

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

**APPROVED
ESCAMBIA COUNTY SCHOOL BOARD**

JAN 17 2017

**MALCOLM THOMAS, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY**

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 Fund
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Escambia School District Employee Benefit Trust Fund of the Escambia County School District (the "Trust Fund") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Trust Fund'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 Fund

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 Fund as of June 30, 2016 and 2015, 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 Fund 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, 2016 and 2015, 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 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 audits 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules, as listed in the table of contents, 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 audits 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 Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the Trust Fund'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 Fund's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
December 16, 2016

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, 2016 and 2015. 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, 2016 and 2015 are as follows:

- The assets of the Trust Fund exceeded its liabilities (net position) by \$6.674 million and \$7.471 million at June 30, 2016 and 2015, respectively.
- Net position decreased by \$797 thousand for fiscal year 2016 and increased by \$1.3 million for fiscal year 2015.
- Trust Fund operating revenues decreased by \$943 thousand and \$167 thousand for fiscal years 2016 and 2015, respectively. Operating expenses increased by \$1.2 million and decreased by \$1.9 million for fiscal years 2016 and 2015, respectively.
- Operating transfers from the Trust Fund to the District totaled \$-0- and \$47 thousand for fiscal years 2016 and 2015, respectively, to fund certain activities of the District's Center for Health and Wellness.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Escambia School District Employee Benefit Trust Fund was established to administer the District's employee life, health, and dental insurance programs. The Escambia School District 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 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, 2016, compared to net position as of June 30, 2015 and 2014.

Net Position, End of Year

	Employee Benefit Trust		
	2016	Financial Position 2015	2014
Cash and Cash Equivalents	\$ 14,030,354	\$ 14,574,372	\$ 14,431,381
Due From Other Funds	-	13,622	-
Due From Other Agencies	500,000	-	-
Total Assets	<u>14,530,354</u>	<u>14,587,994</u>	<u>14,431,381</u>
Estimated Claims Incurred but not Reported	2,875,090	2,338,102	3,450,406
Other Liabilities	4,980,848	4,778,614	4,853,027
Total Liabilities	<u>7,855,938</u>	<u>7,116,716</u>	<u>8,303,433</u>
Net Position:			
Restricted for Employee Benefits	<u>6,674,416</u>	<u>7,471,278</u>	<u>6,127,948</u>
Total Net Position	<u>\$ 6,674,416</u>	<u>\$ 7,471,278</u>	<u>\$ 6,127,948</u>

The restricted portion of the Trust Fund's net position at June 30, 2016, \$6.6 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 Trust 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, 2016, 2015 and 2014, are as follows:

Operating Results for the Year

	Employee Benefit Trust		
	2016	2015	2014
Operating Revenues:			
Employer Contributions	\$ 26,097,511	\$ 26,934,386	\$ 26,663,873
Employee Contributions	13,112,503	13,049,544	14,027,410
Other Operating Revenue	571,439	740,524	200,550
Total Operating Revenues	<u>39,781,453</u>	<u>40,724,454</u>	<u>40,891,833</u>
Operating Expenses:			
Insurers, Claims, and Administrative	40,578,315	39,339,691	41,196,642
Total Operating Expenses	<u>40,578,315</u>	<u>39,339,691</u>	<u>41,196,642</u>
Operating Income (Loss)	<u>(796,862)</u>	<u>1,384,763</u>	<u>(304,809)</u>
Nonoperating Revenue:			
Investment Earnings	-	5,537	19,973
Total Nonoperating Revenue	<u>-</u>	<u>5,537</u>	<u>19,973</u>
Income (Loss) Before Transfer	(796,862)	1,390,300	(284,836)
Transfer In (Out)	<u>-</u>	<u>(46,970)</u>	<u>(359)</u>
Change in Net Position	(796,862)	1,343,330	(285,195)
Total Net Position Beginning	<u>7,471,278</u>	<u>6,127,948</u>	<u>6,413,143</u>
Total Net Position Ending	<u>\$ 6,674,416</u>	<u>\$ 7,471,278</u>	<u>\$ 6,127,948</u>

Activities during the year decreased the Trust Fund’s net position by \$796 thousand. Key to the decrease was the increase in operating expenses of \$1.2 million over the 2015 fiscal year, as well as a decrease of \$943 thousand in operating revenues. Reasons for the decrease are as follows:

- The District received approximately \$1.1 million in refunds of prior-year claims costs in 2015, these refunds did not occur in 2016.
- Other operating revenues decreased \$169 thousand due to a decrease in Medicare Rx reimbursements. Medicare-eligible retirees were transferred to a consortium and are no longer part of the District’s health plan. Associated claims expenses are anticipated to decrease accordingly.
- The District’s Wellness Program provides employees a monetary incentive to participate in a full wellness evaluation. These incentives increased by \$296 thousand for the fiscal year in an attempt to engage employees towards healthy living and reduce claims expenses over time.

Beginning on January 1, 2017, 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 FUND**

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

ASSETS

	2016	2015
Current assets		
Cash and cash equivalents	\$ 14,030,354	\$ 14,574,372
Due from other funds	-	13,622
Due from other agencies	500,000	-
Total current assets	14,530,354	14,587,994
 Total assets	 14,530,354	 14,587,994

LIABILITIES AND NET POSITION

Current liabilities		
Estimated claims incurred but not reported - Health	2,553,090	2,066,604
Estimated claims incurred but not reported - Dental	322,000	271,498
Unearned revenue	3,449,715	3,559,654
Due to other funds	1,411,156	975,671
Due to other agencies	1,312	-
Other accrued liabilities	118,665	243,289
Total current liabilities	7,855,938	7,116,716
 Total liabilities	 7,855,938	 7,116,716
 Net position		
Restricted for employee benefits	6,674,416	7,471,278
 Total net position	 \$ 6,674,416	 \$ 7,471,278

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

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Employer premiums	\$ 26,097,511	\$ 26,934,386
Employee premiums	13,112,503	13,049,544
Other operating revenue	571,439	740,524
Total operating revenues	39,781,453	40,724,454
 Operating expenses		
Insurers, claims and administrative	40,578,315	39,339,691
Total operating expenses	40,578,315	39,339,691
 Operating income (loss)	(796,862)	1,384,763
 Nonoperating revenue		
Investment earnings	-	5,537
Total nonoperating revenue	-	5,537
 Income (loss) before transfer	(796,862)	1,390,300
 Transfer in (out)	-	(46,970)
 Change in net position	(796,862)	1,343,330
 Total net position - beginning	7,471,278	6,127,948
 Total net position - ending	\$ 6,674,416	\$ 7,471,278

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

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating activities		
Cash received from Board funds and participants	\$ 39,185,136	\$ 40,838,226
Cash payments to vendors for goods and services	(8,199,652)	(8,028,780)
Cash payments for insurance claims	(31,617,070)	(31,983,703)
Cash payments to employees for services	87,568	(641,319)
Net cash (used in) provided by operating activities	<u>(544,018)</u>	<u>184,424</u>
Noncapital financing activities		
Transfers in (out)	-	(46,970)
Net cash used in noncapital financing activities	<u>-</u>	<u>(46,970)</u>
Investing activities		
Interest payments received	-	5,537
Net cash provided by investing activities	<u>-</u>	<u>5,537</u>
Net (decrease) increase in cash and cash equivalents	(544,018)	142,991
Cash and cash equivalents		
Beginning of year	<u>14,574,372</u>	<u>14,431,381</u>
End of year	<u>\$ 14,030,354</u>	<u>\$ 14,574,372</u>
Reconciliation of operating income (loss)		
to net cash (used in) provided by operating activities		
Operating income (loss)	\$ (796,862)	\$ 1,384,763
Adjustments to reconcile operating income (loss)		
to net cash (used in) provided by operating activities:		
Due from other agencies	(500,000)	-
Due from other funds	13,622	(13,622)
Estimated claims incurred but not reported - Health	486,486	(1,112,304)
Estimated claims incurred but not reported - Dental	50,502	-
Unearned revenue	(109,939)	127,394
Due to other funds	435,485	(296,810)
Due to other agencies	1,312	-
Other accrued liabilities	(124,624)	95,003
Total adjustments	<u>252,844</u>	<u>(1,200,339)</u>
Net cash (used in) provided by operating activities	<u>\$ (544,018)</u>	<u>\$ 184,424</u>

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

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

NOTE 1 - DESCRIPTION OF THE TRUST FUND

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

General

The Trust Fund 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 its covered dependents. The Trust Fund 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 Trust Fund were submitted to and approved by the Florida Department of Financial Services Office of Insurance Regulation.

Benefits

The Trust Fund 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 TRUST FUND (Continued)

Premiums

The Trust Fund's insurance program provides that the District pays the majority of the premium for health and dental 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 an aggregate 72% of the coverage for all employees who enroll in the HSA (Basic), HRA or HRA500 plans. 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 93% funded by the District. Employees pay the additional premiums for the enhanced dental plan.

Retirees pay the premiums on health, dental, and life coverage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

As described in Note 1, the financial statements of the Trust Fund are intended to present the financial position of only that Trust Fund, 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 Fund are prepared using the accrual basis of accounting. The Trust Fund 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 Fund 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 Fund'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 Fund establishes claims liabilities based on estimates provided by the Trust Fund'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 Fund 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 Fund 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 Fund as direct insurer of the risks reinsured.

NOTE 3 - CASH

Cash deposits of the Trust Fund 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, 2016 and 2015, represents prepaid contributions for the months of July 2016 and 2015, respectively, for instructional personnel and for the months of July through August 2016 and July through August 2015, respectively, for non-instructional personnel.

NOTE 5 - INTERFUND PAYABLES AND TRANSFERS

Interfund payables at June 30, 2016 and 2015, 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 2016 and 2015 represent funds directed to the District's ECSD Center for Health and Wellness. This program, which began operating in June 2015, is managed by a third-party medical provider and is designed to complement the Trust Fund by helping reduce claims costs through wellness management of employees and qualified dependents.

NOTE 6 - RECONCILIATION OF CLAIMS LIABILITY

	<u>2016</u>	<u>2015</u>
Unpaid claims and claims adjustment expenses at beginning of the fiscal year	\$ 2,338,102	\$ 3,450,406
Incurred claims and changes in estimate	32,553,089	30,895,735
Less claims payments	<u>32,016,101</u>	<u>32,008,039</u>
Total unpaid claims and claims adjustment expenses at end of the fiscal year	<u>\$ 2,875,090</u>	<u>\$ 2,338,102</u>
Portion allocable to estimated health claims incurred but not reported	\$ 2,553,090	\$ 2,066,604
Portion allocable to estimated dental claims incurred but not reported	<u>322,000</u>	<u>271,498</u>
Total unpaid claims and claims adjustment expenses at end of the fiscal year	<u>\$ 2,875,090</u>	<u>\$ 2,338,102</u>

NOTE 7 - TAX MATTERS

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

NOTE 8 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation, and those reclassifications had no effect on the previously reported change in net position for 2015.

NOTE 9 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events for potential recognition or disclosure through December 16, 2016, which is the date the financial statements were issued.

SUPPLEMENTAL SCHEDULES

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

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

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Employer premiums	\$ 472,155	\$ 491,559
Employee premiums	<u>2,041,520</u>	<u>2,093,948</u>
Total operating revenues	<u>2,513,675</u>	<u>2,585,507</u>
 Operating expenses		
Insurers, claims and administrative	<u>2,513,675</u>	<u>2,577,979</u>
Total operating expenses	<u>2,513,675</u>	<u>2,577,979</u>
 Change in net position	-	7,528
 Total net position - beginning	-	(7,528)
 Total net position - ending	\$ -	\$ -

See Independent Auditor's Report.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

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

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Employer premiums	\$ 24,998,038	\$ 25,816,710
Employee premiums	10,173,868	10,126,872
Other operating revenue	571,439	740,524
Total operating revenues	35,743,345	36,684,106
 Operating expenses		
Insurers, claims and administrative	36,469,515	35,209,167
Total operating expenses	36,469,515	35,209,167
 Operating income (loss)	(726,170)	1,474,939
 Nonoperating revenue		
Investment earnings	-	5,149
Total nonoperating revenue	-	5,149
 Income (loss) before transfer	(726,170)	1,480,088
Transfer in (out)	-	(46,970)
 Change in net position	(726,170)	1,433,118
 Total net position - beginning	7,001,098	5,567,980
 Total net position - ending	\$ 6,274,928	\$ 7,001,098

See Independent Auditor's Report.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

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

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Employer premiums	\$ 627,318	\$ 626,117
Employee premiums	<u>897,115</u>	<u>828,724</u>
Total operating revenues	<u>1,524,433</u>	<u>1,454,841</u>
 Operating expenses		
Insurers, claims and administrative	<u>1,595,125</u>	<u>1,552,545</u>
Total operating expenses	<u>1,595,125</u>	<u>1,552,545</u>
 Operating loss	 (70,692)	 (97,704)
 Nonoperating revenue		
Investment earnings	<u>-</u>	<u>388</u>
Total nonoperating revenue	<u>-</u>	<u>388</u>
 Change in net position	 (70,692)	 (97,316)
 Total net position - beginning	 <u>470,180</u>	 <u>567,496</u>
 Total net position - ending	 <u>\$ 399,488</u>	 <u>\$ 470,180</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 Fund
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 the Escambia School District Employee Benefit Trust Fund of the Escambia County School District (the "Trust Fund") as of and for the year ended June 30, 2016, and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust Fund'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 Fund

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund'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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
December 16, 2016