related operating expenses. The contribution rates are adjusted annually on the 1st day of September of each trust year.

Use of Estimates – Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as of the statement of net position date and the amounts of revenue and expenses during the reporting period, in order to prepare these basic financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Tax Status – The Trust is comprised of public school districts and is exempt from Federal and State income taxes. Management believes that the Trust operates in a manner whereby it continues to be tax exempt.

Reclassifications - Certain reclassifications have been made to prior year financial statements in order for them to be in conformity with the current year presentation.

Note 2. Deposits and Investments

The Trust designated Regions Bank and Regions Morgan Keegan Trust for the deposit of its funds and handling the investments for the Trust.

Deposits and investments are reported in the basic financial statements for June 30, 2020 as follows:

	Cash and Cash Equivalents	Investment Securities
Deposits – Cash	\$ 9,057,729	\$ -0-
Investments:		
Money market investment pools	1,117,515	-0-
U.S. Treasury securities	-0-	5,876,183
Mortgage backed securities	-0-	4,089,062
Certificates of deposits	-0-	1,490,903
Total investments	1,117,515	11,456,148
Total	<u>\$ 10,175,244</u>	<u>\$ 11,456,148</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2. Deposits and Investments (Continued)

Deposits and investments are reported in the basic financial statements for June 30, 2019 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits – Cash	\$ 4,420,787	\$ -0-
Investments:		
Money market investment pools	695,652	-0-
U.S. Treasury securities	-0-	4,925,375
Mortgage backed securities	-0-	4,109,474
Certificates of deposits	<u>-0-</u>	<u>1,442,582</u>
Total investments	<u>695,652</u>	<u>10,477,431</u>
Total	<u>\$ 5,116,439</u>	<u>\$ 10,477,431</u>

The Trust's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits – The Trust maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses. At June 30, 2020 and 2019, the Trust had \$8,807,729 and \$4,170,787, respectively, of checking account deposits that were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At times such deposits may be in excess of the FDIC insurance limit.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2. Deposits and Investments (Continued)

At June 30, 2020 and 2019, the Trust had the following weighted average maturities of debt securities by investment type:

Investment Type	2020		2019	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 5,876,183	1.40	\$ 4,925,375	1.33
Mortgage backed securities	4,089,062	2.23	4,109,474	1.93
Certificates of deposits	1,490,903	1.95	1,442,582	2.89

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations. In accordance with the Trust's investment policy, the Trust may invest in obligations of the U.S. Government and its Agencies and certificates of deposits.

At June 30, 2020 and 2019, the credit quality ratings of debt securities by investment type are as follows:

Investment Type-Rating	Fair Value 2020	Fair Value 2019
U.S. Agencies and pass-throughs:		
AAA	\$ 9,965,245	\$ 9,034,849
Not rated	1,490,903	1,442,582
Total	<u>\$ 11,456,148</u>	<u>\$ 10,477,431</u>

The rating organizations used by the Trust to rate its investments were Moody's and Standard and Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust places no limit on the amount it may invest in any one issuer.

At June 30, 2020 and 2019, the Trust had investments in issuers greater than 5 percent of total investments as follows:

	2020		2019	
	Amount	Percentages	Amount	Percentages
U.S. Treasury Securities	\$ 5,876,183	51%	\$ 4,925,375	46%
Certificates of Deposits	1,490,903	13	1,442,582	14
Federal National Mortgage Assoc.	1,327,945	12	974,378	9
Federal Farm Credit Banks	143,167	1	1,030,347	10
Federal Home Loan Banks	2,090,080	18	1,626,327	16
Federal Home Loan Mortgage Corp.	527,870	5	478,422	5
Total	<u>\$11,456,148</u>	<u>100%</u>	<u>\$10,477,431</u>	<u>100%</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2. Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The Trust had no foreign currency risk as of June 30, 2020.

Note 3. Fair Value Measurements
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The Trust 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 assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of June 30, 2020 and 2019, there are no Level 3 assets or liabilities.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The carrying amounts reflected in the statement of net position for cash and cash equivalents, member contributions and other receivables, accrued investment income, prepaid insurance, accounts payable and accrued expenses and deferred contribution revenue approximate the respective fair values due to the short maturities of those instruments.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 3. Fair Value Measurements (Continued)

The Trust has the following recurring fair value measurements as of June 30, 2020:

Description:	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
U.S. Treasury securities	\$ 5,876,183			\$ 5,876,183
Mortgage-backed/ Collateralized mortgage- backed securities		\$ 4,089,062		4,089,062
Certificates of deposits	1,490,903			1,490,903
Total assets	<u>\$ 7,367,086</u>	<u>\$ 4,089,062</u>	<u>\$ -0-</u>	<u>\$ 11,456,148</u>

The Trust has the following recurring fair value measurements as of June 30, 2019:

Description:	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
U.S. Treasury securities	\$ 4,925,375			\$ 4,925,375
Mortgage-backed/ Collateralized mortgage- backed securities		\$ 4,109,474		4,109,474
Certificates of deposits	1,442,582			1,442,582
Total assets	<u>\$ 6,367,957</u>	<u>\$ 4,109,474</u>	<u>\$ -0-</u>	<u>\$ 10,477,431</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 3. Fair Value Measurements (Continued)

The following summarizes the valuation method used in determining fair value measurements:

Level 1 Measurements

The fair value of U.S. Treasury securities and certificates of deposits is determined using prices quoted in active markets for those securities.

Level 2 Measurements

The fair value of mortgage-backed/collateralized mortgage-backed securities is determined by using other observable inputs, such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals.

Note 4. Claims and Claim Adjustment Expense Reserves

For known claims existing at June 30, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, claim frequency and severity, and other 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 on other factors that are considered to be appropriate modifiers of past experience. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which the adjustments are made.

The following represents changes in claims and claim adjustment expense reserves for the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unpaid Claims and Claim Adjustment Expense Liability -		
Beginning of Year	<u>\$10,500,000</u>	<u>\$20,800,000</u>
Incurred Claims and Claim Adjustment Expenses		
Provision for insured events of the current fiscal year	84,340,055	88,034,340
Rx net refunds	(3,177,753)	(1,248,997)
Lag adjustments to Medical claims	-0-	-0-
APL Claim reimbursement	-0-	(115,023)
Change in provision for insured events of prior fiscal years	<u>(2,425,483)</u>	<u>3,518,056</u>
Total incurred claims and claim adjustment expense	<u>78,736,819</u>	<u>90,188,376</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4. Claims and Claim Adjustment Expense Reserves (Continued)

	<u>2020</u>	<u>2019</u>
Payments		
Claims and claim adjustment expenses attributable to		
Insured events of the current fiscal year	78,218,148	77,884,966
Rx net refunds	(3,177,753)	(1,248,997)
Lag adjustments to Medical claims	-0-	-0-
APL Claim reimbursement	-0-	(115,023)
Claims and claim adjustment expenses attributable to		
insured events of the prior fiscal year	<u>7,896,424</u>	<u>23,967,430</u>
Total payments	<u>82,936,819</u>	<u>100,488,376</u>
Unpaid Claims and Claim Adjustment Expense Liability –		
End of Year	<u>\$ 6,300,000</u>	<u>\$ 10,500,000</u>

Reserves for claims and claim adjustment expenses attributable to covered events in prior years changed as a result of re-estimation of unpaid claims and claim adjustment expenses. This change is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 5. Reinsurance

The Trust purchases excess loss reinsurance to mitigate the risk of extremely large claims for individual participants. The reinsurer will reimburse the Trust to the extent that claims paid on behalf of an individual participant exceed \$600,000, after the aggregate amount of claims over \$600,000 for one or more individuals exceeds \$400,000. Reinsurance premiums totaled \$520,925 and \$542,020 for the years ended June 30, 2020 and 2019, respectively. The Trust was not eligible for reimbursement under the excess loss policy for either year. Effective July 1, 2019, the Trust moved its reinsurance from Aetna Life Insurance Company to HCC Life Insurance Company with the same level of reinsurance coverage.

Note 6. Administrative Fees

The third party administrators (TPA's) earn fees as Administrators of the Trust through agreements with the Board of Managers of the Trust. The agreements provide that the TPA's are responsible for various duties as indicated in Note 1. Administrative fees for the years ended June 30, 2020 and 2019 were \$3,171,817 and \$2,150,222, respectively. During fiscal year 2019, the Trust benefited from a \$1 million negotiated credit on administrative fees for making the move to BCBSIL.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 7. Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Trust's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The outbreak may have a continued material adverse impact on the economic and market conditions, triggering a period of economic slowdown. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Trust is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

The Trust evaluates events and transactions that occur subsequent to year-end for potential recognition or disclosure in the financial statements through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS

CLAIMS DEVELOPMENT INFORMATION
FISCAL AND POLICY YEARS ENDED JUNE 30 (UNAUDITED)
(IN THOUSANDS OF DOLLARS)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1) Required contribution and investment revenue:										
Earned	\$ 96,431	\$ 102,043	102,238	91,066	86,496	83,693	93,182	99,853	100,395	103,526
Ceded	5,136	5,231	5,602	5,203	5,407	6,896	19,340	8,846	6,512	6,491
Net	91,295	96,812	96,636	85,863	81,089	76,797	73,842	91,007	93,883	97,035
2) Unallocated expenses	395	449	409	513	1,584	957	679	1,822	2,258	2,258
3) Estimated claims and expenses, end of policy year										
Incurred	101,726	91,819	85,918	84,906	81,137	75,688	79,477	81,213	99,371	83,806
Ceded	1,629	(188)	-0-	184	297	178	-0-	-0-	-0-	-0-
Net	100,097	92,007	85,918	84,722	80,840	75,510	79,477	81,213	99,371	83,806
4) Paid (cumulative) as of:										
End of policy year	86,817	81,689	73,302	70,898	75,778	62,351	71,372	60,622	77,770	78,218
One year later	94,518	91,320	82,034	76,240	81,711	74,106	85,222	84,419	84,848	
Two years later	94,483	91,370	82,118	76,266	81,744	74,260	85,392	84,931		
Three years later										
5) Reestimated ceded claims and expenses	1,629	(188)	-0-	184	297	178	-0-	-0-	-0-	-0-
6) Reestimated net incurred claims:										
End of policy year	100,098	92,007	85,918	84,722	80,840	75,510	79,477	81,213	99,371	83,806
One year later	94,518	91,320	82,034	76,240	81,711	74,106	85,222	84,419	84,848	
Two years later	94,483	91,370	82,118	76,266	81,744	74,260	85,392	84,931		
Three years later										
7) (Decrease) increase in estimated net incurred claims	(100,097)	(92,007)	(85,918)	(8,456)	904	(1,250)	5,915	3,718	(14,523)	-0-

See Notes To Financial Statements.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
BELLEVILLE, ILLINOIS**

**STATEMENT OF RECONCILIATION OF UNPAID CLAIMS
AND CLAIM ADJUSTMENT EXPENSE LIABILITY
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
Unpaid Claims and Claim Adjustment Expense Liability - Beginning of Year	\$ 10,500,000	\$ 20,800,000
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	84,340,055	88,034,340
Rx net refunds	(3,177,753)	(1,248,997)
Lag adjustments to medical claims	-0-	-0-
APL claim reimbursement	-0-	(115,023)
Change in provision for insured events of prior fiscal years	(2,425,483)	3,518,056
Total Incurred Claims and Claim Adjustment Expense	78,736,819	90,188,376
Payments		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	78,218,148	77,884,966
Rx net refunds	(3,177,753)	(1,248,997)
Lag adjustments to medical claims	-0-	-0-
APL claim reimbursement	-0-	(115,023)
Claims and claim adjustment expenses attributable to insured events of the prior fiscal year	7,896,424	23,967,430
Total Payments	82,936,819	100,488,376
Unpaid Claims and Claim Adjustment Expense Liability - End of year	\$ 6,300,000	\$ 10,500,000