

FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Escambia Children's Trust
Pensacola, Florida

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Escambia Children's Trust (the Trust), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Escambia Children's Trust as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Escambia Children's Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Escambia Children's Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Escambia Children's Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Escambia Children's Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023, on our consideration of Escambia Children's 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 solely 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 the effectiveness of Escambia Children's Trust's 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 Escambia Children's Trust's internal control over financial reporting and compliance.

Brown Thornton Peck & Company, P.A.

Pensacola, Florida
February 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCAMBIA CHILDREN'S TRUST

Management of Escambia Children's Trust (the Trust) has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the Trust's financial activities; (c) identify changes in the Trust's financial position; and (d) identify material deviations from the approved budget.

Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with management. Because the information contained in the Management's Discussion and Analysis is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with The Trust's financial statements and note disclosures.

Financial Highlights

An overview of significant financial information from fiscal year 2021-2022 includes:

- The Trust's total assets and deferred outflows of financial resources exceeded its total liabilities and deferred inflows of financial resources by \$9,449,313 (net position).
- Total net position is comprised of a cash balance of \$9,728,824 and prepaid items of \$47,774.
- This is the first year of the Trust operations, so the net position increased by \$9,449,313 for an ending balance of \$9,449,313.
- The Trust's expenses were \$709,385 which totaled 6.78% of the budget. This was the first year of Trust operations, and Trust activities were focused around hiring staff and developing policies and procedures.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Trust's basic financial statements. The basic financial statements include: (1) government-wide financial statements; and (2) notes to the basic financial statements. The Trust also includes in this report additional information to supplement the basic financial statements.

Fund Financial Statements

A fund is defined as an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Trust currently has one funding source, property taxes, so there is only one fund. If the Trust increases funding sources, funds will

See independent auditor's report and accompanying notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCAMBIA CHILDREN'S TRUST

be used to ensure and demonstrate compliance with finance-related laws and regulations. The Trust uses only one fund, the General Fund, which is a governmental fund.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Trust's budget presentation. The Budget versus Actual statement is included as "required supplementary information."

Financial Analysis of the Trust as a Whole

The following table provides a summary of the Trust's condensed net position:

	<u>September 30, 2022</u>		<u>September 30, 2021</u>	
Assets				
Current assets	\$ 9,776,598	100.0%	\$ -	0.0%
Capital assets	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>
Total assets	9,776,598	100.0%	-	0.0%
Deferred outflows	-	0.0%	-	0.0%
Liabilities				
Current liabilities	327,285	100.0%	-	0.0%
Long-term liabilities	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>
Total liabilities	327,285	100.0%	-	0.0%
Deferred inflows	-	0.0%	-	0.0%
Net position				
Restricted	-	0.0%	-	0.0%
Unrestricted	<u>9,449,313</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>
Total net position	<u>\$ 9,449,313</u>	100.0%	<u>\$ -</u>	0.0%

See independent auditor's report and accompanying notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCAMBIA CHILDREN'S TRUST

The Trust maintains a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the Trust's ability to pay current obligations. At September 30, 2022, the current ratio for activities is 29.9 to 1.

Total Assets

Total assets were \$9,776,598 at September 30, 2022 and consists entirely of current assets.

Current assets - the largest component of current assets was cash, which represents \$9,728,824, or 99.5%, of total assets at September 30, 2022.

Prepaid expenses and deposits - Prepaid expenses for rent and software represents \$47,226 and \$550. This totaled .5% of total assets at September 30, 2022.

Total Liabilities

Total liabilities consisted of several components and totaled \$327,285 as of September 30, 2022.

The largest component of liabilities was an intergovernmental payable to the Escambia County Tax Collector in the amount of \$202,229. This fee is a percentage of property taxes that are collected during the year and totaled 62% of total liabilities at September 30, 2022.

The grants payable balance of \$49,693 represents outstanding payables due to providers and represents 15% of total liabilities.

The accounts payable balance of \$71,207 represents 22% of total liabilities at September 30, 2022.

Compensated absences payable represents vacation and sick leave earned but not taken by employees and totaled \$2,831, or less than 1%, of total liabilities at September 30, 2022.

See independent auditor's report and accompanying notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCAMBIA CHILDREN'S TRUST

The following table provides a summary of the Trust's condensed changes in net position and the budget versus actual at September 30, 2022:

	<u>Actual</u>		<u>Budget</u>	
	<u>Amounts</u>	<u>% of Total</u>	<u>Amounts</u>	<u>% of Total</u>
Revenues				
General				
Ad valorem taxes	\$ 10,098,954	99.4%	\$ 10,461,594	100.0%
Interest income	<u>59,744</u>	<u>0.6%</u>	<u>-</u>	<u>0.0%</u>
Total revenues	10,158,698	100.0%	10,461,594	100.0%
Program expenses				
Provider services	49,693	7.0%	8,853,820	84.6%
General operations				
Personnel services	196,184	27.7%	468,132	4.5%
Materials and services	261,279	36.8%	302,714	2.9%
Contingency	-		523,080	5.0%
Property appraiser and tax collector fees	<u>202,229</u>	<u>28.5%</u>	<u>313,848</u>	<u>3.0%</u>
Total expenditures	<u>709,385</u>	100.0%	<u>10,461,594</u>	100.0%
Change in net position	9,449,313		-	
Beginning net position	<u>-</u>		<u>-</u>	
Ending net position	<u>\$ 9,449,313</u>		<u>\$ -</u>	

Governmental Activities Revenue

Ad valorem taxes – Ad valorem taxes are the Trust's primary source of revenue. On September 14, 2021, the Trust levied .5000 mills for the 2022 year end. This levy resulted in revenue of \$10,098,954, or 99.4%, of total revenues, which the Trust began receiving in November 2021. The amount collected was 96.53% of the budgeted amount. Going forward, the Trust will budget for a collection of 95% of ad valorem taxes due to non-collectible property taxes.

Other revenue - The Trust recognized \$59,744 in interest income on cash in the bank.

See independent auditor's report and accompanying notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ESCAMBIA CHILDREN'S TRUST

Governmental Activities Expenses

During fiscal year 2021-2022, total expenses were \$709,385. This was 6.78% of the budgeted expenses. Personnel expenses were at 41.9% for the year due to the Trust not being fully staffed until June of 2022. The first year of operations was focused on hiring staff and developing policies and procedures for the agency. The largest budgeted expense, grants to community providers (\$8,853,820), was the area where the Trust spent the least (.08%). However, the excess funds will be rolled into the 2022-2023 budget for community providers.

No money was spent out of reserve funds during the 2021-2022 fiscal year.

The Escambia Children's Trust's Management Discussion and Analysis presents an overview of the Organization's financial activities for the fiscal year ended September 30, 2022. Escambia Children's Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

See independent auditor's report and accompanying notes.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

ESCAMBIA CHILDREN'S TRUST

SEPTEMBER 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 9,728,824
Prepaid items and deposits	<u>47,774</u>
Total current assets	<u>9,776,598</u>

Total assets	9,776,598
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	71,207
Accrued expenses	1,325
Accrued compensated absences due within one year	2,831
Grants payable	49,693
Due to other governmental units	<u>202,229</u>

Total current liabilities	<u>327,285</u>
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Total liabilities	<u>327,285</u>
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NET POSITION

Restricted	-
Unrestricted	<u>9,449,313</u>
Total net position	<u>\$ 9,449,313</u>

See independent auditor's report and accompanying notes.

STATEMENT OF ACTIVITIES
ESCAMBIA CHILDREN'S TRUST
For the Year Ended September 30, 2022

PROGRAM EXPENSES	
Program - Children's Services	\$ 49,693
Administration	<u>659,692</u>
Total program expenses	709,385
PROGRAM REVENUES	
	<u>-</u>
NET PROGRAM EXPENSE	(709,385)
GENERAL REVENUES	
Ad valorem taxes	10,098,954
Interest income	<u>59,744</u>
Total general revenues	10,158,698
CHANGE IN NET POSITION	9,449,313
NET POSITION, BEGINNING OF YEAR	<u>-</u>
NET POSITION, END OF YEAR	<u><u>\$ 9,449,313</u></u>

See independent auditor's report and accompanying notes.

BALANCE SHEET - GOVERNMENTAL FUND

ESCAMBIA CHILDREN'S TRUST

September 30, 2022

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 9,728,824	\$ 9,728,824
Prepaid items	47,224	47,224
Deposits	<u>550</u>	<u>550</u>
Total assets	<u>\$ 9,776,598</u>	<u>\$ 9,776,598</u>
LIABILITIES		
Accounts payable	\$ 71,207	\$ 71,207
Accrued expenses	1,325	1,325
Contracts payable	49,693	49,693
Due to other governmental units	<u>202,229</u>	<u>202,229</u>
Total liabilities	<u>324,454</u>	<u>324,454</u>
FUND BALANCE		
Non-spendable:		
Prepaid items and deposits	47,774	47,774
Restricted	-	-
Assigned:		
Grants outstanding and carryover to fiscal year 2023	-	-
Subsequent year's reserves	-	-
Unassigned	<u>9,404,370</u>	<u>9,404,370</u>
Total fund balance	<u>9,452,144</u>	<u>9,452,144</u>
Total liabilities and fund balance	<u>\$ 9,776,598</u>	<u>\$ 9,776,598</u>

See independent auditor's report and accompanying notes.

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

ESCAMBIA CHILDREN'S TRUST

September 30, 2022

Total fund balance - governmental funds	\$ 9,452,144
Amounts reported for governmental activities in the statement of net position are different because:	
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	<u>(2,831)</u>
Net position of governmental activities	<u>9,449,313</u>

See independent auditor's report and accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND
ESCAMBIA CHILDREN'S TRUST**

For The Year Ended September 30, 2022

	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 10,098,954	\$ 10,098,954
Interest income	59,744	59,744
Total revenues	10,158,698	10,158,698
EXPENDITURES		
Program - Children's Services:		
Operating	454,887	454,887
Grant awards	49,693	49,693
Total program - children's services	504,580	504,580
Administration:		
Operating	201,974	201,974
Total administration	201,974	201,974
TOTAL EXPENDITURES	706,554	706,554
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	9,452,144	9,452,144
FUND BALANCE - BEGINNING OF YEAR	-	-
FUND BALANCE - END OF YEAR	\$ 9,452,144	\$ 9,452,144

See independent auditor's report and accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES**

ESCAMBIA CHILDREN'S TRUST

For The Year Ended September 30, 2022

Net change in fund balance of governmental funds	\$ 9,452,144
Compensated absences are reported in the statement of activities when earned, as they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of the net change in accrued comensated absences	<u>(2,831)</u>
Change in net position of governmental activities	<u><u>9,449,313</u></u>

See independent auditor's report and accompanying notes.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

NOTE A - ENTITY AND NATURE OF ACTIVITIES

The Escambia Children's Trust (the Trust) is an independent special district established pursuant to 125.901 Florida Statutes and Escambia County Ordinance 2020-22, as approved by the Electorate. The Trust has as its general purpose to invest in the well-being of children throughout Escambia County, as more fully set forth in statute and ordinance.

The Trust is governed by a board of directors which consists of 10 members, including the Escambia County Superintendent of Schools, a local Escambia County School Board member, the Administrator of the District of the Florida Department of Children and Families or designee who is a member of the Senior Management Service or of the Selected Exempt Services, a member of the Escambia County Board of County Commissioners, and a Judge assigned to juvenile cases; the remaining five members are appointed by the Governor for four-year terms. The Trust operates in accordance with Section 125.901, Florida Statutes.

The Trust follows the standards promulgated by *Government Accounting Standards Board* (GASB) Codification Section 2100, Defining the Financial Reporting Entity. The accompanying financial statements include all operations over which the Trust is financially accountable.

The Trust was formed to provide funding to various agencies; however, each agency is financially independent. The Trust has no authority to appoint or hire management of the agencies nor does it have responsibility for routine operations of the agencies. Based upon application of these factors, the Trust has concluded that it has no financial oversight responsibility for the various agencies and, therefore, their financial statements are excluded from the reporting entity.

The Trust has not identified any component units and is not a participant in any joint ventures.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Trust. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. There were no program revenues for the year; however, they may include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

NOTE A - ENTITY AND NATURE OF ACTIVITIES (Continued)

Separate fund financial statements are provided for governmental funds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

There is only one fund for the current year. The general fund is a major fund and is the government's primary operating fund. It accounts for all financial resources of the general government.

2. Budgets and Budgetary Accounting - The budget is prepared and adopted after public hearings, pursuant to Section 200.065 of the Florida Statutes. The budget was adopted by the Trust for all funds for the period October 1, 2021 through September 30, 2022 utilizing generally accepted accounting principles. The budget was amended during the year ended September 30, 2022.
3. Cash and Cash Equivalents - Cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2022.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Capital Assets - Capital assets are reported in the governmental-wide financial statements. Acquisitions of land, buildings, furniture, and equipment of \$5,000 or more are capitalized at cost or, if donated, at estimated fair market value at the time of donation.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of five to ten years for equipment and buildings for 39 years. There were no capital assets at September 30, 2022.

5. Compensated Absences - Employees are permitted to accumulate earned but unused leave benefits, which are eligible for payment upon separation from government service within the vesting limits. Separating employees shall be paid for all unused, accrued vacation leave earned through the date of separation, within policy permitted maximum hours. The liability is reported as incurred in the governmental-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.
6. Deferred Outflows and Inflows - A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. There were no deferred outflows or inflows at September 30, 2022.
7. Property Tax - Property taxes for the current year were assessed and collected by the Escambia County Tax Collector and subsequently remitted to the Trust. Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1. Under Florida law, the assessment of all properties and the collection of all County, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit Children's Trusts to levy property taxes at a rate of up to .5 mills (\$.50 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Trust for the year ended September 30, 2022 was 0.5 mills.

The taxes levied are established by Escambia Children's Trust prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the tax levy, for the County. All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of the state statutes.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All real and tangible personal property taxes are due and payable on November 1 each year, or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. The County Property Appraiser mails to each property owner on the assessment roll a notice of the taxes due and the County Tax Collector collects the taxes on behalf of the Trust. Taxes may be paid upon receipt of such notice, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which the taxes were assessed. Procedures for the collection of delinquent taxes by the County are provided for in the laws of Florida. There were no material delinquent property taxes at September 30, 2022.

8. Grants and Grants Payable - The Trust provides coordination, evaluation and funding of various programs for children which are administered by organizations throughout Escambia County. The grantee requests cost reimbursements up to the total amount of the executed grant agreement, on a monthly basis, during the term of the grant as defined in the executed grant agreement. The grants payable at September 30, 2022 represents cost reimbursement requests submitted by grantees for costs incurred prior to September 30, 2022. No grants payable are recorded for amounts awarded through executed grant agreements for which cost reimbursement requests have not been made by grantees as of September 30, 2022.
9. 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. Actual results could differ from these estimates.
10. Governmental Fund Balance - The Trust adopted a Fund Balance Policy to comply with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Governmental fund balances are now reported as non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable Fund Balance - Amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to the constraints imposed by a formal action of the government's highest level of decision-making authority. Only the governing ten-member council may modify or rescind a fund balance commitment, by resolution.

Assigned Fund Balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balance lies with the Trust, the budget committee, or an official who has been given the authority to assign funds.

Unassigned Fund Balance - The residual classification for the General Fund resources. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for a governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Fund Balance Spending Hierarchy - When restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

11. Events Occurring After the Reporting Date - The Trust has evaluated events and transactions that occurred between September 30, 2022 and February 1, 2023, which is the date that the basic financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE C - DEPOSITS

Banks qualified as public depositories under Florida law hold cash deposits of the Trust. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. As of September 30, 2022, the Trust's bank balance was \$9,728,824.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA CHILDREN'S TRUST

NOTE D - RISK MANAGEMENT

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Trust purchases commercial insurance coverage to cover the various risks. There have been no significant reductions in insurance coverage and there were no settled claims which exceeded insurance coverage in the last year or subsequent thereto.

NOTE E - COMMITMENTS AND CONTINGENCIES

At September 30, 2022, the Trust had tentatively approved funding for next year's programs in the amount of \$389,370.

The budget of the property appraiser's office, as approved by the Department of Revenue, is the basis upon which taxing authorities of the County (except municipalities and the district school board) are billed by the property appraiser for services rendered. Each taxing authority is billed an amount that bears the same proportion to the total amount of the budget as its share of ad valorem taxes bore to the total levied for the preceding year. The Trust accrued fees of \$202,229 to the Property Appraiser for the year ended September 30, 2022. The tax collector's actual costs of collection must not exceed 2% of the tax revenues collected.

NOTE F - GRANTS

The Trust was formed to provide coordination, evaluation and funding of various programs for children which are administered by organizations throughout Escambia County, Florida to support necessary educational, preventive, developmental, treatment, intervention, and rehabilitative services for children within the County.

During the year ended September 30, 2022, the Trust awarded funding totaling \$67,000 and expended \$49,693. During the year ended September 30, 2022, the Trust awarded funding for the upcoming year totaling \$389,370; subsequent to year end the Trust awarded funding totaling \$617,034.

NOTE G - LEASES

The entity leased office space under a one-year lease that is cancelable under certain circumstances, requiring annual payments totaling \$5,530, with renewal terms for two successive terms of one year each. The lease is accounted for as an operating lease. During the fiscal year ended September 30, 2022, the lease payments for operating leases totaled \$2,304. Minimum required lease payments under contract in future years total \$3,226 for the year ending September 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

ESCAMBIA CHILDREN'S TRUST

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Funds	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 10,461,594	\$ 10,461,594	\$ 10,098,954	\$ (362,640)
Interest income	-	-	59,744	59,744
Total revenues	10,461,594	10,461,594	10,158,698	(302,896)
EXPENDITURES				
Program - Children's Services:				
Grant awards	9,466,023	8,853,820	49,693	8,804,127
Administration:				
Personnel services	144,313	468,132	204,805	263,327
Materials and services	825,104	302,714	249,827	52,887
Contingency	-	523,080	-	523,080
Property appraiser and tax collector fees	26,154	313,848	202,229	111,619
TOTAL EXPENDITURES	10,461,594	10,461,594	706,554	9,755,040
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	9,452,144	(9,452,144)
OTHER FINANCING SOURCES (USES)	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ 9,452,144	\$ (9,452,144)

See independent auditor's report and accompanying notes.

ESCAMBIA CHILDREN'S TRUST

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2022

BUDGETARY INFORMATION

Budget Policy and Practice

The Trust proposes and approves an annual budget for the General Fund in a public meeting and then submits the certified budget to the County Commissioners.

Basis of Budget

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for the General Fund, compares the expenditures with the amended budget. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The accompanying budgetary comparison schedule for the General Fund presents actual expenditures on a basis consistent with the legally adopted budget, as amended.

See independent auditor's report and accompanying notes.

**REPORT ON AUDIT PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

**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 Directors
Escambia Children's Trust

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 financial statements of the governmental activities and each major fund of Escambia Children's Trust, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Escambia Children's Trust's basic financial statements, and have issued our report thereon dated February 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Escambia Children's Trust'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Escambia Children's Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Escambia Children's Trust'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 a 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 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Escambia Children's 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 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*.

Escambia Children's Trust's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Trust's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Trust's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Thornton Paccetta & Company, P.A.

Pensacola, Florida
February 1, 2023

SUMMARY SCHEDULE OF FINDINGS AND RESPONSES

ESCAMBIA CHILDREN'S TRUST

For the Year Ended September 30, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

2022-001

Operating In Accordance With Policy Manual

During our audit we noted instances where the Trust did not operate in accordance with its policy manual. The policy manual requires Level 2 background checks on all employees. We noted no background checks had been performed for the employee hired during the year ended September 30, 2022. The policy manual also requires the Trust to maintain a separate bank account for payroll. There was no separate bank account for payroll transactions; the main operating account was utilized for payroll transactions. We recommend the Trust implement procedures to ensure the Trust is operating in accordance with the Trust's policy manual.

Management's Response

The Escambia Children's Trust (the Trust) was a newly formed entity in fiscal year 2021-2022. Management understands the importance of developing and following policies and procedures.

The Trust's policy manual initially included language requiring a separate bank account for payroll. In April 2022, the Board of Directors approved a policy change where a separate bank account for payroll was no longer required.

The policy manual also required Level 2 background screenings for all Trust employees. Management subsequently learned the Trust does not qualify to access the state clearinghouse for Level 2 screening results. The Trust's management noted other options for comparable criminal background screening and has to access the Florida Department of Law Enforcement's Volunteer & Employee Criminal History System (VECHS). The policy manual will be revised to change the requirement from Level 2 background screenings to criminal background screenings through the Florida Department of Law Enforcement's Volunteer & Employee Criminal History System (VECHS).

Management has implemented procedures to ensure the Trust is operating in accordance with the Trust's policy manual.

MANAGEMENT LETTER

MANAGEMENT LETTER

To the Board of Directors
Escambia Children's Trust

Report on the Financial Statements

We have audited the financial statements of Escambia Children's Trust, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated February 1, 2023.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report(s) on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 1, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made; there was no preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name and legal authority for Escambia Children's Trust were disclosed in the notes to the financial statements. There were no component units related to Escambia Children's Trust.

Financial Condition and Management

Sections 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Escambia Children's Trust met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Escambia Children's Trust did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Escambia Children's Trust. It is management's responsibility to monitor the Escambia Children's Trust's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. We have no such recommendations. We have the following recommendation:

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the Escambia Children's Trust reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 4.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 3.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$160,305.

- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$85,361.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$10,461,594.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the (name of district) reported:

- a. The mileage rate or rates imposed by the district as 0.5.
- b. The total amount of ad valorem taxes collected by or on behalf of the district as \$10,098,954.
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds as \$0.

Additional Matters

Section 10.554(1)(i)3, Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Brown Thornton Peck & Company, P.A.

Pensacola, Florida
February 1, 2023

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