

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

**AUDITED FINANCIAL STATEMENTS FOR  
THE YEARS ENDED JUNE 30, 2010 AND 2009**

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

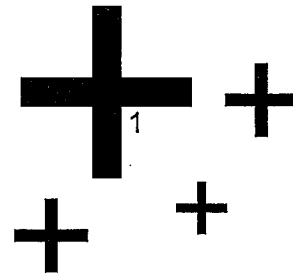
**TABLE OF CONTENTS**

---

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Net Assets Available for Benefits	3
Statements of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5 - 11
SUPPLEMENTAL INFORMATION	
Schedule of OPEB Funding Progress	13
Schedule of Employer Contributions	14
Claims Development Information	15

# RICE SULLIVAN

+ company



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of net assets available for benefits of Egyptian Area Schools Employee Benefit Trust as of June 30, 2010 and 2009 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Egyptian Area Schools Employee Benefit Trust as of June 30, 2010 and 2009, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of funding progress, employer contributions and claims development information together referred as "supplemental information" are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This supplemental information is the responsibility of the Plan's Management. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Rice, Sullivan & Co., Ltd.*

Swansea, Illinois  
February 22, 2011

Rice, Sullivan & Co., Ltd. Certified Public Accountants

3121 N. Illinois St. | Suite A | Swansea, IL 62226 | 618.233.0186 | www.rscsco.net

**FINANCIAL STATEMENTS**

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

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
JUNE 30, 2010 AND 2009**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<b>Investments - At Fair Value</b>		
U.S. Government securities and agencies	\$ 9,045,442	\$ 16,356,839
Corporate bonds and debentures	175,742	-0-
<b>Total Investments</b>	<u>9,221,184</u>	<u>16,356,839</u>
<b>Receivables</b>		
Membership contributions	207,240	409,527
Accrued interest income	74,478	179,688
Other receivables	1,231,860	129,142
<b>Total Receivables</b>	<u>1,513,578</u>	<u>718,357</u>
<b>Cash</b>		
Checking account	1,271,342	-0-
Money Market account	406,752	4,891,914
Certificate of Deposits	352,768	700,000
<b>Total Cash</b>	<u>2,030,862</u>	<u>5,591,914</u>
<b>Other Assets</b>		
Prepaid insurance	5,641	5,641
<b>Total Assets</b>	<u>12,771,265</u>	<u>22,672,751</u>
<u>LIABILITIES</u>		
Checking account deficit	-0-	1,572,947
Deferred contribution revenue	2,920,154	977,530
Due to brokers	175,752	-0-
Accrued expenses	35,640	58,376
Claims reserve	10,500,000	9,500,000
<b>Total Liabilities</b>	<u>13,631,546</u>	<u>12,108,853</u>
<b>Net Assets Available for Benefits</b>	<u>\$ (860,281)</u>	<u>\$ 10,563,898</u>

See Notes To Financial Statements.

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

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Additions to Net Assets Attributed to</b>		
Contributions		
Membership contributions	\$ 85,220,613	\$ 74,394,452
	<u>85,220,613</u>	<u>74,394,452</u>
Investment Income		
Net appreciation in fair value of investments	20,234	289,462
Interest	528,174	710,691
	<u>548,408</u>	<u>1,000,153</u>
Miscellaneous		
Insurance proceeds	702,846	38,007
	<u>702,846</u>	<u>38,007</u>
<b>Total Additions</b>	<u>86,471,867</u>	<u>75,432,612</u>
<b>Deductions From Net Assets Attributed to</b>		
Claims paid by Trust (net of refunds)	88,441,441	72,018,089
Group insurance premiums	4,510,716	4,155,547
Change in claims reserve	1,000,000	300,000
Administrative fees	2,148,441	1,856,085
Healthlink expense	795,169	707,376
Audit fees	33,093	32,867
Actuarial fees	128,333	109,230
Legal fees	70,535	66,922
Other consulting fees	57,917	58,135
Bank trust fees	67,418	75,376
Insurance	7,521	7,257
Chairman reimbursement - administration	3,855	4,182
Miscellaneous	40,056	118,002
Printing and postage	176	-0-
Bank charges	30,140	16,452
Bad debt expense	561,235	-0-
	<u>97,896,046</u>	<u>79,525,520</u>
<b>Total Deductions</b>	<u>97,896,046</u>	<u>79,525,520</u>
<b>Net Increase (Decrease) During Year</b>	(11,424,179)	(4,092,908)
<b>Net Assets Available for Benefits, Beginning of Year</b>	10,563,898	14,656,806
<b>Net Assets Available for Benefits, End of Year</b>	<u>\$ (860,281)</u>	<u>\$ 10,563,898</u>

See Notes To Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

---

<b>Note 1. Description of Plan</b>
------------------------------------

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

*General.* The Plan 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 Plan is a cost-sharing multiple-employer defined benefit health care plan that offers medical benefits to participating school districts in the State of Illinois administered by the Board of Managers of the Plan. The Plan agreement establishing the Plan provides that contribution requirements are established and may be amended by the Board of Managers of the Plan. The Board of Managers of the Plan sets the contribution rates each year based on an actuarial valuation. The Trust's actuary has determined that the Plan has no unfunded Actuarial Accrued Liability (UAAL) and that the current contribution rates are not less than the Annual Required Contribution (ARC).

*Benefits.* Health costs incurred by participants and their dependents are partially covered by a stop-loss insurance policy detailed in Note 4 maintained by the Plan. Health costs, prescription and some dental benefits are self-funded. Life, accidental death and dismemberment, vision and some 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.

Health, claims of active and retired participants, dependents, and beneficiaries are processed by Meritain Health, but the responsibility for payments to participants and providers is retained by the Plan.

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 Plan on July 1, 1986.

*Termination Priorities.* It is the intent of the Board of Managers to continue the Plan 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 plan 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 Plan. 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 Plan. Termination shall not permit any part of the Plan to be used for or diverted to purposes other than the exclusive benefit of the participants.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**Note 1. Description of Plan (Continued)**

*Membership Contributions.* Each of the 169 participating school districts contributes premiums based on the coverages requested by their employees. The contribution rates are adjusted annually on the 1<sup>st</sup> day of September of each plan year. As of June 30, 2010, participating Districts were contractually required to contribute at the following monthly rates for active and retired employees and dependents.

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

	Platinum Plan	Gold Plan	Silver Plan	Bronze Plan
Employee	\$488	\$440	\$380	\$324
Employee + spouse	\$1,006	\$908	\$788	\$666
Employee + child(ren)	\$972	\$876	\$760	\$654
Family	\$1,084	\$976	\$848	\$720

The only additional possible assessment to each district is a withdrawal liability that would be charged to any member district leaving the Plan at a time when the Plan experiences a deficit fund balance. The number of active employees and retirees enrolled in the Plan at June 30, 2010 and 2009 was 11,245 and 10,590 with a total enrollment including dependents of 18,731 and 20,184, respectively. The enrolled participants at June 30, 2010 and 2009 includes retirees receiving benefits totaling 190 and 178, respectively.

**Note 2. Summary of Significant Accounting Policies**

- a. The financial statements have been prepared using the accrual basis of accounting.
- b. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.
- c. Membership contributions are due on the first day of each month. Membership contribution receivable represents unpaid contributions due to the trust. Deferred contribution revenue represents contributions paid before the due date.
- d. Stop-loss insurance receivable represents reimbursements due the trust for benefits paid on behalf of individual participants in excess of the annual limit.
- e. Investments are carried at fair value or contract value, which generally represents quoted market price as of the last business day of the year.



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**Note 2. Summary of Significant Accounting Policies (Continued)**

- f. The liability for claims incurred but not reported and claims payable was estimated by the Plan's consulting actuaries based on claims and payment data in the files of the Plan.

**Note 3. Tax Status**

The Internal Revenue Service has advised that the Plan qualifies under Section 501(c)(9) of the Internal Revenue Code and accordingly net investment income is exempt from income tax. The trust has obtained a favorable tax determination letter from the Internal Revenue Service, and the Plan sponsor believes that the trust, as amended, continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code.

**Note 4. Stop-Loss Insurance**

An agreement is in effect with QBE Insurance Corporation for excess loss reinsurance. Under that agreement the reimbursement was for benefits paid on behalf of an individual participant in excess of \$275,000 annually with a \$850,000 annual aggregate deductible, up to a maximum lifetime limit of \$4,725,000 per covered person.

**Note 5. Fair Value Measurements**

The Plan's Investments are reported at fair value in the accompanying statement of net assets available for benefits.

Fair Value Measurements Using:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1 )</u>
<u>June 30, 2010</u>		
U.S Government securities and agencies	\$ 9,045,442	\$ 9,045,442
Corporate bonds and debentures	<u>175,742</u>	<u>175,742</u>
Total	<u>\$ 9,221,184</u>	<u>\$ 9,221,184</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

<b>Note 5. Fair Value Measurements (Continued)</b>
--

June 30, 2009

U.S. Government securities and agencies	\$ 16,356,839	\$ 16,356,839
Corporate bonds and debentures	-0-	-0-
<b>Total</b>	<b><u>\$ 16,356,839</u></b>	<b><u>\$ 16,356,839</u></b>

The standards establish a *Fair Value Measurement* hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority.

The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Plan has no Level 2 or Level 3 investments at June 30, 2010 and 2009.

Level 1 Fair Value Measurements

The fair value of the pooled separate accounts is based on quoted net asset values of shares held by the Plan at year-end. The fair values of common stock, corporate bonds, and U.S. Government securities are based on quoted market prices.

Level 2 Fair Value Measurements

The fair value of certain corporate bonds and debentures for which quoted market price are not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Level 3 Fair Value Measurements

Investment contracts with insurance companies and participant loans are not actively traded and significant other observable inputs are not available. Thus, the fair value of an investment contract is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations, and the fair value of participant loans is equal to the amortized cost of the loans because the loans are secured by each respective participant's account balance.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**Note 6. Investments**

The Plan's investments are held by a bank-administered trust fund. During fiscal year 2010 and 2009, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by \$20,234 and \$289,462, respectively, as follows:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	Net Increase (Decrease) In Fair Value During Year	Fair Value at End of Year	Net Increase (Decrease) In Fair Value During Year	Fair Value at End of Year
Fair Value as Determined by				
Quoted Market Price:				
U.S. Government securities and agencies	\$ 20,244	\$ 9,045,442	\$ 272,827	\$ 16,356,839
Corporate bonds and debentures	<u>(10)</u>	<u>175,742</u>	<u>16,635</u>	<u>-0-</u>
	<u>\$ 20,234</u>	<u>\$ 9,221,184</u>	<u>\$ 289,462</u>	<u>\$ 16,356,839</u>

The Trust has no investments that represent 5 percent or more of total Plan assets.

**Note 7. Administrative Fees**

Meritain Health earns a fee as Administrator of the Plan through an agreement with the Board of Managers of the Plan. The agreement provides that Meritain Health is responsible for billing member employers, processing claims and performing other administrative duties. Fees for the year ended June 30, 2010 consisted of the following:

The sum of \$14.10 per month per employee covered under the Plan for July and August 2009, and \$14.95 per month per employee covered under the plan for September 2009 through June 2010.

**Note 8. Claims Reserve**

Claims reserve is actuarially calculated and based on the historical paid claim development of the Plan. 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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

---

**Note 8. Claims Reserve (Continued)**

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 Plan'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 month are not large enough to produce credible claim estimates using claim development factors, the incurred claim estimate for the most recent few months is based on alternative methods, such as trends or average claims per member per month.

**Note 9. Risks and Uncertainties**

The Plan's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Plan places its cash with a high credit quality institution. At times such deposits may be in excess of the FDIC insurance limit.

The Plan 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 statement of net assets available for benefits.

The actuarial present value of the claims reserve is reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Note 10. Other Post Employment Benefits (OPEB)**

The Egyptian Area Schools Employee Benefit Trust is a cost-sharing multiple-employer defined benefit health care plan which provides medical benefits for both active employees and retired employees. The actuary for the Plan has determined that the Plan has no unfunded actuarial accrued liability (UAAL) for other post employment benefits (OPEB). The attached Schedule of Funding Progress includes information about the funded status of the Plan for the most recent actuarial valuation date, July 1, 2007. Information about actuarial methods and assumptions used in the valuation is provided below.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST  
BELLEVILLE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

---

**Note 10. Other Post Employment Benefits (OPEB) (Continued)**

The calculations are based on the benefits provided under the terms of the Plan in effect at the time of the valuation and on the pattern of contributions to that point. The actuarial calculations reflect a long-term perspective.

Actuarial cost method – Projected Unit Credit Actuarial Cost Method

Actuarial value of assets – fair market value

Inflation rate equal to trend – 9.5% graded to 5.5% by 2013

Discount rate – 4.5%

Projected salary increases – not relevant to the level of benefits or contributions

Amortization method – level dollar amortized over 30 years

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

**SUPPLEMENTAL INFORMATION**

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

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB FUNDING PROGRESS (UNAUDITED)  
ACTUARIAL VALUATION DATE – JULY 1, 2007**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/10	\$ (860,281)	\$ (2,341,156)	\$ (1,480,875)	>100%	N/A	N/A
6/30/09	\$ 10,563,898	\$ (2,341,156)	\$ (12,905,054)	>100%	N/A	N/A
6/30/08	\$ 14,656,806	\$ (2,341,156)	\$ (16,997,962)	>100%	N/A	N/A
6/30/07	\$ 11,324,823	\$ (2,341,156)	\$ (13,665,979)	>100%	N/A	N/A

See Notes to Financial Statements

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST  
BELLEVILLE, ILLINOIS

SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)  
JUNE 30, 2010

---

<u>Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>Required Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2010	\$85,220,613	100%
2009	\$74,394,452	100%
2008	\$68,027,963	100%
2007	\$64,666,290	100%

See Notes to Financial Statements



EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST  
BELLEVILLE, ILLINOIS

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Required contribution and investment revenue:</b>													
Earned	\$ 31,100	\$ 32,740	\$ 36,888	\$ 44,031	\$ 48,545	\$ 51,056	\$ 53,724	\$ 55,758	\$ 59,060	\$ 65,686	\$ 69,207	\$ 75,433	\$ 86,472
Ceded	1,219	1,446	2,067	2,029	2,014	2,856	3,465	3,422	3,278	3,458	3,855	4,156	4,511
Net earned	29,881	31,294	34,801	42,002	46,531	48,200	50,259	52,336	55,782	62,228	65,352	71,277	81,961
<b>Unallocated expenses</b>	244	247	230	338	265	267	339	429	382	630	351	488	439
<b>Estimated claims and expenses, end of policy year</b>													
Incurred	32,104	33,914	40,342	46,801	47,782	45,880	45,062	46,108	52,610	60,189	61,669	74,582	93,039
Ceded	288	447	219	243	835	825	21	-0-	41	-0-	-0-	-0-	-0-
Net incurred	31,816	33,467	40,123	46,558	46,947	45,055	45,041	46,108	52,569	60,189	61,669	74,582	93,039
<b>Paid (cumulative) as of:</b>													
End of policy year	25,866	24,563	31,905	34,048	35,114	39,041	38,073	39,157	44,124	50,378	52,863	64,088	77,429
One year later	32,413	33,324	38,576	47,016	42,283	44,336	43,405	45,427	50,607	56,545	60,954	75,721	
Two years later	32,444	33,373	38,637	46,813	42,300	44,434	43,454	45,402	50,567	56,501	60,998		
Three years later	32,444	33,373	38,637	46,811	42,299	44,434	43,453	45,402	50,567	56,501			
<b>Reestimated ceded claims and expenses</b>	288	447	219	243	835	825	21	-0-	41	-0-	-0-	-0-	-0-
<b>Reestimated incurred claims:</b>													
End of policy year	31,816	33,467	40,123	46,558	46,947	45,055	45,041	46,108	52,569	60,189	61,669	74,582	-0-
One year later	32,413	33,324	38,576	47,016	42,283	44,336	43,405	45,427	50,607	56,545	60,954	75,721	
Two years later	32,444	33,373	38,637	46,813	42,300	44,434	43,454	45,402	50,567	56,501	60,998		
Three years later	32,444	33,373	38,637	46,811	42,299	44,434	43,453	45,402	50,567	56,501			
<b>Increase in estimated incurred claims</b>	628	(94)	(1,486)	253	(4,648)	(621)	(1,588)	(706)	(2,002)	(3,688)	(671)	1,139	-0-