

ESCAMBIA CHILDREN'S TRUST

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

**ESCAMBIA CHILDREN’S TRUST
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Escambia Children's Trust

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Escambia Children's Trust (the Trust) as of and for the year ended September 30, 2023, 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 respective financial position of the governmental activities and the general fund of the Trust as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 the 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 the Trust's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user made on the basis of these financial statements.

In performing an audit in accordance with GAAS 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 the 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 the 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 budgetary comparison information 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 May 28, 2024, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
May 28, 2024

**ESCAMBIA CHILDREN'S TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

General Information

The Escambia Children's Trust (the Trust) is an independent special district established by Escambia County Ordinance 2020-22. It is governed by the Florida Statutes and follows the accounting standards promulgated by the Governmental Accounting Standards Board. Most of the revenues received by the Trust emanate from an additional tax levy on properties within the boundaries initially established by the governing body of Escambia County. The purpose of the Trust is to invest in the well-being of children within Escambia County. The Trust shall serve to collaborate and support necessary educational, preventive, developmental, treatment, intervention, and rehabilitative services for children within the county through funding and/or through cooperative agreement.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Trust's financial statements. Please read the information presented here in conjunction with the financial statements and notes to the financial statements that follow this section.

The statement of net position presents information on all of the Trust's assets and liabilities, with reported net position being the amount assets exceed liabilities. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Trust.

The statement of activities presents information showing how the Trust's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The notes to the financial statements provided additional information that is essential to a full understanding of the data provided in the financial statements.

Capital Assets and Long-Term Debt

At the end of the current fiscal year, the Trust did not have any outstanding debt or capital assets.

**ESCAMBIA CHILDREN'S TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Financial Analysis

The following condensed information comes from the financial statements of the last two years:

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 17,857,739	\$ 9,776,598
Total assets	17,857,739	9,776,598
Liabilities		
Other liabilities	2,063,897	327,285
Total liabilities	2,063,897	327,285
Net Position		
Unrestricted	15,793,842	9,449,313
Total net position	\$ 15,793,842	\$ 9,449,313
Revenues		
Ad valorem taxes	\$ 10,264,049	\$ 10,098,954
Investment income	742,891	59,744
Total revenues	11,006,940	10,158,698
Expenses		
General government	4,864,640	709,385
Total expenses	4,864,640	709,385
Change in net position	\$ 6,142,300	\$ 9,449,313

General fund revenues increased approximately \$848,000 due to an increase in interest revenues received on cash balances held during the year. General fund expenditures increased approximately \$4.1 million due to an increase in grant contracts awarded during the current year as well as the recognition of the contingent liability for the 2021-2023 fiscal year tax increment revenues payable to the Escambia County Board of County Commissioners as disclosed in Note 7.

Budgetary Highlights

The Trust's actual revenues exceeded budgeted amounts by approximately \$396,000 due to an increase in interest revenues received. Budgeted expenses exceeded actual expenses by approximately \$13.8 million due to less grant contracts being awarded than initially budgeted for.

Economic Forecast

Pre-COVID-19 pandemic retail occupancy was at its highest level in over a decade and still shows signs of strength with new shops and restaurants continuing to open. Tourism was increasing at a rapid pace, helping fuel the growth in retail, hospitality and entertainment venues. Many of the indicators for economic growth appear to be in place in Escambia County, which should result in increased real estate values which is the primary driver of revenue for the Trust.

**ESCAMBIA CHILDREN'S TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Request for Information

This financial report is designed to provide a general overview of the Trust's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Executive Director
Escambia Children's Trust
10008 College Blvd, Building 11 Ste 1100H
Pensacola, Florida 32504

BASIC FINANCIAL STATEMENTS

**ESCAMBIA CHILDREN'S TRUST
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 17,845,211
Prepaid items	<u>12,528</u>
TOTAL ASSETS	<u>17,857,739</u>
LIABILITIES	
Current liabilities	
Accounts payable	912,776
Due to Escambia County Board of County Commissioners	<u>1,134,025</u>
Total current liabilities	2,046,801
Noncurrent liabilities	
Compensated absences	<u>17,096</u>
TOTAL LIABILITIES	<u>2,063,897</u>
NET POSITION	
Unrestricted	<u>15,793,842</u>
TOTAL NET POSITION	<u><u>\$ 15,793,842</u></u>

See notes to the financial statements.

**ESCAMBIA CHILDREN'S TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Function/ Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
General government	\$ 4,864,640	\$ -	\$ -	\$ (4,864,640)
Total	<u>\$ 4,864,640</u>	<u>\$ -</u>	<u>\$ -</u>	(4,864,640)
General Revenues				
Ad valorem taxes				
10,264,049				
Investment income				
742,891				
<hr/>				
Total general revenues				
11,006,940				
<hr/>				
Changes in net position				
6,142,300				
Net position, beginning of year, as restated				
9,651,542				
<hr/>				
Net position, end of year				
<u>\$ 15,793,842</u>				

See notes to the financial statements.

**ESCAMBIA CHILDREN'S TRUST
BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2023**

ASSETS

ASSETS

Cash	\$ 17,845,211
Prepaid items and deposits	<u>12,528</u>
TOTAL ASSETS	<u><u>\$ 17,857,739</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable and accrued expenses	\$ 912,776
Due to Escambia County Board of County Commissioners	<u>1,134,025</u>
TOTAL LIABILITIES	2,046,801

FUND BALANCE

Nonspendable	12,528
Committed	4,754,920
Assigned to subsequent year budget	10,245,080
Unassigned	<u>798,410</u>
Total fund balance	<u>15,810,938</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 17,857,739</u></u>

See notes to the financial statements.

**ESCAMBIA CHILDREN'S TRUST
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

TOTAL FUND BALANCE – GENERAL FUND	\$ 15,810,938
Amounts reported for governmental activities in the statement of net position are different because:	
The liability for compensated absence is not expected to be paid using expendable available resources and, therefore, is not reported as a liability in the General Fund.	<u>(17,096)</u>
TOTAL NET POSITION FOR GOVERNMENTAL ACTIVITIES – STATEMENT OF NET POSITION	<u><u>\$ 15,793,842</u></u>

See notes to the financial statements.

**ESCAMBIA CHILDREN'S TRUST
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

REVENUES	
Ad valorem taxes	\$ 10,264,049
Interest Income	742,891
	11,006,940
EXPENDITURES	
Program Services	
Operating	2,383,079
Grants and aids	2,467,296
	4,850,375
Total expenditures	4,850,375
NET CHANGE IN FUND BALANCE	6,156,565
FUND BALANCE, BEGINNING OF YEAR (AS RESTATED)	9,654,373
FUND BALANCE, END OF YEAR	\$ 15,810,938

See notes to the financial statements.

**ESCAMBIA CHILDREN'S TRUST
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GENERAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NET CHANGES IN FUND BALANCE – GENERAL FUND	\$ 6,156,565
Amounts are reported for governmental activities 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 compensated absences.	<u>(14,265)</u>
CHANGES IN NET POSITION FOR GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES	<u>\$ 6,142,300</u>

See notes to the financial statements.

**ESCAMBIA CHILDREN'S TRUST
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION

The financial statements of the Trust have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The significant accounting and reporting policies and practices used by the board are described below.

Defining the Report Entity

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 ten 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 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Trust's basic financial statements include both government-wide (based on the board as a whole) and fund financial statements.

The government-wide statements report revenues and expenses using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met, and contribution revenue is recognized when a donor makes an unconditional promise to give. Program revenues are those directly associated with functions, such as charges for services and grants and contributions. The net cost by function is normally covered by general revenue (ad valorem taxes, interest income, etc.). The Trust does not allocate indirect costs.

**ESCAMBIA CHILDREN'S TRUST
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Governmental fund financial statements report revenues and expenses using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Trust considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

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, 2023 was 0.4365 mills.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for ad-valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and therefore, are not recorded as a receivable on the balance sheet date.

Major Fund Types

The Trust reports the following major governmental fund:

General Fund: The General Fund is the primary operating fund of the Trust. The General Fund includes all financial resources, except those required to be accounted for in another fund.

Cash and Cash Equivalents

The Trust defines cash and cash equivalents as cash held at depositories and cash on hand for operating purposes and those investments, which are short term and highly liquid. Generally, those investments have original maturities of three months or less. There were no cash equivalents at September 30, 2023.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2023, are recorded as prepaid items in both the government-wide and General Fund financial statements. The Trust accounts for insurance premiums using the consumption method resulting in a prepaid insurance asset in the General Fund.

Capital Assets

The Trust's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. These assets are capitalized beginning with costs of \$5,000 or more. Donated assets are stated at estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. There were no capital assets at September 30, 2023.

ESCAMBIA CHILDREN'S TRUST
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Compensated Absences

Employees may accumulate earned, but unused leave benefits within the vesting limits, which can be paid to employees upon separation from service. Unpaid compensated absences are recorded as a liability, when the benefits are earned, in both the governmental-wide financial statements and proprietary fund financial statements. The General Fund records compensated absences only when payments are made to employees.

Fund Balances

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes categories for reporting fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Consequently, in the General Fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Nonspendable amounts consist of prepaid expenses at year-end.

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

Committed – Amounts that can only be spent for specific purposes determined by a formal action by the Trust.

Assigned – 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 – All amounts not included in other classifications.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is intended to reflect the portion of the net position which is associated with capital assets less outstanding capital assets-related debt.

Restricted Net Position are assets (generated from revenues and debt proceeds), which are not accessible for general use because of third-party (statutory, debt covenant or granting agency) limitations.

Unrestricted Net Position represents all other net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 differ from those estimates.

**ESCAMBIA CHILDREN’S TRUST
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. CASH

At September 30, 2023, the banks reported deposits of approximately \$17.8 million all of which were held by financial institutions designated as a “qualified public depository” by the state treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

3. LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 2,831	\$ 15,738	\$ (1,473)	\$ 17,096	\$ -
Total	<u>\$ 2,831</u>	<u>\$ 15,738</u>	<u>\$ (1,473)</u>	<u>\$ 17,096</u>	<u>\$ -</u>

4. RISK MANAGEMENT PROGRAMS

The Trust carries commercial insurance for all risks of loss, including property, general liability and worker’s compensation. There were no material reductions in insurance coverage from the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

5. 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. 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. Included in accounts payable at September 30, 2023 are approximately \$850 thousand of cost reimbursement requests submitted by grantees for costs incurred prior to September 30, 2023. 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, 2023.

During the year ended September 30, 2023, the Trust awarded funding totaling approximately \$7.5 million and expended approximately \$2.5 million. During the year ended September 30, 2023, the Trust awarded funding for the upcoming year totaling approximately \$4.8 million which is recorded in committed fund balance at year end.

**ESCAMBIA CHILDREN'S TRUST
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. PRIOR PERIOD ADJUSTMENT

Correction of an Error

The Trust's beginning net position for governmental activities and fund balance for the general fund was restated for an error identified relating to the recording of amounts due to other governments. Amounts were recorded as due to other governments as of September 30, 2022, that should not have been recognized as an expenditure/expense until fiscal year 2023. The resulting effect was an increase of governmental activities net position and fund balance of approximately \$202,000.

7. DUE TO ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS

In March 2024, the Escambia County Board of County Commissioners notified the Trust that they owed \$1,134,025 of tax increment revenues for the redevelopment trust fund that benefits the Community Redevelopment Agency within the County for the preceding three tax years (2021-2023). The Trust has filed an appeal requesting an exemption on the tax liability and a hearing is tentatively set for September 2024. The full amount is recorded as a contingent liability as of September 30, 2023 based on information available at the report issuance date.

REQUIRED SUPPLEMENTARY INFORMATION

**ESCAMBIA CHILDREN'S TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad valorem taxes	\$ 10,108,447	\$ 10,108,447	\$ 10,264,049	\$ 155,602
Interest Income	25,000	502,669	742,891	240,222
Total revenues	<u>10,133,447</u>	<u>10,611,116</u>	<u>11,006,940</u>	<u>395,824</u>
EXPENDITURES				
Program Services				
Operating	1,380,344	1,474,376	2,383,079	(908,703)
Grants and aids	16,447,681	16,831,318	2,467,296	14,364,022
Total expenditures	<u>17,828,025</u>	<u>18,305,694</u>	<u>4,850,375</u>	<u>13,455,319</u>
NET CHANGES IN FUND BALANCE	(7,694,578)	(7,694,578)	6,156,565	13,851,143
FUND BALANCE, BEGINNING OF YEAR	<u>8,200,000</u>	<u>8,200,000</u>	<u>9,654,373</u>	<u>1,454,373</u>
FUND BALANCE, END OF YEAR	<u>\$ 505,422</u>	<u>\$ 505,422</u>	<u>\$ 15,810,938</u>	<u>\$ 15,305,516</u>

See accompanying notes to the required supplementary information.

**ESCAMBIA CHILDREN'S TRUST
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023**

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 Budgeting

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 GAAP. The accompanying budgetary comparison schedule for the General Fund presents actual expenditures on a basis consistent with the legally adopted budget, as amended.

**INDEPENDENT AUDITORS' 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Escambia Children's Trust (the Trust) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated May 28, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Trust'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. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
May 28, 2024

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Escambia Children's Trust

We have examined the Escambia Children's Trust's (the Trust) compliance with Florida Statute 218.415 in regard to investments for the year ended September 30, 2023.

Management is responsible for the Trust's compliance with those requirements. Our responsibility is to express an opinion on the Trust's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Trust complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Trust complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the Trust's compliance with specified requirements.

In our opinion, the Trust complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

Warren Averett, LLC

Pensacola, Florida
May 28, 2024

MANAGEMENT LETTER

To the Board of Directors
Escambia Children's Trust

Report on the Financial Statements

We have audited the financial statements of the Escambia Children's Trust, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated May 28, 2024.

Auditors' 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 Auditors' 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 Accountants' Report 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 are dated May 28, 2024, 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 annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the 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. This information can be found in Note 1 to the financial statements. There are no component units related to the district.

Financial Condition and Management

Section 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 Trust met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Trust did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition and Management – Continued

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 Trust. It is management's responsibility to monitor the Trust's financial condition, and our financial condition assessment was based in part on representations made by management and the 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. In connection with our audit, we did not have any such recommendations.

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. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting 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 district reported:

- a. The total number of district employees compensated in the last pay period of the Trust's fiscal year as 6.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Trust's fiscal year as \$0.
- c. All compensation earned by or awarded to employees, whether paid or accrued regardless of contingency as \$441,524.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. The Trust did not enter into any construction contracts.
- f. Budget variances based on the amended budget adopted under Section 189.016(4), Florida Statutes, are reflected in the Trust's basic financial statements.

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

- a. The millage rate or rates imposed by the district as 0.4365.
- b. The total amount of ad valorem taxes collected by or on behalf of the Trust as \$10,264,049.
- c. The Trust does not have any outstanding bonds.

The specific information reported on the previous page has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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 which 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 and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Pensacola, Florida
May 28, 2024