



APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

FEB 15 2022

DR. TIMOTHY A. SMITH, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY


Agenda Item Details

Meeting	Feb 15, 2022 - REGULAR MEETING AGENDA
Category	20. Consent - Finance
Subject	A. Escambia County School District Employee Benefit Trust Audit Report for the fiscal year ended June 30, 2021 and 2020
Access	Public
Type	Action (Consent)
Fiscal Impact	No
Budgeted	No
Recommended Action	Acceptance of the Escambia County School District Employee Benefit Trust Audit Report for the fiscal year ended June 30, 2021 and 2020
Goals	☞ F.1. To increase fiscal efficiencies while maintaining good stewardship of the District's fiscal assets in order to provide better educational resources to students

Public Content

Background Information/Description

The Escambia County School Board contracted with the external CPA firm of MSL, P.A. to conduct an audit of the Employee Benefit Trust Fund for the fiscal year ended June 30, 2021 and 2020. This fund accounts for the District's Health, Dental and Life Insurance Programs.

 [AUDIT 2020-2021 - Employee Benefit Trust Fund-02.15.22.pdf \(363 KB\)](#)

Our adopted rules of Parliamentary Procedure, Robert's Rules, provide for a consent agenda listing several items for approval of the Board by a single motion. Documentation concerning these items has been provided to all board members and the public in advance to assure an extensive and thorough review. Items may be removed from the consent agenda at the request of any board member.

Workflow

Workflow Feb 2, 2022 9:50 AM :: Submitted by Tammy Edwards. Routed to Terry St Cyr for approval.
Feb 2, 2022 10:44 AM :: Final approval by Terry St Cyr

Last Modified by Terry St Cyr on February 2, 2022

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

FEB 15 2022

DR. TIMOTHY A. SMITH, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

Years Ended June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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, are presented for purposes of additional analysis and are 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 January 10, 2022, 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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
January 10, 2022

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

Years Ended June 30, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Escambia County, Florida (the "District") has prepared the following discussion and analysis to provide an overview of the District's Employee Benefit Trust Fund's (the "Trust Fund") financial activities for the fiscal years ended June 30, 2021 and 2020. The information contained in the Management's Discussion and Analysis (the "MD&A") is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the Trust Fund's financial statements and accompanying notes found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years ended June 30, 2021 and 2020 are as follows:

- The assets of the Trust Fund exceeded its liabilities (net position) by \$16.7 million at June 30, 2021 and \$16.6 million at June 30, 2020.
- Net position increased by \$0.2 million at June 30, 2021 and \$3.9 million at June 30, 2020.
- Trust Fund operating revenues decreased by \$1.1 million and increased \$0.2 million for the fiscal years 2021 and 2020, respectively.
- Operating expenses increased by \$2.6 million and decreased \$1.5 million for fiscal years 2021 and 2020, respectively.
- As of June 30, 2021, the Trust Fund included stop-loss reserves totaling \$1.9 million. Stop-loss is a self-insured portion of the total net position. Stop-loss reserves are explained in Note 1 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Trust Fund was established to administer the District's employee life, health, and dental insurance programs. The District's 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.

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.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

Years Ended June 30, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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's financial statements.

EMPLOYEE BENEFIT TRUST FUND FINANCIAL ANALYSIS

Net position over time may serve as a useful indicator of an entity's financial condition. The following is a summary of the Trust Fund's net position as of June 30, 2021, compared to net position as of June 30, 2020 and 2019.

**Comparison of Net Position
Employee Benefit Trust Fund
June 30, 2021, 2020 and 2019**

	2021	2020	2019
Cash and Cash Equivalents	\$ 6,423,643	\$ 10,196,864	\$ 20,339,994
Investments	13,039,957	13,011,289	-
Accounts Receivable	903,409	502	889
Due from Other Funds	9,366	8,905	-
Due From Other Agencies	4,027,988	4,014	570
Total Assets	24,404,363	23,221,574	20,341,453
Estimated Claims Incurred but not Reported	3,491,000	2,843,000	3,669,498
Other Liabilities	4,175,355	3,825,557	4,031,065
Total Liabilities	7,666,355	6,668,557	7,700,563
Net Position:			
Restricted for Employee Benefits	16,738,008	16,553,017	12,640,890
Total Net Position	\$ 16,738,008	\$ 16,553,017	\$ 12,640,890

The restricted portion of the Trust Fund's net position at June 30, 2021, \$16.7 million, represents resources that are subject to the requirements of the Trust Fund Trust Agreement, which was made in 1983 between the District and the Trustees of the Trust Fund.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

Years Ended June 30, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021, 2020 and 2019, are as follows:

**Comparison of Operating Results
Employee Benefit Trust Fund**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Employer Contributions	\$ 27,059,464	\$ 28,229,255	\$ 28,374,585
Employee Contributions	12,351,033	13,848,570	13,693,704
Other Operating Revenues	<u>3,155,375</u>	<u>1,632,185</u>	<u>1,409,805</u>
Total Operating Revenues	<u>42,565,872</u>	<u>43,710,010</u>	<u>43,478,094</u>
Operating Expenses:			
Insurers, Claims, and Administrative	<u>42,413,971</u>	<u>39,835,089</u>	<u>41,372,636</u>
Total Operating Expenses	<u>42,413,971</u>	<u>39,835,089</u>	<u>41,372,636</u>
Operating Income	<u>151,901</u>	<u>3,874,921</u>	<u>2,105,458</u>
Nonoperating Revenue:			
Refund of Prior Year Expenses	-	-	646,999
Interest Earnings	<u>33,090</u>	<u>37,206</u>	-
Total Nonoperating Revenue	<u>33,090</u>	<u>37,206</u>	<u>646,999</u>
Change in Net Position	184,991	3,912,127	2,752,457
Total Net Position Beginning	<u>16,553,017</u>	<u>12,640,890</u>	<u>9,888,433</u>
Total Net Position Ending	<u>\$ 16,738,008</u>	<u>\$ 16,553,017</u>	<u>\$ 12,640,890</u>

Activities during the year increased the Trust Fund's net position by \$0.2 million. Comparatively, increases for the prior two fiscal years totaled \$3.9 million (2019-20) and \$2.8 million (2018-19), respectively. For the 2020-21 fiscal year, the following changes occurred:

- Participation in the District's self-insured benefits program decreased by approximately 12 percent due to reduced District staff. Accordingly, premium revenue was \$2.7 million less than the prior fiscal year.
- Other operating revenue increased \$1.5 million over the 2019-20 fiscal year. The increase was primarily due to prescription rebates.
- Claims and other expenses for the 2020-21 fiscal year increased by \$2.6 million over the prior fiscal year.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

Years Ended June 30, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, 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.

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**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

ASSETS

	2021	2020
Current assets		
Cash and cash equivalents	\$ 6,423,643	\$ 10,196,864
Investments	13,039,957	13,011,289
Accounts receivable	903,409	502
Due from other funds	9,366	8,905
Due from other agencies	4,027,988	4,014
Total current assets	24,404,363	23,221,574
Total assets	24,404,363	23,221,574

LIABILITIES AND NET POSITION

Current liabilities		
Estimated claims incurred but not reported - Health	3,491,000	2,780,000
Estimated claims incurred but not reported - Dental	-	63,000
Accounts payable	109,640	-
Unearned revenue	3,409,639	3,667,941
Due to other agencies	656,076	-
Other accrued liabilities	-	157,616
Total current liabilities	7,666,355	6,668,557
Total liabilities	7,666,355	6,668,557
Net position		
Restricted for employee benefits	16,738,008	16,553,017
Total net position	\$ 16,738,008	\$ 16,553,017

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, 2021 and 2020

	2021	2020
Operating revenues		
Employer premiums	\$ 27,059,464	\$ 28,229,255
Employee premiums	12,351,033	13,848,570
Other operating revenues	3,155,375	1,632,185
Total operating revenues	42,565,872	43,710,010
 Operating expenses		
Insurers, claims, and administrative	42,413,971	39,835,089
Total operating expenses	42,413,971	39,835,089
 Operating income	151,901	3,874,921
 Nonoperating revenue		
Interest earnings	33,090	37,206
Total nonoperating revenue	33,090	37,206
 Change in net position	184,991	3,912,127
 Total net position - beginning	16,553,017	12,640,890
 Total net position - ending	\$ 16,738,008	\$ 16,553,017

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, 2021 and 2020

	2021	2020
Operating activities		
Cash received from Board funds and participants	\$ 37,380,228	\$ 43,652,357
Cash payments to vendors for goods and services	(5,091,455)	(7,471,790)
Cash payments for insurance claims	(36,066,416)	(33,322,798)
Cash payments to employees for services	-	(26,816)
Net cash (used in) provided by operating activities	(3,777,643)	2,830,953
Investing activities		
Purchase of investments	(28,668)	(13,011,289)
Interest payments received	33,090	37,206
Net cash provided by (used in) investing activities	4,422	(12,974,083)
Net decrease in cash and cash equivalents	(3,773,221)	(10,143,130)
Cash and cash equivalents		
Beginning of year	10,196,864	20,339,994
End of year	\$ 6,423,643	\$ 10,196,864
Reconciliation of operating income		
to net cash provided by operating activities		
Operating income	\$ 151,901	\$ 3,874,921
Adjustments to reconcile operating income		
to net cash (used in) provided by operating activities:		
Accounts receivable	(902,907)	387
Due from other agencies	(4,023,974)	(3,444)
Due from other funds	(461)	(8,905)
Estimated claims incurred but not reported - Health	711,000	(618,000)
Estimated claims incurred but not reported - Dental	(63,000)	(208,498)
Accounts payable	109,640	-
Unearned revenue	(258,302)	(45,691)
Due to other funds	-	(18,185)
Due to other agencies	656,076	-
Other accrued liabilities	(157,616)	(141,632)
Total adjustments	(3,929,544)	(1,043,968)
Net cash (used in) provided by operating activities	\$ (3,777,643)	\$ 2,830,953

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

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 their 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.

As of January 1, 2021, dental benefits were no longer self-insured but were offered as a voluntary benefit through a private carrier – The Standard. The District's premium contribution remains in effect.

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.

Health claims are self-insured by the District. As previously noted, dental insurance was fully insured as of January 1, 2021 but previously self-insured claims continue to run through the Trust Fund as of June 30, 2021. The District has contracted with third-party administrators to process and pay medical, prescription, dental (through runout of self-insured claims) and drug claims.

Since January 1, 2020, the District has self-insured stop-loss coverage for medical and prescription drug claims in excess of \$350,000 per individual claimant. An aggregating deductible also exists of \$235,000 per plan year. This self-insured model adopted by the Trustees mirrored the coverage in place with the prior carrier which expired on December 31, 2019. Stop-loss premiums are now being paid on a monthly basis to a stop-loss fund. For both 2020 and 2021, premium revenues exceeded premium costs thus increasing the stop-loss reserve balance each year.

Life insurance benefits are fully insured with Standard Life.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF THE TRUST FUND *(Continued)*

Premiums

The Trust Fund's self-insurance program and the District's fully-insured program provides that the District pays the majority of the premium for health and dental and full premiums for life coverage for the employee. The employee may obtain 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 tier), 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 100% of their premiums for 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 under the economic resources measurement focus and the accrual basis of accounting. The Trust Fund is accounted for as a proprietary activity under standards issued by the Government Accounting Standards Board (the "GASB"). 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 non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of 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.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits and other highly liquid cash equivalents held by banks qualified as public depositories under the laws of the State of Florida. All deposits are collateralized by securities held in federal depository insurance or by Florida's multiple financial institution collateral pool required by Section 280 of the Florida Statutes.

Investments that have original maturities of three (3) months or less are considered to be cash equivalents for financial statement reporting purposes. For this purpose, money market mutual funds are reported as cash equivalents.

Investments

Investments consist of amounts placed with the State Board of Administration (the "SBA") for participation in Florida PRIME, formerly known as the Local Government Surplus Trust Fund created by Section 218.405, Florida Statutes. The Florida PRIME investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. Amounts with Florida PRIME are reported at amortized cost.

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

Due to a 10-year trend in which stop-loss premium expenses exceeded stop-loss recoveries, the Trustees began self-insuring stop-loss effective January 1, 2020. The District's Risk Management Department administers the stop-loss fund and claim reimbursements back to the Trust for any amounts exceeding both the aggregating deductible of \$235,000 and individual specific deductible of \$350,000 per claimant. These same limits were in place with the prior reinsurance carrier for the 2019 plan year ended December 31, 2019. The stop-loss fund is maintained as a portion of the total health insurance fund balance.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 3 - CASH AND INVESTMENTS

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.

Investments are held by the SBA and invested in Florida PRIME. The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2021, are similar to money market funds in which shares are owned in the fund rather than the underlying investments.

Under GASB Statement 79, *Certain External Investment Pools*, these investments are reported at fair value, which is amortized cost. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes.

As of June 30, 2021, the District has the following investments and maturities for the Trust Fund:

<u>Investment</u>	<u>Average Maturities</u>	<u>Fair Value</u>	<u>Fair Value Measurement</u>
State Board of Administration			
Florida PRIME			
Employee Benefit Trust Fund	50 Days	\$ 13,039,957	N/A

NOTE 4 - INTERFUND RECEIVABLES

Interfund receivables at June 30, 2021 and 2020 represent payments of expenses by the Trust Fund for the District's general fund that will be repaid within the next fiscal year.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 5 - RECONCILIATION OF CLAIMS LIABILITY

The following schedules represent the changes in claims liabilities for the years ended June 30, 2021 and 2020, respectively.

	2021	2020
Unpaid claims and claims adjustment expenses at beginning of the fiscal year	\$ 2,843,000	\$ 3,669,498
Incurred claims and changes in estimate	36,714,416	31,645,002
Less claims payments	36,066,416	32,471,500
Total unpaid claims and claims adjustment expenses at end of the fiscal year	\$ 3,491,000	\$ 2,843,000
Portion allocable to estimated health claims incurred but not reported	\$ 3,491,000	\$ 2,780,000
Portion allocable to estimated dental claims incurred but not reported	-	63,000
Total unpaid claims and claims adjustment expenses at end of the fiscal year	\$ 3,491,000	\$ 2,843,000

NOTE 6 - UNEARNED REVENUE

Unearned revenue at June 30, 2021 and 2020 represents prepaid contributions for the months of July 2021 and 2020, respectively, for instructional personnel and for the months of July through August 2021 and July through August 2020, respectively, for non-instructional personnel.

NOTE 7 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events for potential recognition or disclosure through January 10, 2022, which is the date the financial statements were issued.

**ESCAMBIA SCHOOL DISTRICT
EMPLOYEE BENEFIT TRUST FUND**

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

Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Employer premiums	\$ 252,576	\$ 494,541
Employee premiums	1,038,500	2,041,563
Total operating revenues	1,291,076	2,536,104
Operating expenses		
Insurers, claims, and administrative	1,276,045	2,536,104
Total operating expenses	1,276,045	2,536,104
Operating income	15,031	-
Change in net position	15,031	-
Total net position - beginning	-	-
Total net position - ending	\$ 15,031	\$ -

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, 2021 and 2020

	2021	2020
Operating revenues		
Employer premiums	\$ 26,530,400	\$ 27,160,895
Employee premiums	10,826,058	10,823,007
Other operating revenues	3,152,685	1,630,004
Total operating revenues	40,509,143	39,613,906
Operating expenses		
Insurers, claims, and administrative	40,432,681	36,205,622
Total operating expenses	40,432,681	36,205,622
Operating income	76,462	3,408,284
Nonoperating revenue		
Interest earnings	33,090	37,206
Total nonoperating revenue	33,090	37,206
Change in net position	109,552	3,445,490
Total net position - beginning	15,456,354	12,010,864
Total net position - ending	\$ 15,565,906	\$ 15,456,354

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, 2021 and 2020

	2021	2020
Operating revenues		
Employer premiums	\$ 276,488	\$ 573,819
Employee premiums	486,475	984,000
Other operating revenues	2,690	2,181
Total operating revenues	765,653	1,560,000
Operating expenses		
Insurers, claims, and administrative	705,245	1,093,363
Total operating expenses	705,245	1,093,363
Operating income	60,408	466,637
Change in net position	60,408	466,637
Total net position - beginning	1,096,663	630,026
Total net position - ending	\$ 1,157,071	\$ 1,096,663

See Independent Auditor's Report.



**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, 2021, and have issued our report thereon dated January 10, 2022.

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) as a basis for designing 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 Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust 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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
January 10, 2022