

**ESCAMBIA SCHOOL DISTRICT  
EMPLOYEE BENEFIT TRUST**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2013 and 2012**

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MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Escambia School District Employee Benefit Trust of the Escambia County School District (the "Trust") as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees  
Escambia School District Employee Benefit Trust

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter**

As discussed in Note 2 to the financial statements, the financial statements present only the financial position, changes in financial position, and cash flows of the Trust 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, 2013 and 2012, 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. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on pages 14 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental 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.

To the Board of Trustees  
Escambia School District Employee Benefit Trust

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Trust's internal control over financial reporting and compliance.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
November 14, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Escambia County, Florida, has prepared the following discussion and analysis to provide an overview of the District's Employee Benefit Trust Fund ("Trust Fund") financial activities for the fiscal years ended June 30, 2013 and 2012. The information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the Trust Fund financial statements and notes to the financial statements.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years ended June 30, 2013 and 2012 are as follows:

- The assets of the Trust Fund exceeded its liabilities (net position) by \$6.4 million and \$4.0 million at June 30, 2013 and 2012, respectively.
- Net position increased by \$2.4 million for fiscal year 2013 and decreased by \$1.3 million for fiscal year 2012.
- Trust Fund operating revenues increased by \$874 thousand and \$1.3 million for fiscal years 2013 and 2012, respectively. Operating expenses decreased by \$3.9 million for the fiscal years 2013 and 2012, respectively.
- Operating transfers from the Trust Fund to the District totaled \$700 thousand for fiscal year 2013 in order to purchase a medical office building for the District's new Center for Health and Wellness.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Escambia County School District Employee Benefit Trust Fund was established to administer the District's employee life, health, and dental insurance programs. The Escambia County District School Board exercises significant oversight responsibility over the Trust Fund, and all activities of the Trust Fund are solely for the benefit of the District and its employees. Therefore, the financial activities of the Trust Fund have been included (blended) as an integral part of the primary government in the District's Comprehensive Annual Financial Report ("CAFR").

The Trust Fund was established as a proprietary, internal service fund to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. Since these services predominantly benefit governmental rather than business-type functions, the Trust Fund has been included within the governmental activities in the government-wide financial statements of the District.

The Trust Fund is combined in a single, aggregated column in the proprietary fund financial statements of the District.

#### Notes to Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the Employee Benefit Trust Fund.

## EMPLOYEE BENEFITS TRUST FUND FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity's financial position. The following is a summary of the Trust Fund's net position as of June 30, 2013, compared to net position as of June 30, 2012 and June 30, 2011:

### Net Position, End of Year

	Employee Benefit Trust		
	Financial Position		
	2013	2012	2011
Cash and Cash Equivalents	\$ 15,880,368	\$ 12,160,439	\$ 12,980,380
Accounts Receivable	-	122,671	117,536
<b>Total Assets</b>	<b>15,880,368</b>	<b>12,283,110</b>	<b>13,097,916</b>
Estimated Claims Incurred but not Reported	3,314,498	4,503,599	4,475,714
Other Liabilities	6,152,727	3,765,123	3,294,771
<b>Total Liabilities</b>	<b>9,467,225</b>	<b>8,268,722</b>	<b>7,770,485</b>
Net Position:			
Restricted for Employee Benefits	6,413,143	4,014,388	5,327,431
<b>Total Net Position</b>	<b>\$ 6,413,143</b>	<b>\$ 4,014,388</b>	<b>\$ 5,327,431</b>

The restricted portion of the Trust Fund's net position at June 30, 2013, \$6.4 million, represents resources that are subject to the requirements of the Employee Benefit Trust Fund Trust Agreement, which was made in 1983 between the School Board of Escambia County and the Trustees of the Fund.

Total net position increased during the fiscal year. The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, 2012 and 2011, are as follows:

### Operating Results for the Year

	Employee Benefit Trust		
	Activities		
	2013	2012	2011
<b>Operating Revenues:</b>			
Employer Premiums	\$ 26,234,273	\$ 26,557,728	\$ 25,143,132
Employee Premiums	13,870,190	12,664,288	12,387,877
Other Operating Revenue	292,507	300,775	375,858
Total Operating Revenues	40,396,970	39,522,791	37,906,867
<b>Operating Expenses:</b>			
Insurers, Claims, and Administrative	37,320,901	41,246,295	45,151,385
Total Operating Expenses	37,320,901	41,246,295	45,151,385
<b>Operating Income (Loss)</b>	<b>3,076,069</b>	<b>(1,723,504)</b>	<b>(7,244,518)</b>
<b>Nonoperating Revenue:</b>			
Investment Earnings	22,948	17,462	28,024
Total Nonoperating Revenue	22,948	17,462	28,024
<b>Income (Loss) Before Transfer</b>	<b>3,099,017</b>	<b>(1,706,042)</b>	<b>(7,216,494)</b>
Transfer In (out)	(700,262)	392,999	422,497
<b>Change in Net Position</b>	<b>2,398,755</b>	<b>(1,313,043)</b>	<b>(6,793,997)</b>
<b>Total Net Position Beginning</b>	<b>4,014,388</b>	<b>5,327,431</b>	<b>12,121,428</b>
<b>Total Net Position Ending</b>	<b>\$ 6,413,143</b>	<b>\$ 4,014,388</b>	<b>\$ 5,327,431</b>

Activities during the year increased the Trust Fund's net position by \$2.4 million. Key issues concerning the increase are as follows:

- In fiscal year 2013, revenue exceeded claims and other expenses for the first time since the 2007-08 fiscal year.
- Health insurance plan design changes over the last couple years appear to have stabilized the Trust Fund and have resulted in a positive trend through June 30th.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent - Finance and Business Services, District School Board of Escambia County, 75 North Pace Boulevard, Pensacola, FL 32505.



# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 15,880,368	\$ 12,160,439
Accounts receivable	-	122,671
Total current assets	<u>15,880,368</u>	<u>12,283,110</u>
Total assets	<u>15,880,368</u>	<u>12,283,110</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities		
Estimated claims incurred but not reported - Health	\$ 3,043,000	\$ 4,359,147
Estimated claims incurred but not reported - Dental	271,498	144,452
Unearned revenue	3,442,384	3,401,113
Due to other funds	2,698,482	935
Other accrued liabilities	11,861	363,075
Total current liabilities	<u>9,467,225</u>	<u>8,268,722</u>
Total liabilities	<u>9,467,225</u>	<u>8,268,722</u>
Net position		
Restricted for employee benefits	<u>6,413,143</u>	4,014,388
Total net position	<u>\$ 6,413,143</u>	<u>\$ 4,014,388</u>

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

# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b>		
Employer premiums	\$ 26,234,273	\$ 26,557,728
Employee premiums	13,870,190	12,664,288
Other operating revenue	292,507	300,775
Total operating revenues	<u>40,396,970</u>	<u>39,522,791</u>
<b>Operating expenses</b>		
Insurers, claims and administrative	<u>37,320,901</u>	<u>41,246,295</u>
Total operating expenses	<u>37,320,901</u>	<u>41,246,295</u>
<b>Operating income (loss)</b>	<u>3,076,069</u>	<u>(1,723,504)</u>
<b>Nonoperating revenue</b>		
Investment earnings	<u>22,948</u>	<u>17,462</u>
Total nonoperating revenue	<u>22,948</u>	<u>17,462</u>
<b>Income (loss) before transfer</b>	<u>3,099,017</u>	<u>(1,706,042)</u>
Transfer in (out)	<u>(700,262)</u>	<u>392,999</u>
<b>Change in net position</b>	<u>2,398,755</u>	<u>(1,313,043)</u>
<b>Total net position - beginning</b>	<u>4,014,388</u>	<u>5,327,431</u>
<b>Total net position - ending</b>	<u>\$ 6,413,143</u>	<u>\$ 4,014,388</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, 2013 and 2012

	2013	2012
<b>Operating activities</b>		
Cash received from Board funds and participants	\$ 40,560,912	\$ 39,665,016
Cash payments to vendors for goods and services	(6,027,142)	(5,381,307)
Cash payments for insurance claims	(29,835,783)	(35,224,129)
Cash payments to employees for services	(300,744)	(289,982)
<b>Net cash provided by (used in) operating activities</b>	<b>4,397,243</b>	<b>(1,230,402)</b>
<b>Noncapital financing activities</b>		
Transfers in (out)	(700,262)	392,999
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(700,262)</b>	<b>392,999</b>
<b>Investing activities</b>		
Interest payments received	22,948	17,462
<b>Net cash provided by investing activities</b>	<b>22,948</b>	<b>17,462</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,719,929</b>	<b>(819,941)</b>
<b>Cash and cash equivalents</b>		
<b>Beginning of year</b>	<b>12,160,439</b>	<b>12,980,380</b>
<b>End of year</b>	<b>\$ 15,880,368</b>	<b>\$ 12,160,439</b>
<b>Reconciliation of operating income (loss)</b>		
<b>to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$ 3,076,069	\$ (1,723,504)
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Accounts receivable	122,671	(5,135)
Estimated claims incurred but not reported - Health	(1,316,147)	381,562
Estimated claims incurred but not reported - Dental	127,046	-
Unearned revenue	41,271	147,360
Due to other funds	2,697,547	108
Other accrued liabilities	(351,214)	(30,793)
Total adjustments	<b>1,321,174</b>	<b>493,102</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,397,243</b>	<b>\$ (1,230,402)</b>

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

# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2013 and 2012

### 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 with 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 \$350,000.

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 18 or younger (typically for dependents).

Life insurance benefits are fully insured with Standard Life.

## **NOTE 1 - DESCRIPTION OF THE PLAN (Continued)**

### **Premiums**

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 (HRA, PPO) at the same level of benefit as the Basic Plan. Effective January 1, 2012, the District restructured the medical plan, including introduction of an additional option with a HSA component. 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.

## **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 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 nonoperating 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 materially differ from those estimates.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **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 claims 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 period 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.

## **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 - UNEARNED REVENUE**

Unearned revenue at June 30, 2013 and 2012, represents prepaid contributions for the months of July 2013 and 2012, respectively, for instructional personnel and for the months of July through August 2013 and July through August 2012, respectively, for non-instructional personnel.

## NOTE 5 - INTERFUND PAYABLES AND TRANSFERS

Interfund payables at June 30, 2013 and 2012, represents payments of expenses by the District's general fund and will be repaid within the next fiscal year. Transfer out during fiscal year 2013 represents funds directed to the local capital outlay fund for the purpose of purchasing a medical office building for use as the District's new ECSD Center for Health and Wellness. This program, which began operating in June 2013, is managed by a third-party medical provider and is designed to complement the Trust by helping reduce claims costs through wellness management of employees and qualified dependents. Transfer in during fiscal year 2012 represents funds received from the District to redirect Federal Early Retiree Reinsurance Program ("ERRP") reimbursements for the purpose of reducing health insurance premiums.

## NOTE 6 - RECONCILIATION OF CLAIMS LIABILITY

	<u>2013</u>	<u>2012</u>
Unpaid claims and claims adjustment expenses at beginning of the fiscal year	\$ 4,503,599	\$ 4,475,714
Incurred claims and changes in estimate	32,170,789	35,252,014
Less claims payments	<u>33,359,890</u>	<u>35,224,129</u>
Total unpaid claims and claims adjustment expenses at end of the fiscal year	<u>\$ 3,314,498</u>	<u>\$ 4,503,599</u>
Portion allocable to estimated health claims incurred but not reported	\$ 3,043,000	\$ 4,359,147
Portion allocable to estimated dental claims incurred but not reported	<u>271,498</u>	<u>144,452</u>
Total unpaid claims and claims adjustment expenses at end of the fiscal year	<u>\$ 3,314,498</u>	<u>\$ 4,503,599</u>

## NOTE 7 - TAX MATTERS

The Trust previously obtained a favorable tax determination letter from the Internal Revenue Service ("IRS"). However, the IRS 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 has reapplied for tax-exempt status and is awaiting an IRS ruling as of June 30, 2013. The Trustees believe that the Plan continues to qualify and to operate as designed.

## **SUPPLEMENTAL SCHEDULES**



# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION LIFE BENEFITS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b>		
Employer premiums	\$ 455,049	\$ 466,535
Employee premiums	<u>1,664,780</u>	<u>1,222,210</u>
Total operating revenues	<u>2,119,829</u>	1,688,745
<b>Operating expenses</b>		
Insurers, claims and administrative	<u>2,162,358</u>	<u>1,688,745</u>
Total operating expenses	<u>2,162,358</u>	<u>1,688,745</u>
<b>Change in net position</b>	(42,529)	-
<b>Total net position - beginning</b>	<u>-</u>	<u>-</u>
<b>Total net position - ending</b>	<u><u>\$ (42,529)</u></u>	<u><u>\$ -</u></u>

See Independent Auditor's Report.

# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION HEALTH BENEFITS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b>		
Employer premiums	\$ 25,138,170	\$ 25,427,825
Employee premiums	11,385,746	10,610,725
Other operating revenue	292,507	300,775
Total operating revenues	<u>36,816,423</u>	<u>36,339,325</u>
<b>Operating expenses</b>		
Insurers, claims and administrative	<u>33,476,492</u>	<u>37,936,761</u>
Total operating expenses	<u>33,476,492</u>	<u>37,936,761</u>
<b>Operating income (loss)</b>	3,339,931	(1,597,436)
<b>Nonoperating revenue</b>		
Investment earnings	<u>21,342</u>	<u>16,240</u>
Total nonoperating revenue	<u>21,342</u>	<u>16,240</u>
<b>Income (loss) before transfer</b>	3,361,273	(1,581,196)
Transfer in (out)	<u>(700,262)</u>	<u>392,999</u>
<b>Change in net position</b>	2,661,011	(1,188,197)
<b>Total net position - beginning</b>	<u>3,145,401</u>	<u>4,333,598</u>
<b>Total net position - ending</b>	<u>\$ 5,806,412</u>	<u>\$ 3,145,401</u>

See Independent Auditor's Report.

# ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

## SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION DENTAL BENEFITS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b>		
Employer premiums	\$ 641,054	\$ 663,368
Employee premiums	<u>819,664</u>	<u>831,353</u>
Total operating revenues	<u>1,460,718</u>	1,494,721
<b>Operating expenses</b>		
Insurers, claims and administrative	<u>1,682,051</u>	<u>1,620,789</u>
Total operating expenses	<u>1,682,051</u>	<u>1,620,789</u>
<b>Operating loss</b>	(221,333)	(126,068)
<b>Nonoperating revenue</b>		
Investment earnings	<u>1,606</u>	<u>1,222</u>
Total nonoperating revenue	<u>1,606</u>	<u>1,222</u>
<b>Change in net position</b>	(219,727)	(124,846)
<b>Total net position - beginning</b>	<u>868,987</u>	<u>993,833</u>
<b>Total net position - ending</b>	<u><u>\$ 649,260</u></u>	<u><u>\$ 868,987</u></u>

See Independent Auditor's Report.



MOORE STEPHENS  
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**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 Trustees  
Escambia School District Employee Benefit Trust  
Pensacola, Florida

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 basic financial statements, as listed in the table of contents, of Escambia School District Employee Benefit Trust of the Escambia County School District (the "Trust") as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees  
Escambia School District Employee Benefit Trust

### **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 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.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A."

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
November 14, 2013