

**EGYPTIAN AREA SCHOOLS
EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**FINANCIAL STATEMENTS WITH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

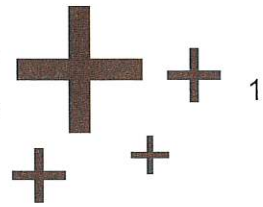
**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

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RICE SULLIVAN, LLC

Certified Public Accountants



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Egyptian Area Schools Employee Benefit Trust as of and for the years ended June 30, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Egyptian Area Schools Employee Benefit Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Egyptian Area Schools Employee Benefit Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Egyptian Area Schools Employee Benefit Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Egyptian Area Schools Employee Benefit Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Claims Development Information and Statement of Reconciliation of Unpaid Claims and Claim Adjustment Expense Liability on pages 6-10,30 and 31 be presented to supplement the basic financial statements. Such information is the responsibility

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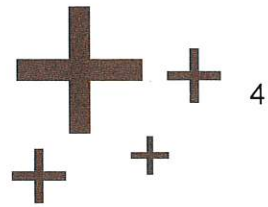
of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, 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 solely 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 12, 2023



**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
Loves Park, 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, 2023 and 2022, 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 12, 2023.

Report on 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, 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 or significant deficiencies may exist that were not identified.

Report on 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 12, 2023

Management's Discussion and Analysis (M D & A)**June 30, 2023****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, 2023 and 2022.

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 30-31.

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. Beginning effective September 1, 2017, HealthSCOPE has served as the Trust's TPA. HealthSCOPE provides 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.

Beginning effective March 1, 2019, the Trust has contracted 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 (acquired by UMR) 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.

Financial Overview and Highlights

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

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$11,924,856	\$5,593,713
Investment securities – At fair value	-0-	6,185,128
Prescription drug rebates	1,042	-0-
Other assets	<u>169,522</u>	<u>34,491</u>
Total Assets	<u>12,095,420</u>	<u>11,813,332</u>
Liabilities		
Deferred contribution revenue	2,080,807	3,232,360
Deferred withdrawal fees	-0-	18,222

Claims and claim adjustment expense reserves	6,400,000	8 11,200,000
Accounts payable and accrued expenses	<u>1,092,316</u>	<u>1,719,421</u>
Total Liabilities	<u>9,573,123</u>	<u>16,170,003</u>
Net Position - Unrestricted	<u>\$2,522,297</u>	<u>\$(4,356,671)</u>

Approximately 99% in 2023 and 99% in 2022 of total assets consist of cash, cash equivalents and investments. The Trust invests only in U.S. government and agency securities, certificates of deposits and money market funds.

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 claims 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 reduced the claims reserve by \$4.8 million, from \$11.2 million at June 30, 2022 to \$6.4 million at June 30, 2023. This adjustment was made to acknowledge the loss of covered lives over the course of the fiscal year.

During July through September 2022, the Trust incurred a rapid surge in claims due to increased utilization and higher unit cost, which resulted in a \$(8,563,726) reduction in fund balance as of August 31, 2022 since the start of the new fiscal year, leaving the Trust with assets of \$5,352,600 and liabilities totaling \$20,672,997, taking into account a reserve of \$16,000,000 for incurred but not received claims, for an overall fund balance of \$(15,320,397) as of August 31, 2022. The Trust Board of Managers approved a 13th premium payment for the month of September 2022, generating an infusion of cash of approximately \$8,100,000 in order to stabilize the Trust finances. As a result of these developments, twenty-six (26) districts provided notices to withdraw from the Trust, and three (3) districts elected to tether (i.e., obtain group health insurance via either the small employer market or utilizing ICHRA (Individual Coverage Health Reimbursement Arrangement) program while continuing to utilize the Trust's voluntary insurance offerings).

At June 30, 2023, the Trust had 81 member school districts, representing **4,403** covered employees and retirees and a total of **7,111** covered members, including dependents. At June 30, 2022, the Trust had 110 member school districts, representing **8,176** covered employees and retirees and a total of **14,300** covered members, including dependents.

The net position improved by \$6,878,968 from June 30, 2022 to June 30, 2023 of which it received \$4,479,780 in withdrawal liability payments. Membership and claims utilization have stabilized after the previous year's higher than anticipated claims and the loss of several districts.

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

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Member contributions	\$88,960,400	\$103,864,556
Reinsurance recoveries	291,365	-0-
Reinsurance premium expense	<u>(450,518)</u>	<u>(603,734)</u>
Total Operating Revenue	<u>88,801,247</u>	<u>103,260,822</u>

Operating Expenses		
Claims paid by Trust (net of refunds)	76,579,393	103,624,684
Insurance premiums	4,186,552	5,672,424
Change in claims reserve	(4,800,000)	700,000
Administrative fees and expenses	<u>6,056,151</u>	<u>7,920,380</u>
Total Operating Expenses	<u>82,022,096</u>	<u>117,917,488</u>
Operating Income (Loss)	<u>6,779,151</u>	<u>(14,656,666)</u>
Nonoperating Revenue (Expenses)		
Investment earnings – Interest and dividends	108,376	163,063
Net realized and unrealized gains (losses)	<u>(8,559)</u>	<u>(480,554)</u>
Total Nonoperating Revenue (Expenses)	<u>99,817</u>	<u>(317,491)</u>
Change in Net Position	<u>\$6,878,968</u>	<u>\$(14,974,157)</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 \$450,518 and \$603,734 for the years ended June 30, 2023 and June 30, 2022, respectively. The Trust was eligible for reimbursements under the excess loss policy for the year ended June 30, 2023 in the amount of \$291,365. Reimbursements totaling \$149,014 were received during the month of June 2023. The remainder of the reimbursements were received in August 2023 and September 2023. The Trust was not eligible for reimbursements for the year ended June 30, 2022. HCC Life Insurance Company is the Trust's reinsurance carrier.

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 \$(8,559) and \$(480,554) for the years ended June 30, 2023 and June 30, 2022, respectively.

Total operating expenses of the Trust decreased \$35,895,392 mostly due to the reduced participation resulting from district withdrawals from the Trust.

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. Beginning in 2017, rather than have uniform contribution rates for all participating employers, the contribution rate for each employer has been determined based on the employer's experience. To determine rates, an employer's loss ratio over the recent 2-year period (2½ - year period prior to 2020), excluding shock claims, was taken into account as one factor in setting premium rate increases. In addition, some districts were awarded premium rate reductions based on consistent superior performance over the last 1, 2 and 3-year periods. The rate increases effective September 1, 2023 ranged from 3% - 17%, with an overall rate increase of 9.56%. 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 marketplace.

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
Egyptian Area Schools Employee Benefit Trust
P.O. Box 2034
Loves Park, IL 61130-0034

BASIC FINANCIAL STATEMENTS

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 11,924,856	\$ 5,593,713
Investment securities - At fair value	-0-	6,185,128
Member contributions receivable	-0-	-0-
Reinsurance receivable	142,351	-0-
Other receivable	-0-	969
Prescription drug rebates	1,042	-0-
Accrued investment income	20,944	27,295
Prepaid insurance	6,227	6,227
	<u>12,095,420</u>	<u>11,813,332</u>
 Total current assets	 <u>12,095,420</u>	 <u>11,813,332</u>
 Total assets	 <u>12,095,420</u>	 <u>11,813,332</u>
Current Liabilities		
Accounts payable and accrued expenses	1,092,316	1,719,421
Claims and claim adjustment expense reserves	6,400,000	11,200,000
Deferred contribution revenue	2,080,807	3,232,360
Deferred withdrawal fees	-0-	18,222
	<u>9,573,123</u>	<u>16,170,003</u>
 Total liabilities	 <u>9,573,123</u>	 <u>16,170,003</u>
 Net Position - Unrestricted	 <u><u>\$ 2,522,297</u></u>	 <u><u>\$ (4,356,671)</u></u>

See Notes To Basic Financial Statements.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Operating Revenue		
Member contributions	\$ 88,960,400	\$ 103,864,556
Reinsurance recoveries	291,365	-0-
Reinsurance premium expense	(450,518)	(603,734)
Total operating revenue	88,801,247	103,260,822
Operating Expenses		
Claims paid by Trust (net of refunds)	76,579,393	103,624,684
Change in claims reserve	(4,800,000)	700,000
Total claims and claim adjustment expenses	71,779,393	104,324,684
Group insurance premiums	4,186,552	5,663,084
Administrative fees	2,068,801	2,930,038
PPO network expense	2,974,467	3,748,453
Audit fees	43,667	41,245
Actuarial fees	43,611	48,635
Legal fees	114,177	85,994
Other consulting fees	710,579	953,234
Bank trust fees	8,137	37,759
Insurance	9,340	9,340
Chairman reimbursement - administration	3,600	3,600
Miscellaneous	73,611	65,075
Bank charges	6,161	6,347
Total operating expenses	82,022,096	117,917,488
Operating Income (Loss)	6,779,151	(14,656,666)
Nonoperating Revenue (Expenses)		
Investment earnings - Interest and dividends	108,376	163,063
Net realized gains (losses) on investments	(248,382)	(67,719)
Net unrealized gains (losses) on investments	239,823	(412,835)
Total nonoperating revenue (expenses)	99,817	(317,491)
Change in Net Position	6,878,968	(14,974,157)
Net Position - Beginning of year	(4,356,671)	10,617,486
Net Position - End of year	\$ 2,522,297	\$ (4,356,671)

See Notes To Basic Financial Statements.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from members	\$ 87,790,625	\$ 103,784,201
Cash received from reinsurance recoveries	149,014	-0-
Cash paid for claims	(76,579,466)	(103,616,863)
Cash paid for group insurance premiums	(4,186,552)	(5,663,084)
Cash paid for reinsurance premiums	(450,518)	(603,734)
Cash paid for administrative and general expenses	(6,683,256)	(7,336,394)
Net cash provided by (used in) operating activities	<u>39,847</u>	<u>(13,435,874)</u>
Cash Flows from Investing Activities		
Investment income received	114,727	188,393
Purchase of investments	(5,878)	(2,827,100)
Proceeds from sales and maturities of investments	6,182,447	10,434,679
Net cash provided by (used in) investing activities	<u>6,291,296</u>	<u>7,795,972</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,331,143	(5,639,902)
Cash and Cash Equivalents - Beginning of year	<u>5,593,713</u>	<u>11,233,615</u>
Cash and Cash Equivalents - End of year	<u>\$ 11,924,856</u>	<u>\$ 5,593,713</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
A reconciliation of operating income to net cash provided by operating activities is as follows:		
Operating income	\$ 6,779,151	\$ (14,656,666)
Adjustments to reconcile operating income to net cash from operating activities:		
(Increase) decrease in assets:		
Member contributions receivable	-0-	-0-
Reinsurance receivable	(142,351)	-0-
Other receivable	969	(969)
Prescription drug rebates	(1,042)	8,790
Prepaid insurance	-0-	-0-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(627,105)	593,326
Claims and claim adjustment expense reserves	(4,800,000)	700,000
Deferred contribution revenue	(1,151,553)	(98,577)
Deferred withdrawal fees	(18,222)	18,222
Net cash provided by (used in) operating activities	\$ 39,847	\$ (13,435,874)

Supplemental Disclosure of Cash Flow Information -

Noncash investing activities - Net unrealized gains (losses) and amortization on investments	\$ 239,823	\$ (412,835)
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**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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).

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.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

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 fund balance.

Enrollment Participants - The number of active employees and retirees enrolled in the Trust at June 30, 2023 and 2022 was 4,403 and 8,176 with a total enrollment including dependents of 7,111 and 14,300, respectively.

Administration of Trust - The Trust contracts with a third party administrator (TPA) and other service providers to administer the Trust. Beginning effective September 1, 2017, HealthSCOPE has served as the Trust's TPA. HealthSCOPE provides 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.

Beginning effective March 1, 2019, the Trust has contracted 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 (acquired by UMR) 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.

Summary of Significant Accounting Policies

The financial statements of the Trust have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Trust's significant accounting policies are described below.

- A. **Reporting Entity** – The reporting entity has been defined in accordance with GASB Statement No. 14, *"The Financial Reporting Entity"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No. 14 and No. 34"*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the trust are not misleading. On this basis, no governmental organizations other than the Trust itself are included in the financial reporting entity.

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

- B. **Basis of Presentation** – The Trust’s basic financial statements consist of statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows. The Trust uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and cash flows.
- C. **Measurement Focus** – Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. Statement of revenue, expenses and change in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.
- D. **Basis of Accounting** – As stated above, basis of accounting determines when transactions are recorded in the financial records and reported in the basic financial statements. The Trust’s basic financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from the nonexchange transactions, in which the Trust’s receives value without directly giving equal value in return, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Trust’s must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Trust on a reimbursement basis. Expenses are recognized at the time they are incurred.
- E. **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, 2023 and 2022. 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.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

- F. **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.

- G. **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.
- H. **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 statements of revenue, expenses, and changes in net position.

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LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

- I. **Deferred Contribution Revenue** – Deferred contribution revenue arises when amounts are received before revenue recognition criteria have been satisfied. Payments made by member districts before year end for invoiced insurance premiums for the period after year end are reported in this account.
- J. **Net Position** – Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Trust or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Trust applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

As of June 30, 2023 and 2022, the Trust had no net position considered to be restricted.

- K. **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, 2023, each of the 81 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 and 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.
- L. **Operating Revenues and Expenses** – 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.
- M. **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.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

- N. **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.
- O. **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 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, 2023 as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investment Securities</u>
Deposits – Cash	\$ 6,853,583	\$ -0-
Investments:		
Money market investment funds	5,071,273	-0-
U.S. Treasury securities	-0-	-0-
Mortgage backed securities	-0-	-0-
Certificates of deposits	-0-	-0-
Total investments	5,071,273	-0-
Total	<u>\$ 11,924,856</u>	<u>\$ -0-</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 2. Deposits and Investments (Continued)

Deposits and investments are reported in the basic financial statements for June 30, 2022 as follows:

	Cash and Cash Equivalents	Investment Securities
Deposits – Cash	\$ 4,572,613	\$ -0-
Investments:		
Money market investment funds	1,021,100	-0-
U.S. Treasury securities	-0-	2,936,352
Mortgage backed securities	-0-	2,777,665
Certificates of deposits	-0-	471,111
Total investments	1,021,100	6,185,128
Total	\$ 5,593,713	\$ 6,185,128

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, 2023 and 2022, the Trust had \$6,603,583 and \$4,322,613, 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
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 2. Deposits and Investments (Continued)

At June 30, 2023 and 2022, the Trust had the following weighted average maturities of debt securities by investment type:

Investment Type	2023		2022	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money Market Investment Funds	\$ 5,071,273	0.00	\$ 1,021,100	0.00
U.S. Treasury securities	-0-	N/A	2,936,352	1.65
Mortgage backed securities	-0-	N/A	2,777,665	1.56
Certificates of deposits	-0-	N/A	471,111	0.63

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, 2023 and 2022, the credit quality ratings of debt securities by investment type are as follows:

Investment Type-Rating	Fair Value 2023	Fair Value 2022
U.S. Agencies and pass-throughs:		
AAA	\$ -0-	\$ 5,714,017
Not rated	-0-	471,111
Total	\$ -0-	\$ 6,185,128

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, 2023 and 2022, the Trust had investments in issuers greater than 5 percent of total investments as follows:

	2023		2022	
	Amount	Percentages	Amount	Percentages
U.S. Treasury Securities	\$ -0-	-0-%	\$ 2,936,352	48%
Certificates of Deposits	-0-	-0-	471,111	8
Federal National Mortgage Assoc.	-0-	-0-	955,032	15
Federal Farm Credit Banks	-0-	-0-	67,771	1
Federal Home Loan Banks	-0-	-0-	1,176,135	19
Federal Home Loan Mortgage Corp.	-0-	-0-	578,727	9
Total	\$ -0-	-0-%	\$ 6,185,128	100%

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 or 2022.

Note 3. Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the basic financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. As of June 30, 2023 and 2022, 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.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 3. Fair Value Measurements (Continued)

The Trust has the following recurring fair value measurements as of June 30, 2023:

Description:	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	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, 2023
U.S. Treasury securities				\$ -0-
Mortgage-backed/ Collateralized mortgage- backed securities				-0-
Certificates of deposits	\$ -0-	\$ -0-		-0-
Total assets	\$ -0-	\$ -0-	\$ -0-	\$ -0-

The Trust has the following recurring fair value measurements as of June 30, 2022:

Description:	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	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, 2022
U.S. Treasury securities	\$ 2,936,352			\$ 2,936,352
Mortgage-backed/ Collateralized mortgage- backed securities		\$ 2,777,665		2,777,665
Certificates of deposits	471,111			471,111
Total assets	\$ 3,407,463	\$ 2,777,665	\$ -0-	\$ 6,185,128

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 3. Fair Value Measurements (Continued)

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

Level 1 Measurements

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

Level 2 Measurements

The fair values of mortgage-backed/collateralized mortgage-backed securities are 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unpaid Claims and Claim Adjustment Expense Liability -		
Beginning of Year	<u>\$11,200,000</u>	<u>\$ 10,500,000</u>
Incurred Claims and Claim Adjustment Expenses		
Provision for insured events of the current fiscal year	81,332,171	111,150,779
Rx net refunds	(7,103,671)	(7,387,285)
Audit adjustments to Medical claims	-0-	-0-
APL Claim reimbursement	-0-	-0-
Change in provision for insured events of prior fiscal years	<u>(2,279,073)</u>	<u>714,345</u>
Total incurred claims and claim adjustment expense	<u>71,949,427</u>	<u>104,477,839</u>

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

	<u>2023</u>	<u>2022</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	74,932,171	100,120,822
Rx net refunds	(7,103,671)	(7,387,285)
Audit adjustments to Medical claims	-0-	-0-
APL Claim reimbursement	-0-	-0-
Claims and claim adjustment expenses attributable to insured events of the prior fiscal year	<u>8,920,927</u>	<u>11,044,302</u>
Total payments	<u>76,749,427</u>	<u>103,777,839</u>
Unpaid Claims and Claim Adjustment Expense Liability –		
End of Year	<u>\$ 6,400,000</u>	<u>\$ 11,200,000</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 \$450,518 and \$603,734 for the years ended June 30, 2023 and 2022, respectively. For June 30, 2023, the Trust was eligible for reimbursement of the excess loss policy in the amount of \$291,365. For June 30, 2022, the Trust was not eligible for reimbursements. HCC Life Insurance Company is the Trust's reinsurance carrier.

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, 2023 and 2022 were \$2,068,801 and \$2,930,038, respectively.

**EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 7. Member Contributions

The following summarizes the components of member contributions for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Member contributions – Operating	\$ 84,480,620	\$ 103,848,151
Member contributions – Withdrawal Liability	<u>4,479,780</u>	<u>16,405</u>
Total Member Contributions	<u>\$ 88,960,400</u>	<u>\$ 103,864,556</u>

Note 8. Economic Uncertainty Contingencies

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.

Note 9. Subsequent Events

Management has evaluated events and transactions that occur subsequent to year-end for potential recognition or disclosure in the financial statements through December 12, 2023, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1) Required contribution and investment revenue:										
Earned	\$ 91,066	\$ 86,496	\$ 83,693	\$ 93,182	\$ 99,853	\$ 100,395	\$ 103,526	\$ 103,739	\$ 103,547	\$ 89,352
Ceded	5,203	5,407	6,896	19,340	8,846	6,512	6,491	6,539	6,267	4,592
Net	85,863	81,089	76,797	73,842	91,007	93,883	97,035	97,200	97,280	84,760
2) Unallocated expenses	513	1,584	957	679	1,822	2,258	1,511	1,350	1,251	1,013
3) Estimated claims and expenses, end of policy year										
Incurred	84,906	81,137	75,688	79,477	81,213	99,371	83,806	96,836	113,403	81,467
Ceded	184	297	178	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net	84,722	80,840	75,510	79,477	81,213	99,371	83,806	96,836	113,403	81,467
4) Paid (cumulative) as of:										
End of policy year	70,898	75,778	62,351	71,372	60,622	77,770	78,218	86,134	100,121	74,932
One year later	76,240	81,711	74,106	85,222	84,419	84,848	83,853	97,156	108,781	
Two years later	76,266	81,744	74,260	85,392	84,931	84,873	83,879	97,156		
Three years later	76,266	81,744	74,260	85,392	85,037	84,869	83,879			
Four years later	76,266	81,744	74,260	85,392	85,037	84,869				
Five years later	76,266	81,744	74,260	85,392	85,037					
Six years later	76,266	81,744	74,260	85,392						
Seven years later	76,266	81,744	74,260							
Eight years later	76,266	81,744								
Nine years later	76,266									
5) Reestimated ceded claims and expenses	184	297	178	-0-	-0-	-0-	-0-	-0-	-0-	-0-
6) Reestimated net incurred claims:										
End of policy year	84,722	80,840	75,510	79,477	81,213	99,371	83,806	96,836	113,403	81,467
One year later	76,240	81,711	74,106	85,222	84,419	84,848	83,853	97,162	108,781	
Two years later	76,266	81,744	74,260	85,392	84,931	84,873	83,916	97,411		
Three years later	76,266	81,744	74,260	85,392	85,037	84,869	83,916			
Four years later	76,266	81,744	74,260	85,392	85,037	84,869				
Five years later	76,266	81,744	74,260	85,392	85,037					
Six years later	76,266	81,744	74,260	85,392						
Seven years later	76,266	81,744	74,260							
Eight years later	76,266	81,744								
Nine years later	76,266									
7) (Decrease) increase in estimated net incurred claims	(8,456)	904	(1,250)	5,915	3,824	(14,498)	47	575	(4,622)	

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST
LOVES PARK, ILLINOIS

STATEMENT OF RECONCILIATION OF UNPAID CLAIMS
AND CLAIM ADJUSTMENT EXPENSE LIABILITY
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Unpaid Claims and Claim Adjustment Expense Liability - Beginning of Year	\$ 11,200,000	\$ 10,500,000
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	81,332,171	111,150,779
Rx net refunds	(7,103,671)	(7,387,285)
Audit adjustments to medical claims	-0-	-0-
APL claim reimbursement	-0-	-0-
Change in provision for insured events of prior fiscal years	<u>(2,279,073)</u>	<u>714,345</u>
Total Incurred Claims and Claim Adjustment Expense	<u>71,949,427</u>	<u>104,477,839</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	74,932,171	100,120,822
Rx net refunds	(7,103,671)	(7,387,285)
Audit adjustments to medical claims	-0-	-0-
APL claim reimbursement	-0-	-0-
Claims and claim adjustment expenses attributable to insured events of the prior fiscal year	<u>8,920,927</u>	<u>11,044,302</u>
Total Payments	<u>76,749,427</u>	<u>103,777,839</u>
Unpaid Claims and Claim Adjustment Expense Liability - End of year	<u><u>\$ 6,400,000</u></u>	<u><u>\$ 11,200,000</u></u>