

FLEXIBLE EMPLOYEES' BENEFITS BOARD

FINANCIAL STATEMENTS

September 30, 2019



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**Flexible Employees' Benefits Board
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REPORT



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Flexible Employees' Benefits Board

We have reviewed the accompanying financial statements of the Flexible Employees' Benefits Board (the Board), a component unit of the State of Alabama, which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT (CONTINUED)

Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements present only the fiduciary fund of the Board and do not purport to, and do not, present fairly the net position of the fiduciary funds of the State of Alabama as of September 30, 2019, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted management's discussion and analysis for the year ended September 30, 2019 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board for purposes of additional analysis, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context.

Car, Riggs & Ingram, L.L.C.

Montgomery, Alabama
March 11, 2020



FINANCIAL STATEMENTS

Flexible Employees' Benefits Board
Statement of Fiduciary Net Position

<i>September 30,</i>	2019
Assets	
Cash and cash equivalents	\$ 850,265
Prepaid expense	502,043
Due from State Employees' Insurance Board	183,205
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Total assets	1,535,513
Liabilities	
Reported claims payable	146,817
Due to State Employees' Insurance Board	1,000,000
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Total liabilities	1,146,817
Fiduciary net position	
Held for participant benefits	388,696
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Total fiduciary net position	\$ 388,696
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See independent accountants' review report and accompanying notes to financial statements.

Flexible Employees' Benefits Board
Statement of Changes in Fiduciary Net Position

<i>Year ended September 30,</i>	2019
Additions to net position:	
Employee contributions	
Health care	\$ 11,550,408
Dependent care	1,138,641
Premiums	13,092,734
Fitness membership	958,130
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Total employee contributions	26,739,913
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Transfer from State Employees' Insurance Board	2,842,318
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Total additions	29,582,231
 Deductions from net position:	
Reimbursements	
Health care	12,101,209
Dependent care	1,073,827
Premiums	13,092,734
Fitness membership	958,130
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Total reimbursements	27,225,900
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Administrative expense	2,316,068
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Total deductions	29,541,968
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Net increase in fiduciary net position	40,263
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Fiduciary net position, beginning of year	348,433
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Fiduciary net position, end of year	\$ 388,696
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See independent accountants' review report and accompanying notes to financial statements.

Flexible Employees' Benefits Board

Notes to Financial Statements

Note 1: DESCRIPTION OF THE PLAN

General

The Flexible Employees' Benefits Board (the Board) was formed on May 3, 1989 to authorize the establishment of flexible employee benefit plans for the employees of the State of Alabama pursuant to Code of Alabama 1975, Section 36-29-20 through 30 as last amended and Internal Revenue Code of 1986 Sections 105, 125, and 129. The Board is responsible for administering the Health Care Reimbursement Account Program (the Plan) and the Dependent Care Reimbursement Account Program (the Plan). The purpose of these Plans is to allow eligible employees to set aside tax-free money in an account to pay themselves back for eligible health care and dependent care expenses incurred by them and their dependents. In addition, employees are allowed to pay insurance premiums using pre-tax dollars.

The Plans are governed by the Board, which consists of a seven-member Board of Directors.

Participants should refer to the respective Plans' agreements for a complete description of the Plan provisions.

Reporting Entity

The Board is a component unit of the State of Alabama's reporting entity. It is reported as a fiduciary fund in the State of Alabama Comprehensive Annual Financial Report (CAFR). The financial statements present only the fiduciary fund of the Board and do not purport to, and do not, present fairly the net position of the fiduciary funds of the State of Alabama as of September 30, 2019, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Funding

The Plans provide that the employees contribute pre-tax amounts to the Plans to cover insurance premiums and eligible health and dependent care expenses. In addition, the State Employees' Insurance Board provided funding for the administration of these Plans.

Flexible Employees' Benefits Board Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units.

The Board utilizes the full accrual method of accounting.

The activities of the Board are accounted for within a fiduciary fund. Fiduciary funds are used to account for resources that are required to be held in trust for the members and the beneficiaries of the State's pension and other employee benefit trust funds, including the funds from the Health Care Reimbursement Account Program (HCRA) and the Dependent Care Reimbursement Account (DCRA) Program.

The accounting and financial reporting treatment applied to the Board is determined by its measurement focus. The transactions of the Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of fiduciary net position.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Highly liquid investments with a maturity of 90 days or less when acquired are classified as cash equivalents.

Contract Administrators

Compusys/Erisa Group, Inc. and Connect Your Care (CYC), under contract with the Board, administer the Plans in accordance with the contract provisions. As of September 30, 2019, there were reported claims payable to contract administrators of \$146,817.

Flexible Employees' Benefits Board

Notes to Financial Statements

Note 3: DEPOSITS

As of September 30, 2019, cash consisted of non-interest bearing deposits held by the State Treasurer in the name of the Board.

The Board's deposits were covered by federal depository insurance (FDIC) or by collateral held with the State Treasurer's office in the name of the State Treasurer under the Security for Alabama Funds Enhancement Act. Under the Act, financial institutions holding public deposits in excess of the amounts insured by the FDIC must pledge collateral to a collateral pool in the name of the State Treasurer. The State Treasurer is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. If any member financial institution fails, the entire collateral pool becomes available to satisfy claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured.

Note 4: INTERAGENCY AGREEMENT

Effective October 1, 1996, the State Employees' Insurance Board's employees were charged with administering the Plans. For the fiscal year ended September 30, 2019, administrative fees allocated to the Plans totaled \$1,771,231. As of September 30, 2019, the Board had amounts due from the State Employees' Insurance Board of \$183,205 and amounts due to the State Employees' Insurance Board of \$1,000,000.