

**ESCAMBIA SCHOOL DISTRICT  
EMPLOYEE BENEFIT TRUST**

**Financial Statements**

**For Years Ended  
June 30, 2011 and 2010**

# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## Contents

	Page
Report of Independent Auditors.....	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Assets.....	3
Statements of Revenues, Expenses and Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6 - 10
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Revenues, Expenses and Changes in Net Assets - Life Benefits.....	11
Schedules of Revenues, Expenses and Changes in Net Assets - Health Benefits.....	12
Schedules of Revenues, Expenses and Changes in Net Assets - Dental Benefits.....	13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	14 - 15



## **Report of Independent Auditors**

To the Board of Trustees  
Escambia School District Employee Benefit Trust  
Pensacola, Florida

We have audited the accompanying financial statements of Escambia School District Employee Benefit Trust of the Escambia County School District as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Escambia County School District'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 and 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 audits 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.

As discussed in Note 2, the financial statements present the financial position of only Escambia School District Employee Benefit Trust of the Escambia County School District and do not purport to, and do not, present fairly the financial position of the District School Board of Escambia County, Florida as of June 30, 2011 and 2010, and the changes in its financial position, and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Escambia School District Employee Benefit Trust of the Escambia County School District as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012 on our consideration of Escambia School District Employee Benefit Trust of the Escambia County School District's internal control over financial reporting and on our tests of its compliance with 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audits.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 10 through 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cherry, Bevant & Holland, U.P.*

Orlando, Florida  
June 14, 2012

## **FINANCIAL STATEMENTS**

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**

**Statements of Net Assets**

**June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 12,980,380	\$ 19,632,775
Accounts receivable	117,536	96,507
Total current assets	<u>13,097,916</u>	<u>19,729,282</u>
<b>Total assets</b>	<u><u>\$ 13,097,916</u></u>	<u><u>\$ 19,729,282</u></u>
<b>Liabilities and net assets</b>		
Current liabilities		
Estimated claims incurred but not reported - Health	\$ 4,331,262	\$ 4,154,244
Estimated claims incurred but not reported - Dental	144,452	144,452
Deferred revenue	3,253,753	3,255,501
Due to other funds	828	-
Other accrued liabilities	40,190	53,657
Total current liabilities	<u>7,770,485</u>	<u>7,607,854</u>
<b>Total liabilities</b>	<u>7,770,485</u>	<u>7,607,854</u>
Net assets		
Restricted for employee benefits	<u>5,327,431</u>	<u>12,121,428</u>
Total net assets	<u>5,327,431</u>	<u>12,121,428</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 13,097,916</u></u>	<u><u>\$ 19,729,282</u></u>

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Employer contributions	\$ 25,143,132	\$ 24,940,895
Employee contributions	12,387,877	13,600,876
Other operating revenue	375,858	433,885
Total operating revenues	<u>37,906,867</u>	<u>38,975,656</u>
<b>Operating expenses</b>		
Insurers, claims and administrative	45,151,385	41,361,364
Total operating expenses	<u>45,151,385</u>	<u>41,361,364</u>
<b>Operating loss</b>	<u>(7,244,518)</u>	<u>(2,385,708)</u>
<b>Nonoperating revenue</b>		
Investment earnings	28,024	49,741
Total nonoperating revenue	<u>28,024</u>	<u>49,741</u>
<b>Loss before transfer</b>	(7,216,494)	(2,335,967)
Transfer in	<u>422,497</u>	<u>-</u>
<b>Change in net assets</b>	(6,793,997)	(2,335,967)
<b>Total net assets - beginning</b>	<u>12,121,428</u>	<u>14,457,395</u>
<b>Total net assets - ending</b>	<u>\$ 5,327,431</u>	<u>\$ 12,121,428</u>

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

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**

**Statements of Cash Flows**

**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating activities</b>		
Cash received from Board funds and participants	\$ 37,884,089	\$ 38,857,354
Cash payments to vendors for goods and services	(5,350,950)	(5,067,538)
Cash payments for insurance claims	(39,368,488)	(35,853,619)
Cash payments to employees for services	<u>(267,567)</u>	<u>(261,911)</u>
<b>Net cash used in operating activities</b>	<u>(7,102,916)</u>	<u>(2,325,714)</u>
<b>Noncapital financing activities</b>		
Transfer in	422,497	-
<b>Net cash provided by noncapital financing activities</b>	<u>422,497</u>	<u>-</u>
<b>Investing activities</b>		
Interest payments received	28,024	49,741
<b>Net cash provided by investing activities</b>	<u>28,024</u>	<u>49,741</u>
<b>Net decrease in cash and cash equivalents</b>	(6,652,395)	(2,275,973)
<b>Cash and cash equivalents</b>		
<b>Beginning of year</b>	<u>19,632,775</u>	<u>21,908,748</u>
<b>End of year</b>	<u>\$ 12,980,380</u>	<u>\$ 19,632,775</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (7,244,518)	\$ (2,385,708)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Change in assets and liabilities		
Accounts receivable	(21,029)	(71,085)
Estimated claims incurred but not reported - Health	177,018	165,681
Estimated claims incurred but not reported - Dental	-	-
Deferred revenue	(1,748)	(47,218)
Due to other funds	828	-
Other accrued liabilities	<u>(13,467)</u>	<u>12,616</u>
Total adjustments	<u>141,602</u>	<u>59,994</u>
<b>Net cash used in operating activities</b>	<u>\$ (7,102,916)</u>	<u>\$ (2,325,714)</u>



## ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

### Notes to Financial Statements Years Ended June 30, 2011 and 2010

#### Note 1 - Description of the plan

The following description of Escambia School District Employee Benefit Trust (the "Trust") provides only general information. Participants should refer to the Plan Agreement for a complete description of the Trust's provisions.

*General* - The Trust provides life, health, and dental benefits covering substantially all active and retired employees of the District School Board of Escambia County, Florida (the "District") and their covered dependents. The Trust was established on April 18, 1983 by the governing Board of the District. The District is authorized to provide payment of the premiums for such insurance for its employees and their dependents through a group insurance plan, and may enter into contracts with insurance companies or professional administrators to provide such insurance pursuant to Section 112.08(1) of the Florida Statutes. The self-insurance plan and administrators of the Plan were submitted to and approved by the Florida Department of Financial Services Office of Insurance Regulation.

*Benefits* - The Trust provides health (medical, hospital, surgical, and major medical), dental, and life insurance benefits to full-time employees of the District (permanent positions working at least 20 hours per week) and eligible dependents. Retired employees are entitled to similar health, life, and dental benefits provided they pay for the cost of the premiums.

The health and dental claims are self-insured by the District. The District has contracted third party administrators to process and pay medical, prescription, dental and drug claims. A stop-loss insurance policy has been purchased to provide coverage of medical claims in excess of \$275,000 (\$250,000 prior to January 1, 2010) per individual per policy period.

Generally, dental claims have a maximum yearly cap of \$800 or \$1,200 per individual, depending on the plan, or a \$1,000 lifetime cap for orthodontic treatment for individuals ages eighteen or younger (typically for dependents).

Life insurance benefits are fully insured with Standard Life.

*Contributions* - The Trust's insurance program provides that the District pays the premiums for health, life, and dental coverage for the employee, and that the employee may provide for family coverage provided by the insurance program through salary deduction.

The District pays twenty-one and one-tenth cents per thousand dollars of annual employee salary for term life insurance. The employees pay any premiums for any excess life insurance coverage. For health insurance, the District pays the single coverage for all employees who enroll in the Basic Plan. The District also subsidizes two other health plans (Choice, PPO) at the same level of benefit as the Basic Plan and also subsidizes the cost of dependent premiums for each plan at the same level. The employees pay for family coverage or the additional cost for single coverage in higher tier plans. The premiums for the base dental plan for single coverage are paid fully by the District. Employees pay the additional premiums for the Enhanced dental plan.

Retirees pay the premiums on health, dental, and life coverage. The District subsidizes certain retiree premiums to offset the total cost to retirees.

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**

**Notes to Financial Statements**

**Years Ended June 30, 2011 and 2010**

**Note 2 - Summary of significant accounting policies**

*General* - As described in Note 1, the financial statements of the Trust are intended to present the financial position of only that Trust which provides certain health, life, and dental insurance to the employees and retirees of the District and their families.

*Basis of Presentation* – The financial statements of the Trust are prepared using the accrual basis of accounting. The Trust is accounted for as a proprietary activity under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards by the Government Accounting Standards Board. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. The Trust distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Trust's principal ongoing operations.

*Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash Equivalents* – Investments that have original maturities of three months or less are considered cash equivalents for financial statement reporting purposes. For this purpose, money market mutual funds are considered cash equivalents.

*Unpaid Claims Liabilities* - The Trust establishes claims liabilities based on estimates provided by the Trust's actuaries in accordance with accepted actuarial principles. The claims liabilities include estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs are dependent on such complex factors as inflation, enrollment, adverse claims deviation, and uncertainty and timing of claims and losses, the process used in computing claims liabilities cannot yield an exact result. Claims liabilities are recomputed periodically by independent actuaries for the Trust using a variety of actuarial and statistical techniques for producing current estimates of actual claims costs, claims frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

*Reinsurance* - The Trust uses a stop loss reinsurance agreement to reduce its exposure to large losses incurred on excessive health claims per individual. Reinsurance permits recovery of a portion of losses, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured.

*Transfer* - Transfer in represents funds received from the District to redirect Federal Early Retiree Reinsurance Program (ERRP) reimbursements for the purpose of reducing health insurance premiums.

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**

**Notes to Financial Statements**

**Years Ended June 30, 2011 and 2010**

**Note 3 - Cash**

Cash deposits of the Trust are held by banks qualified as public depositories under Florida law. All deposits are insured by the Federal Deposit Insurance Corporation or are collateralized with securities held in Florida's multiple financial institution collateral pool required by Sections 280.07 and 280.08, Florida Statutes.

**Note 4 - Investments**

As of June 30, 2011, the Trust had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Mutual Funds		
Morgan Stanley Treasury Portfolio	16 Day Average	\$3,500,604
Morgan Stanley Government Portfolio	17 Day Average	<u>3,500,997</u>
Total Investments		<u><u>\$7,001,601</u></u>

*Interest rate risk* - Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. In order to provide sufficient liquidity to pay obligations as they come due, the District's investment policy limits the length of investments as follows: (1) investments of current operating funds shall have maturities of no longer than two years, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for the funds and in accordance with debt covenants, but in no event shall exceed five years.

*Credit risk* - The District's investment policy limits authorized investments to SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME; direct obligations of the United States Government Agencies; certain Federal Instrumentalities; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; repurchase agreements secured by the collateral composed of negotiable direct obligations of the United States Government, Government Agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper of the highest credit rating; certain Banker's Acceptances; certain highly rated state and local government taxable or tax-exempt debt; shares of open-end, no-load mutual funds registered under the Investment Company Act of 1940, provided that the portfolio invests primarily in short-term government bonds and money market funds operated in accordance with 17 CFR 270.2a-7, provided the mutual fund is rated AA+ and the money market is rated AAm or AAm-G or better by Standard & Poor's, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that the said funds contain no derivatives. Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval. The Trust's investments in Morgan Stanley Mutual Funds were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**

**Notes to Financial Statements**

**Years Ended June 30, 2011 and 2010**

**Note 4 – Investments (continued)**

*Custodial credit risk* - Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

**Note 5 - Deferred revenue**

Deferred revenue represents prepaid contributions for the month of July 2011 for instructional personnel and for the months of July 2011 and August 2011 for non-instructional personnel.

**Note 6 - Reconciliation of claims liability**

	<u>2010</u>	<u>2009</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 4,298,696	\$ 4,139,657
Incurred claims and changes in estimate	38,252,546	36,019,300
Less claims payments	<u>38,075,528</u>	<u>35,860,261</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 4,475,714</u>	<u>\$ 4,298,696</u>
Portion allocable to estimated health claims incurred but not reported	\$ 4,331,262	\$ 4,154,244
Portion allocable to estimated dental claims incurred but not reported	<u>144,452</u>	<u>144,452</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 4,475,714</u>	<u>\$ 4,298,696</u>

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**

**Notes to Financial Statements  
Years Ended June 30, 2011 and 2010**

**Note 7 - Tax matters**

The Trust previously obtained a favorable tax determination letter from the Internal Revenue Service. However, the Internal Revenue Service revoked the Trust's tax-exempt status effective November 15, 2010 due to the Trust's non-filing of Form 990, Return of Organization Exempt from Income Tax for three consecutive years. The Trust will be reapplying for tax-exempt status. The Trustees believe that the Plan continues to qualify and to operate as designed.

## **SUPPLEMENTARY INFORMATION**

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**  
**Schedules of Revenues, Expenses, and Changes in Net Assets**  
**Life Benefits**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Employer contributions	\$ 480,000	\$ 475,251
Employee contributions	1,243,443	1,268,809
Total operating revenues	<u>1,723,443</u>	<u>1,744,060</u>
<b>Operating expenses</b>		
Insurers, claims and administrative	1,723,443	1,744,060
Total operating expenses	<u>1,723,443</u>	<u>1,744,060</u>
<b>Change in net assets</b>	-	-
<b>Total net assets - beginning</b>	<u>-</u>	<u>-</u>
<b>Total net assets - ending</b>	<u>\$ -</u>	<u>\$ -</u>

**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**  
**Schedules of Revenues, Expenses, and Changes in Net Assets**  
**Health Benefits**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Employer contributions	\$ 23,977,197	\$ 23,713,219
Employee contributions	10,335,118	11,598,758
Other operating revenue	375,858	433,885
Total operating revenues	<u>34,688,173</u>	<u>35,745,862</u>
<b>Operating expenses</b>		
Insurers, claims and administrative	41,797,813	37,998,225
Total operating expenses	<u>41,797,813</u>	<u>37,998,225</u>
<b>Operating loss</b>	<u>(7,109,640)</u>	<u>(2,252,363)</u>
<b>Nonoperating revenue</b>		
Investment earnings	26,062	46,259
Total nonoperating revenue	<u>26,062</u>	<u>46,259</u>
<b>Loss before transfers</b>	(7,083,578)	(2,206,104)
Transfers in	<u>422,497</u>	<u>-</u>
<b>Change in net assets</b>	(6,661,081)	(2,206,104)
<b>Total net assets - beginning</b>	<u>10,994,679</u>	<u>13,200,783</u>
<b>Total net assets - ending</b>	<u>\$ 4,333,598</u>	<u>\$ 10,994,679</u>



**ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST**  
**Schedule of Revenues, Expenses, and Changes in Net Assets**  
**Dental Benefits**  
**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating revenues</b>		
Employer contributions	\$ 685,935	\$ 752,425
Employee contributions	809,316	733,309
Total operating revenues	1,495,251	1,485,734
<b>Operating expenses</b>		
Insurers, claims and administrative	1,630,129	1,619,079
Total operating expenses	1,630,129	1,619,079
<b>Operating loss</b>	(134,878)	(133,345)
<b>Nonoperating revenue</b>		
Investment earnings	1,962	3,482
Total nonoperating revenue	1,962	3,482
<b>Change in net assets</b>	(132,916)	(129,863)
<b>Total net assets - beginning</b>	1,126,749	1,256,612
<b>Total net assets - ending</b>	\$ 993,833	\$ 1,126,749



**Independent Auditors' 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 Trustees  
Escambia School District Employee Benefit Trust  
Pensacola, Florida

We have audited the financial statements of Escambia School District Employee Benefit Trust of the Escambia County School District (the "Trust") as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated June 14, 2012. 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.

**Internal Control over Financial Reporting**

Management of the Trust is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audits, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

This report is intended solely for the information of the Board of Trustees, the District School Board of Escambia County, Florida, the Audit Committee, applicable management, and applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Beckett & Holland, C.P.A.*

Orlando, Florida  
June 14, 2012