

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST**

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
SUPPLEMENTAL SCHEDULES	
Schedules of Revenues, Expenses and Changes in Net Position - Life Benefits	14
Schedules of Revenues, Expenses and Changes in Net Position - Health Benefits	15
Schedules of Revenues, Expenses and Changes in Net Position - Dental Benefits	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17



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, 2015 and 2014, 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 in the first paragraph present fairly, in all material respects, the financial position of the Trust as of June 30, 2015 and 2014, 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, 2015 and 2014, 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 December 14, 2015, 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
December 14, 2015

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, 2015 and 2014. 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, 2015 and 2014 are as follows:

- The assets of the Trust Fund exceeded its liabilities (net position) by \$7.471 million and \$6.128 million at June 30, 2015 and 2014, respectively.
- Net position increased by \$1.3 million for fiscal year 2015 and decreased by \$285 thousand for fiscal year 2014.
- Trust Fund operating revenues decreased by \$167 thousand and increased \$495 thousand for fiscal years 2015 and 2014, respectively. Operating expenses decreased \$1.9 million and increased by \$3.9 million for the fiscal years 2015 and 2014, respectively.
- Operating transfers from the Trust Fund to the District totaled \$47 thousand and \$359 for fiscal years 2015 and 2014, respectively, to fund certain activities of the District's 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 BENEFIT 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, 2015, compared to net position as of June 30, 2014 and 2013:

Net Position, End of Year

	Employee Benefit Trust		
	<u>2015</u>	<u>Financial Position 2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 14,574,372	\$ 14,431,381	\$ 15,880,368
Due From Other Funds	13,622	-	-
Total Assets	<u>14,587,994</u>	<u>14,431,381</u>	<u>15,880,368</u>
Estimated Claims Incurred hut not Reported	2,338,102	3,450,406	3,314,498
Other Liabilities	<u>4,778,614</u>	<u>4,853,027</u>	<u>6,152,727</u>
Total Liabilities	<u>7,116,716</u>	<u>8,303,433</u>	<u>9,467,225</u>
Net Position:			
Restricted for Employee Benefits	<u>7,471,278</u>	<u>6,127,948</u>	<u>6,413,143</u>
Total Net Position	<u>\$ 7,471,278</u>	<u>\$ 6,127,948</u>	<u>\$ 6,413,143</u>

The restricted portion of the Trust Fund's net position at June 30, 2015, \$7.5 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 current fiscal year. The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, 2014 and 2013, are as follows:

Operating Results for the Year

	Employee Benefit Trust		
	2015	2014	2013
Operating Revenues:			
Employer Contributions	\$ 26,934,386	\$ 26,663,873	\$ 26,234,273
Employee Contributions	13,049,544	14,027,410	13,870,190
Other Operating Revenue	740,524	200,550	292,507
Total Operating Revenues	40,724,454	40,891,833	40,396,970
Operating Expenses:			
Insurers, Claims, and Administrative	39,339,691	41,196,642	37,320,901
Total Operating Expenses	39,339,691	41,196,642	37,320,901
Operating Income (loss)	1,384,763	(304,809)	3,076,069
Nonoperating Revenue:			
Investment Earnings	5,537	19,973	22,948
Total Nonoperating Revenue	5,537	19,973	22,948
Income (loss) Before Transfer	1,390,300	(284,836)	3,099,017
Transfer In (out)	(46,970)	(359)	(700,262)
Change in Net Position	1,343,330	(285,195)	2,398,755
Total Net Position Beginning	6,127,948	6,413,143	4,014,388
Total Net Position Ending	\$ 7,471,278	\$ 6,127,948	\$ 6,413,143

Activities during the year increased the Trust Fund's net position by \$1.3 million. Key to the increase was the decrease in operating expenses of \$1.9 million over the 2014 fiscal year. Reasons for the decrease are as follows:

- The School Board did not impose an increase on employee premiums, although projected costs could have supported such rate increase. This was part of the District's total compensation agreement with employees for the fiscal year.
- The District received approximately \$1.1 million in refunds of prior year claim costs, which are included in operating expenses.
- The District invested in a health and wellness medical clinic as a primary method of reducing claims costs over time. Twelve months of operating costs for the facility and contracted professional medical services are included for the 2015 fiscal year.
- The District, based on actuarial recommendation, wrote down IBNR by \$672 thousand in November 2014, which reduced expenses for comparison purposes.

Beginning on January 1, 2016, premiums will increase to offset increasing medical trend expenses. The rate increases will be shared by both the District and the employees.

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,574,372	\$ 14,431,381
Due from other funds	13,622	-
Total current assets	<u>14,587,994</u>	<u>14,431,381</u>
Total assets	<u>14,587,994</u>	<u>14,431,381</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Estimated claims incurred but not reported - Health	2,066,604	3,178,908
Estimated claims incurred but not reported - Dental	271,498	271,498
Unearned revenue	3,559,654	3,432,260
Due to other funds	975,671	1,272,481
Other accrued liabilities	243,289	148,286
Total current liabilities	<u>7,116,716</u>	<u>8,303,433</u>
Total liabilities	<u>7,116,716</u>	<u>8,303,433</u>
Net position		
Restricted for employee benefits	<u>7,471,278</u>	<u>6,127,948</u>
Total net position	<u>\$ 7,471,278</u>	<u>\$ 6,127,948</u>

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

ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues		
Employer premiums	\$ 26,934,386	\$ 26,663,873
Employee premiums	13,049,544	14,027,410
Other operating revenue	740,524	200,550
Total operating revenues	40,724,454	40,891,833
 Operating expenses		
Insurers, claims and administrative	39,339,691	41,196,642
Total operating expenses	39,339,691	41,196,642
 Operating income (loss)	1,384,763	(304,809)
 Nonoperating revenue		
Investment earnings	5,537	19,973
Total nonoperating revenue	5,537	19,973
 Income (loss) before transfer	1,390,300	(284,836)
Transfer in (out)	(46,970)	(359)
 Change in net position	1,343,330	(285,195)
 Total net position - beginning	6,127,948	6,413,143
 Total net position - ending	\$ 7,471,278	\$ 6,127,948

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

ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
Operating activities		
Cash received from Board funds and participants	\$ 40,838,226	\$ 40,881,709
Cash payments to vendors for goods and services	(8,028,780)	(8,990,622)
Cash payments for insurance claims	(31,983,703)	(33,016,925)
Cash payments to employees for services	(641,319)	(342,763)
Net cash provided by (used in) operating activities	184,424	(1,468,601)
Noncapital financing activities		
Transfers in (out)	(46,970)	(359)
Net cash used in noncapital financing activities	(46,970)	(359)
Investing activities		
Interest payments received	5,537	19,973
Net cash provided by investing activities	5,537	19,973
Net increase (decrease) in cash and cash equivalents	142,991	(1,448,987)
Cash and cash equivalents		
Beginning of year	14,431,381	15,880,368
End of year	\$ 14,574,372	\$ 14,431,381
Reconciliation of operating income (loss)		
to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 1,384,763	\$ (304,809)
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Due to other funds	(13,622)	-
Estimated claims incurred but not reported - Health	(1,112,304)	135,907
Unearned revenue	127,394	(10,123)
Due to other funds	(296,810)	(1,427,178)
Other accrued liabilities	95,003	137,602
Total adjustments	(1,200,339)	(1,163,792)
Net cash provided by (used in) operating activities	\$ 184,424	\$ (1,468,601)

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

ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the 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 majority of the premium for health and full premiums for 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 95% of the single coverage for all employees who enroll in the basic, high deductible, HSA plan (Basic Plan). The District also subsidizes the other health plans (HRA) at the same level of benefit as the Basic Plan. 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, 2015 and 2014, represents prepaid contributions for the months of July 2015 and 2014, respectively, for instructional personnel and for the months of July through August 2015 and July through August 2014, respectively, for non-instructional personnel.

NOTE 5 - INTERFUND PAYABLES AND TRANSFERS

Interfund payables at June 30, 2015 and 2014, represent payments of expenses by the District's general fund and will be repaid within the next fiscal year. The transfer out during fiscal years 2015 and 2014 represent funds directed to the District's ECSD Center for Health and Wellness. This program, which began operating in June 2014, 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.

NOTE 6 - RECONCILIATION OF CLAIMS LIABILITY

	<u>2015</u>	<u>2014</u>
Unpaid claims and claims adjustment expenses at beginning of the fiscal year	\$ 3,450,406	\$ 3,314,499
Incurred claims and changes in estimate	30,895,735	33,128,914
Less claims payments	<u>32,008,039</u>	<u>32,993,007</u>
Total unpaid claims and claims adjustment expenses at end of the fiscal year	<u>\$ 2,338,102</u>	<u>\$ 3,450,406</u>
Portion allocable to estimated health claims incurred but not reported	\$ 2,066,604	\$ 3,178,908
Portion allocable to estimated dental claims incurred but not reported	<u>271,498</u>	<u>271,498</u>
Total unpaid claims and claims adjustment expenses at end of the fiscal year	<u>\$ 2,338,102</u>	<u>\$ 3,450,406</u>

NOTE 7 - TAX MATTERS

The Trust currently has a tax determination letter from the Internal Revenue Service affirming its tax-exempt status. The Trustees believe that the Plan continues to qualify and to operate as designed.

NOTE 8 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation, and those reclassifications had no effect on the previously reported change in net position for 2014.

NOTE 9 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events for potential recognition or disclosure through December 14, 2015, which is the date the financial statements were issued.

SUPPLEMENTAL SCHEDULES

ESCAMBIA SCHOOL DISTRICT EMPLOYEE BENEFIT TRUST
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
LIFE BENEFITS

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Employer premiums	\$ 491,559	\$ 463,840
Employee premiums	<u>2,093,948</u>	<u>2,127,148</u>
Total operating revenues	<u>2,585,507</u>	<u>2,590,988</u>
 Operating expenses		
Insurers, claims and administrative	<u>2,577,979</u>	<u>2,555,987</u>
Total operating expenses	<u>2,577,979</u>	<u>2,555,987</u>
 Change in net position	 7,528	 35,001
 Total net position - beginning	 <u>(7,528)</u>	 <u>(42,529)</u>
 Total net position - ending	 <u>\$ -</u>	 <u>\$ (7,528)</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Employer premiums	\$ 25,816,710	\$ 25,567,880
Employee premiums	10,126,872	11,073,860
Other operating revenue	<u>740,524</u>	<u>200,550</u>
Total operating revenues	36,684,106	36,842,290
 Operating expenses		
Insurers, claims and administrative	<u>35,209,167</u>	<u>37,098,938</u>
Total operating expenses	<u>35,209,167</u>	<u>37,098,938</u>
 Operating income (loss)	 1,474,939	 (256,648)
 Nonoperating revenue		
Investment earnings	<u>5,149</u>	<u>18,575</u>
Total nonoperating revenue	<u>5,149</u>	<u>18,575</u>
 Income (loss) before transfer	 1,480,088	 (238,073)
 Transfer in (out)	 <u>(46,970)</u>	 <u>(359)</u>
 Change in net position	 1,433,118	 (238,432)
 Total net position - beginning	 <u>5,567,980</u>	 <u>5,806,412</u>
 Total net position - ending	 <u>\$ 7,001,098</u>	 <u>\$ 5,567,980</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, 2015 and 2014

	2015	2014
Operating revenues		
Employer premiums	\$ 626,117	\$ 632,153
Employee premiums	828,724	826,402
Total operating revenues	1,454,841	1,458,555
 Operating expenses		
Insurers, claims and administrative	1,552,545	1,541,717
Total operating expenses	1,552,545	1,541,717
 Operating loss	 (97,704)	 (83,162)
 Nonoperating revenue		
Investment earnings	388	1,398
Total nonoperating revenue	388	1,398
 Change in net position	 (97,316)	 (81,764)
 Total net position - beginning	 567,496	 649,260
 Total net position - ending	 \$ 470,180	 \$ 567,496

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, 2015, and have issued our report thereon dated December 14, 2015.

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.

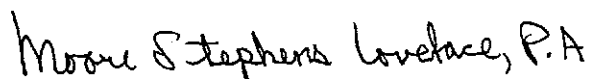
To the Board of Trustees
Escambia School District Employee Benefit Trust

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.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
December 14, 2015