
DESOTO COUNTY DISTRICT SCHOOL BOARD

FINANCIAL, OPERATIONAL AND FEDERAL SINGLE AUDIT

Executive Summary

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operations that we consider to be a significant deficiency as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: Improvements were needed in District procedures to ensure that certain account balances are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: The District did not provide individuals a written statement to specify the purpose for collection of social security numbers (SSNs) or timely certify compliance with the new SSN requirements to the Legislature, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 3: The District had not developed policies for communicating and reporting known or suspected fraud to the appropriate authority.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal program tested.



Audit Objectives and Scope

Our audit objectives were to determine whether the DeSoto County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2008. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Derick B. Boston, CPA, and supervised by Cathi M. Davis, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

Desoto County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District No.</i>
<i>Rodney Word Hollingsworth, Vice-Chair from 11-21-07</i>	<i>1</i>
<i>Karen K. Chancey, Vice-Chair to 11-20-07, Chair from 11-21-07</i>	<i>2</i>
<i>Deborah D. Snyder</i>	<i>3</i>
<i>William Stanko</i>	<i>4</i>
<i>Ronny R. Allen, Chair to 11-20-07</i>	<i>5</i>
 <i>Adrian H. Cline, Superintendent</i>	

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DESOTO COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

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Audit Objectives and Scope

Our audit objectives were to determine whether the DeSoto County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2008. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards.

We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the DeSoto County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 13 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of The DeSoto County Education Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely

presented component unit, each major fund, and the aggregate remaining fund information for the DeSoto County District School Board as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the DeSoto County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **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**. 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* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and the **BUDGETARY COMPARISON SCHEDULE** (shown as Exhibit - I) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
February 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the DeSoto County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2008. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 10 through 41.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- In total, net assets increased \$515,506.86 which represents a 1.2 percent increase from the 2006-07 fiscal year.
- General revenues total \$46,003,349.06 or 89.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$5,609,571.13 or 10.9 percent of all revenues.
- Expenses total \$51,097,413.33; only \$5,609,571.13 of these expenses is offset by program specific charges, with the remainder being paid from general revenues. Total revenues exceed expenses by \$515,506.86.
- The undesignated fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$2,873,479.19 at June 30, 2008, or 6.9 percent of total General Fund expenditures.
- The District's total debt decreased by \$147,304.18 or approximately 1.9 percent, due to principal payment on debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities,

using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in two categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. The State's education finance program and the local property taxes provide most of the resources that support these activities.
- Component unit – The District presents The DeSoto County Education Foundation, Inc., a separate legal entity, in this report. Although a legally separate organization, the component unit is included in the report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories as discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue - Other Fund, Capital Projects – Public Education Capital Outlay Fund, Capital Projects - Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and Special Revenue - Other Fund to demonstrate compliance with the budget.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

	Net Assets, End of Year	
	Governmental Activities	
	<u>6-30-08</u>	<u>6-30-07</u>
Current and Other Assets	\$ 18,014,956.37	\$ 17,153,225.01
Capital Assets	<u>37,232,660.10</u>	<u>37,635,873.37</u>
Total Assets	<u>55,247,616.47</u>	<u>54,789,098.38</u>
Long-Term Liabilities	9,966,861.66	10,180,489.39
Other Liabilities	<u>2,451,904.83</u>	<u>2,295,265.87</u>
Total Liabilities	<u>12,418,766.49</u>	<u>12,475,755.26</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	29,624,583.44	29,987,211.68
Restricted	12,022,858.38	10,318,510.48
Unrestricted	<u>1,181,408.16</u>	<u>2,007,620.96</u>
Total Net Assets	<u>\$ 42,828,849.98</u>	<u>\$ 42,313,343.12</u>

The largest portion of the District’s net assets (69.2 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (28.1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2.7 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-08	6-30-07
Program Revenues:		
Charges for Services	\$ 659,279.15	\$ 704,210.26
Operating Grants and Contributions	2,662,566.87	2,405,306.17
Capital Grants and Contributions	2,287,725.11	598,013.14
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,089,154.62	9,803,358.65
Property Taxes, Levied for Capital Projects	2,675,085.74	2,532,803.38
Grants and Contributions Not Restricted to Specific Programs	32,018,999.69	30,504,169.93
Unrestricted Investment Earnings	561,689.40	711,360.85
Miscellaneous	658,419.61	989,472.38
Total Revenues	51,612,920.19	48,248,694.76
Functions/Program Expenses:		
Instruction	28,221,689.40	26,064,224.61
Pupil Personnel Services	2,288,038.60	2,312,263.37
Instructional Media Services	607,692.90	594,661.71
Instruction and Curriculum Development Services	2,006,485.37	2,293,514.17
Instructional Staff Training Services	751,052.98	139,890.44
Instruction Related Technology	355,486.48	280,997.51
Board of Education	250,454.66	231,486.77
General Administration	496,612.90	484,929.26
School Administration	2,468,254.15	2,350,558.34
Facilities Acquisition and Construction	111,698.51	183,597.56
Fiscal Services	578,564.82	563,391.39
Food Services	2,457,053.54	2,305,343.58
Central Services	627,994.65	687,358.23
Pupil Transportation Services	2,106,789.40	2,065,208.81
Operation of Plant	3,836,937.44	3,540,939.12
Maintenance of Plant	2,003,684.59	2,150,982.63
Administrative Technology Services	596,605.36	776,499.47
Community Services	16,556.79	16,827.12
Interest on Long-Term Debt	138,106.01	267,924.65
Unallocated Depreciation Expense/Premium Expense	1,154,556.56	1,998,802.08
Loss on Disposal of Capital Assets	23,098.22	82,202.55
Total Functions/Program Expenses	51,097,413.33	49,391,603.37
Increase (Decrease) in Net Assets	\$ 515,506.86	\$ (1,142,908.61)

State revenues increased by \$3,016,036.01 or 11.5 percent, primarily due to an increase in Class Size Reduction funding for operating expenses, Gross Receipts Tax (PECO), and Class Size Reduction Capital Outlay Funds for the construction of new classrooms.

The largest revenue source is the State of Florida (56.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for the acquisition, construction, and maintenance of educational facilities.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved fund balance is \$2,873,479.19, while the total fund balance is \$3,912,664.01. The unreserved fund balance decreased by \$1,259,553.27, while the total fund balance decreased by \$2,337,111.77, during the fiscal year. Key factors are as follows:

- A net increase in State revenues in the amount of \$1,325,773.05 is primarily due to an increase in categorical revenue and FEFP revenue in the amount of \$1,392,518.66 and a decrease in other revenue sources in the amount of \$66,745.61.
- An increase in property tax revenues in the amount of \$285,795.97.
- Total expenditures increased by \$2,449,465.39, or 6.3 percent, which is primarily due to meeting class size reduction requirements and increases in the cost of employee medical benefits and fuel costs.

The Special Revenue – Other Fund accounts for certain Federal grant program resources and expenditures increased by \$347,644.84, or approximately 7 percent, due mainly to increased food service and Title I program costs.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$1,967,894.70, all of which is restricted for new construction, renovation and remodeling projects, and maintenance and repair of facilities. The fund balance increased \$1,736,473.79 mainly due to an increase in PECO and Class Size Reduction Capital Outlay Funds.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$5,362,107.34, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased in the current year due to a decrease in construction expenditures and increases in property tax values.

The Capital Projects – Other Fund has a total fund balance of \$1,780,907.83, which is comprised of proceeds from Qualified Zone Academy Bonds (QZABs), Series 2006, restricted for designated projects. The fund balance decreased \$555,458.41, mainly due to an increase in acquisition of capital assets in the 2007-08 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2007-08 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$966,984.16 or 2.4 percent. At the same time, final appropriations were less than the original budgeted amounts by \$1,737,797.41. Budget revisions were due primarily to reductions in State funding levels, and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues were in line with the final budgeted amounts while actual expenditures were \$2,883,824.76, or 6.5 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2,891,052.14.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$37,232,660.10 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the following:

- Replacement of the roof at Nocatee Elementary School in the amount of \$174,038.85.
- Purchase of two new buses in the amount of \$209,656.00.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2008, the District has total long-term debt outstanding of \$7,501,357.51. This amount was comprised of \$2,607,188.51 bonds payable and \$4,894,169.00 other long-term debt (QZAB's). During the year, retirement of debt amounted to \$147,304.18.

Additional information on the District's long-term debt can be found in Notes 6 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The School District voted to approve a moratorium on school impact fees and further voted to refund all the impact fees collected by the county so far in order to stimulate the housing market in DeSoto County.

The School District continues to struggle with double digit percentage increases in employee medical benefits. This trend is expected to continue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the DeSoto County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, DeSoto County District School Board, 530 LaSolona Avenue, Arcadia, Florida 34266.

BASIC FINANCIAL STATEMENTS

**EXHIBIT - A
DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008**

	Primary Government Governmental Activities	Component Unit
ASSETS		
Current Assets:		
Cash	\$ 11,730,567.19	\$ 136,866.00
Investments - Other	2,182,430.23	
Due from Other Agencies	1,763,447.37	
Inventories	152,549.00	
Total Current Assets	15,828,993.79	136,866.00
Noncurrent Assets:		
Deferred Charges	3,280.85	
Investments in SBA Fund B Surplus Funds Trust Fund	537,590.73	
Restricted Assets:		
Cash with Fiscal Agent	1,645,091.00	
Capital Assets:		
Nondepreciable Capital Assets	318,408.45	
Depreciable Capital Assets, Net	36,914,251.65	
Total Noncurrent Assets	39,418,622.68	
TOTAL ASSETS	\$ 55,247,616.47	\$ 136,866.00
LIABILITIES		
Current Liabilities:		
Payroll Deductions and Withholdings	\$ 1,231,563.32	\$
Accounts Payable	126,644.69	
Due to Other Agencies	44,022.63	
Deposits Payable	146,634.05	
Deferred Revenue	858,431.00	12,000.00
Estimated Insurance Claims Payable	44,609.14	
Long-Term Liabilities -- Portion Due Within One Year:		
Bonds Payable	150,000.00	
Estimated Liability for Long-Term Claims	10,000.00	
Compensated Absences Payable	370,559.71	
Total Current Liabilities	2,982,464.54	12,000.00
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Qualified Zone Academy Bonds Payable	4,894,169.00	
Bonds Payable	2,457,188.51	
Estimated Liability for Long-Term Claims	100,000.00	
Compensated Absences Payable	1,984,944.44	
Total Noncurrent Liabilities	9,436,301.95	
Total Liabilities	12,418,766.49	12,000.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	29,624,583.44	
Restricted for:		
State Categorical Programs	1,338,407.10	
Debt Service	1,804,859.40	
Capital Projects	8,434,440.17	
Other Purposes	445,151.71	65,811.00
Unrestricted	1,181,408.16	59,055.00
Total Net Assets	42,828,849.98	124,866.00
TOTAL LIABILITIES AND NET ASSETS	\$ 55,247,616.47	\$ 136,866.00

The accompanying notes to financial statements are an integral part of this statement.

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**EXHIBIT - B
DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 28,221,689.40	\$ 110,605.98	\$	\$
Pupil Personnel Services	2,288,038.60			
Instructional Media Services	607,692.90			
Instruction and Curriculum Development Services	2,006,485.37			
Instructional Staff Training Services	751,052.98			
Instruction Related Technology	355,486.48			
Board of Education	250,454.66			
General Administration	496,612.90			
School Administration	2,468,254.15			
Facilities Acquisition and Construction	111,698.51			867,178.12
Fiscal Services	578,564.82			
Food Services	2,457,053.54	525,802.85	1,746,987.87	
Central Services	627,994.65			
Pupil Transportation Services	2,106,789.40	22,870.32	915,579.00	
Operation of Plant	3,836,937.44			
Maintenance of Plant	2,003,684.59			1,262,725.00
Administrative Technology Services	596,605.36			
Community Services	16,556.79			
Interest on Long-Term Debt	138,106.01			157,821.99
Unallocated Depreciation Expense/Premium Expense	1,154,556.56			
Loss on Disposal of Capital Assets	23,098.22			
Total Primary Government	\$ 51,097,413.33	\$ 659,279.15	\$ 2,662,566.87	\$ 2,287,725.11
Component Unit				
The DeSoto County Educational Foundation, Inc.	\$ 129,324.00	\$	\$	\$
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - July 1, 2007				
Net Assets - June 30, 2008				

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (28,111,083.42)	\$
(2,288,038.60)	
(607,692.90)	
(2,006,485.37)	
(751,052.98)	
(355,486.48)	
(250,454.66)	
(496,612.90)	
(2,468,254.15)	
755,479.61	
(578,564.82)	
(184,262.82)	
(627,994.65)	
(1,168,340.08)	
(3,836,937.44)	
(740,959.59)	
(596,605.36)	
(16,556.79)	
19,715.98	
(1,154,556.56)	
(23,098.22)	
<u>(45,487,842.20)</u>	
	<u>(129,324.00)</u>
10,089,154.62	
2,675,085.74	
32,018,999.69	138,980.00
561,689.40	3,447.00
658,419.61	
<u>46,003,349.06</u>	<u>142,427.00</u>
515,506.86	13,103.00
<u>42,313,343.12</u>	<u>111,763.00</u>
<u>\$ 42,828,849.98</u>	<u>\$ 124,866.00</u>

**EXHIBIT - C
DESOTO COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>
ASSETS			
Cash	\$ 5,075,496.72	\$ 44,378.62	\$ 1,581,380.62
Investments - Other	17,219.90	0.26	0.08
Due from Other Agencies	306,478.18		1,244,945.00
Inventories	27,342.76		
Investments in SBA Fund B Surplus Funds Trust Fund			
Cash with Fiscal Agent			
TOTAL ASSETS	<u>\$ 5,426,537.56</u>	<u>\$ 44,378.88</u>	<u>\$ 2,826,325.70</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 1,231,563.32	\$	\$
Accounts Payable	90,817.04	606.25	
Due to Other Agencies	250.00	43,772.63	
Deposits Payable	146,634.05		
Deferred Revenue			858,431.00
Estimated Liability for Unpaid Claims	44,609.14		
Total Liabilities	<u>1,513,873.55</u>	<u>44,378.88</u>	<u>858,431.00</u>
Fund Balances:			
Reserved for State Categorical Programs	485,036.71		853,370.39
Reserved for Encumbrances	81,653.64		515,225.00
Reserved for Inventories	27,342.76		
Reserved for Other Purposes	445,151.71		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	2,873,479.19		
Special Revenue Funds			
Debt Service Funds			
Capital Projects Funds			599,299.31
Total Fund Balances	<u>3,912,664.01</u>		<u>1,967,894.70</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,426,537.56</u>	<u>\$ 44,378.88</u>	<u>\$ 2,826,325.70</u>

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,206,583.14	\$ 1,449,878.32	\$ 372,849.77	\$ 11,730,567.19
1,928,584.98	201,681.25	34,943.76	2,182,430.23
		212,024.19	1,763,447.37
		125,206.24	152,549.00
226,939.22	164,569.66	146,081.85	537,590.73
		1,645,091.00	1,645,091.00
<u>5,362,107.34</u>	<u>1,816,129.23</u>	<u>2,536,196.81</u>	<u>18,011,675.52</u>
\$	\$	\$	\$
	35,221.40		1,231,563.32
			126,644.69
			44,022.63
			146,634.05
			858,431.00
			44,609.14
	<u>35,221.40</u>		<u>2,451,904.83</u>
251,362.72	441,232.90	6,657.08	1,338,407.10
			1,296,131.34
			27,342.76
			445,151.71
		1,804,859.40	1,804,859.40
			2,873,479.19
		327,949.80	327,949.80
		219,829.84	219,829.84
5,110,744.62	1,339,674.93	176,900.69	7,226,619.55
<u>5,362,107.34</u>	<u>1,780,907.83</u>	<u>2,536,196.81</u>	<u>15,559,770.69</u>
<u>\$ 5,362,107.34</u>	<u>\$ 1,816,129.23</u>	<u>\$ 2,536,196.81</u>	<u>\$ 18,011,675.52</u>

**EXHIBIT - D
DESOTO COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds \$ 15,559,770.69

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 37,232,660.10

Debt issuance costs and underwriters' discounts are not expensed in the government-wide and financial statements, but are reported as deferred charges and amortized over the life of the debt. 3,280.85

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Qualified Zone Academy Bonds Payable	\$ 4,894,169.00	
Bonds Payable	2,607,188.51	
Estimated Liability for Long-Term Claims	110,000.00	
Compensated Absences Payable	2,355,504.15	
	(9,966,861.66)	

Total Net Assets - Governmental Activities \$ 42,828,849.98

The accompanying notes to financial statements are an integral part of this statement.

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EXHIBIT - E
DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 48,431.93	\$	\$
Federal Through State and Local	466,358.07	5,285,288.17	
State	26,884,506.01		2,096,320.00
Local:			
Taxes	10,089,154.62		
Miscellaneous	1,103,669.26		10,431.51
Total Revenues	38,592,119.89	5,285,288.17	2,106,751.51
Expenditures			
Current - Education:			
Instruction	24,120,866.96	3,866,836.89	
Pupil Personnel Services	1,894,669.16	396,768.20	
Instructional Media Services	596,732.85	7,690.26	
Instruction and Curriculum Development Services	1,464,311.15	569,108.68	
Instructional Staff Training Services	472,716.28	246,189.51	
Instruction Related Technology	343,577.97	5,600.00	
Board of Education	251,564.77		
General Administration	409,575.15	88,562.19	
School Administration	2,432,470.30	32,115.50	
Facilities Acquisition and Construction	77,148.13		
Fiscal Services	579,018.19		
Food Services	46,772.89		
Central Services	631,015.74		
Pupil Transportation Services	1,918,850.68	15,253.81	
Operation of Plant	3,823,229.95	6,071.94	
Maintenance of Plant	1,601,702.45		49,205.48
Administrative Technology Services	607,858.25		
Community Services	16,556.79		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	1,855.12		70,088.70
Other Capital Outlay	103,534.48	51,091.19	
Debt Service:			
Principal	10,000.00		
Interest and Fiscal Charges			
Total Expenditures	41,404,027.26	5,285,288.17	119,294.18
Excess (Deficiency) of Revenues Over Expenditures	(2,811,907.37)		1,987,457.33
Other Financing Sources (Uses)			
Transfers In	560,323.73		
Insurance Loss Recoveries	38,840.24		
Transfers Out	(131,595.75)		(250,983.54)
Total Other Financing Sources (Uses)	467,568.22		(250,983.54)
Net Change in Fund Balances	(2,344,339.15)		1,736,473.79
Increase (Decrease) in Inventory Reserve	7,227.38		
Fund Balances, July 1, 2007	6,249,775.78		231,420.91
Fund Balances, June 30, 2008	\$ 3,912,664.01	\$ 0.00	\$ 1,967,894.70

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		1,706,743.87	48,431.93
		361,742.65	7,458,390.11
2,675,085.74			29,342,568.66
154,854.02	78,068.40	593,716.20	12,764,240.36
2,829,939.76	78,068.40	2,662,202.72	1,940,739.39
261,712.71			28,249,416.56
844.65			2,292,282.01
5,455.28			609,878.39
			2,033,419.83
			718,905.79
818.62			349,996.59
			251,564.77
			498,137.34
6,019.65			2,470,605.45
29,976.22			107,124.35
			579,018.19
20,812.38		2,389,422.20	2,457,007.47
			631,015.74
			1,934,104.49
9,273.78			3,838,575.67
3,862.06	351,147.87		2,005,917.86
			607,858.25
			16,556.79
147,269.74	282,378.94		501,592.50
282,922.23		5,496.20	443,044.10
		145,000.00	155,000.00
		138,106.01	138,106.01
768,967.32	633,526.81	2,678,024.41	50,889,128.15
2,060,972.44	(555,458.41)	(15,821.69)	665,242.30
		349,083.27	909,407.00
(526,827.71)			38,840.24
(526,827.71)			(909,407.00)
		349,083.27	38,840.24
1,534,144.73	(555,458.41)	333,261.58	704,082.54
		(5,944.12)	1,283.26
3,827,962.61	2,336,366.24	2,208,879.35	14,854,404.89
\$ 5,362,107.34	\$ 1,780,907.83	\$ 2,536,196.81	\$ 15,559,770.69

EXHIBIT - F
DESOTO COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Governmental Funds \$ 704,082.54

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay in excess of depreciation in the current period.	10,100.42
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	145,000.00
Premiums and debt issuance cost are reported in the year debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities.	2,030.78
The net change in estimated long-term claims payable is reported in the statement of activities, but not in the governmental funds statements.	10,000.00
The purchases method is used for inventories, except for commodities which are reflected under the consumption method, in the governmental funds; while in the government-wide statements, inventories are accounted for under the consumption method.	1,283.26
The receipts of capital assets by donation during the current period is recognized in the government-wide statement of activities, but not in the governmental funds.	19,709.50
In the governmental funds, the cost of capital assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(433,023.19)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period.	56,323.55

Change in Net Assets - Governmental Activities \$ 515,506.86

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT - G
DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2008

	Agency Funds
ASSETS	
Current Assets:	
Cash	\$ 168,429.56
Investments	209,691.99
TOTAL ASSETS	\$ 378,121.55
LIABILITIES	
Internal Accounts Payable	\$ 378,121.55

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT – H
DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The DeSoto County School District is considered part of the Florida system of public education. The governing body of the school district is the DeSoto County District School Board which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of DeSoto County.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component unit is included within the District School Board's reporting entity:

- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of The DeSoto County Education Foundation, Inc (Foundation). The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. Because of the nature and significance of its relationship with the School Board, the Foundation is considered a component unit. An audit of the Foundation's financial statements for the fiscal year ended June 30, 2008, was conducted by independent certified public accountants and is on file at the District's administrative office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation and maintenance departments is allocated to the transportation and maintenance of plant functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies

EXHIBIT – H (Continued)
DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the legislative appropriation of gross receipt taxes for the District to be used for educational capital outlay needs.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Fund- to account for the financial resources generated by the issuance of Qualified Zone Academy Bonds to finance the cost of designated projects.

Additionally, the District reports the following fiduciary fund types:

- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and

EXHIBIT – H (Continued)
DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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. The District considers revenues to be available if they are collected within 15 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The DeSoto County Education Foundation, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund Investment Pools created by Sections 218.405 and 218.417, Florida Statutes. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund.

The District's investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B Surplus Funds Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

EXHIBIT – H (Continued)
DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that purchased foods and supplies are stated at last invoice, which approximates the first in, first out basis, and United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased, except that United States Department of Agriculture surplus commodities are recorded as expenditures at the time the individual items are requisitioned for consumption. The purchased foods and supplies inventory balances and the transportation parts inventory balance are offset on the balance sheet by a fund balance reserve account which indicates that they do not constitute "available expendable resources" even though they are a component of current assets.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and

EXHIBIT – H (Continued)
DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, and premiums on debt issuances, are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

Changes in long-term liabilities for the current year are reported in a subsequent note.

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Class Size Reduction – Construction Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Class Size Reduction – Construction Program funds as deferred revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

EXHIBIT – H (Continued)
DESOTO COUNTY
DISTRICT SCHOOL BOARD
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➤ **District Property Taxes**

The School Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the DeSoto County Property Appraiser, and property taxes are collected by the DeSoto County Tax Collector.

The School Board adopted the 2007 tax levy on September 11, 2007. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the DeSoto County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The Board follows procedures established by State statutes and State Board of Education rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

EXHIBIT – H (Continued)
DESOTO COUNTY
DISTRICT SCHOOL BOARD
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- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

Investments with a fair value of \$2,357,178.82 at June 30, 2008, are in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool with a weighted average days to maturity (WAM) of 20.22 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool is rated AAAM by Standard & Poor's. Investments with a fair value of \$537,590.73 at June 30, 2008, are in the State Board of Administration Fund B Surplus Funds Trust Fund with a weighted average life (WAL) of 9.22 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008. The District's investment in the State Board of Administration Fund B Surplus Funds Trust Fund is unrated.

In addition, the District reports investments totaling \$34,943.40 at June 30, 2008, in the State Board of Administration Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

EXHIBIT – H (Continued)
DESOTO COUNTY
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4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Reduction Adjustments (1)	Balance 6-30-08
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated					
Land	\$ 307,325.33	\$	\$	\$	\$ 307,325.33
Construction in Progress		11,083.12			11,083.12
Total Capital Assets Not Being Depreciated	307,325.33	11,083.12			318,408.45
Capital Assets Being Depreciated					
Improvements Other Than Buildings	1,158,363.80	333,824.16			1,492,187.96
Buildings and Fixed Equipment	51,323,237.10	392,926.40	220,763.08		51,495,400.42
Furniture, Fixtures, and Equipment	4,761,089.26	188,812.70	368,112.38		4,581,789.58
Motor Vehicles	3,060,981.39	209,656.00	185,882.50		3,084,754.89
Audio Visual Materials and Computer Software	1,284,284.07	237,667.69	65,366.02		1,456,585.74
Total Capital Assets Being Depreciated	61,587,955.62	1,362,886.95	840,123.98		62,110,718.59
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	699,760.70	185,653.31			885,414.01
Buildings and Fixed Equipment	17,115,825.72	1,112,163.85			18,227,989.57
Furniture, Fixtures, and Equipment	3,237,733.47	559,832.08	220,303.29	396,517.32	3,180,744.94
Motor Vehicles	1,972,950.37	187,572.81	177,897.50	302,424.97	1,680,200.71
Audio Visual Materials and Computer Software	1,233,137.32	153,839.81	8,900.00	155,959.42	1,222,117.71
Total Accumulated Depreciation	24,259,407.58	2,199,061.86	407,100.79	854,901.71	25,196,466.94
Total Capital Assets Being Depreciated, Net	37,328,548.04	(836,174.91)	433,023.19	854,901.71	36,914,251.65
Governmental Activities Capital Assets, Net	\$ 37,635,873.37	\$ (825,091.79)	\$ 433,023.19	\$ 854,901.71	\$ 37,232,660.10

Note (1): Accumulated depreciation includes adjustments that result in a net \$854,901.71 decrease to correct errors in the depreciation schedule.

EXHIBIT – H (Continued)
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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 187,572.81
Unallocated	1,156,587.34
Total Depreciation Expense - Governmental Activities	\$ 1,344,160.15

5. ESTIMATED LIABILITY FOR LONG-TERM CLAIMS

Chapter 91-327, Special Acts of Florida, directed the DeSoto County District School Board, commencing December 1, 1991, to make annual payments of \$10,000 to an individual for the rest of the life of the individual as of a result of an accident which occurred during a physical education class at DeSoto High School. The Board estimated the total liability at June 30, 2008, to be \$110,000, which is recorded as a long-term liability in the government-wide statement of net assets. Payment is made on December 1 of each year.

6. QUALIFIED ZONE ACADEMY BONDS PAYABLE

The District entered into a financing arrangement on April 17, 2001, which arrangement was characterized as a lease-purchase agreement, with First Union National Bank, whereby the District secured financing of certain equipment and improvements in the total amount of \$1,119,618. Also, on April 17, 2001, the District borrowed \$1,264,000 from First Union National Bank for certain capital projects and repairs of the District. Both the lease-purchase agreement and the note, which totaled \$2,383,618, were structured to qualify as Qualified Zone Academy Bonds (QZABs), pursuant to Section 1397E of the Internal Revenue Code, as amended. There is no interest cost to the District for borrowing moneys under this program. Mandatory annual deposits beginning on April 16, 2002, and ending on April 16, 2015, are to be made to a District sinking fund account with a paying agent. Such deposits are to be held and accumulated by the paying agent and applied solely to the payment of the rental payments under the lease-purchase agreement and the payments due under the note on the final rental payment date. On April 16, 2015, the paying agent will pay the sum of \$2,383,618 to the lessor. As of June 30, 2008, the paying agent held deposits invested in United States Government Obligations in the sinking fund totaling \$1,512,804 at book value, or \$1,393,545.70 at market value.

EXHIBIT – H (Continued)
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The moneys received from the QZABs, Series 2001, were used for the purpose of financing capital outlay maintenance and renovation projects at four qualifying schools (DeSoto High School, Nocatee Elementary School, West Elementary School, and Memorial Elementary School) and to purchase six school buses. The mandatory annual deposits are payable by the District annually, on April 16.

The District entered into a financing arrangement on September 28, 2006, which arrangement was characterized as a lease-purchase agreement, with the Bank of America, N.A., whereby the District secured financing of certain equipment and improvements in the total amount of \$2,510,551. The lease-purchase agreement, which totaled \$2,510,551, was structured to qualify as QZABs, pursuant to Section 1397E of the Internal Revenue Code, as amended. There is no interest cost to the District for borrowing moneys under this program.

Repayment of the original \$2,510,551 financing proceeds is due in full on September 28, 2021. In connection with the financing, the District entered into a sinking fund forward delivery agreement dated September 28, 2006, requiring annual lease payments of \$132,287, beginning on September 28, 2007, and ending on September 28, 2021. The forward delivery agreement provides for a guaranteed investment return of 3.25 percent per annum whereby the required deposits, along with accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. As of June 30, 2008, the paying agent held \$132,287 in deposits.

The moneys received from the QZABs, Series 2006, were used for the purpose of financing capital outlay maintenance and renovation projects at four qualifying schools (DeSoto Middle School, Nocatee Elementary School, West Elementary School, and Memorial Elementary School).

EXHIBIT – H (Continued)
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The following is a schedule by years for future annual deposits due under the QZABs as of June 30:

<u>Fiscal Year Ending</u>	<u>Deposit Amount</u>
2009	\$ 256,689
2010	256,689
2011	256,689
2012	256,689
2013	256,689
2014-2018	910,239
2019-2022	529,148
Total	<u><u>\$ 2,722,832</u></u>

7. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1999A	\$ 135,000.00	4.125 - 4.750	2019
Series 2005B, Refunding	1,085,000.00	5.0	2018
District Revenue Bonds:			
Series 1996, Refunding	<u>1,350,000.00</u>	4.80 - 5.25	2025
Subtotal	<u>2,570,000.00</u>		
Add: Unamortized Premium on Debt	84,880.29		
Less: Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(47,691.78)</u>		
Total Bonds Payable	<u><u>\$ 2,607,188.51</u></u>		

EXHIBIT – H (Continued)
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The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District Revenue Bonds**

These bonds are authorized by Chapter 78-947, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to DeSoto County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account, and has accumulated and maintained adequate resources in the sinking fund and reserve account.

EXHIBIT – H (Continued)
DESOTO COUNTY
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Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2009	\$ 160,406.25	\$ 100,000.00	\$ 60,406.25
2010	155,537.50	100,000.00	55,537.50
2011	155,631.25	105,000.00	50,631.25
2012	155,456.25	110,000.00	45,456.25
2013	155,031.25	115,000.00	40,031.25
2014-2018	786,718.75	680,000.00	106,718.75
2019	10,475.00	10,000.00	475.00
Total State School Bonds	1,579,256.25	1,220,000.00	359,256.25
District Revenue Bonds:			
2009	120,075.00	50,000.00	70,075.00
2010	122,625.00	55,000.00	67,625.00
2011	119,875.00	55,000.00	64,875.00
2012	122,056.26	60,000.00	62,056.26
2013	123,981.26	65,000.00	58,981.26
2014-2018	607,537.52	365,000.00	242,537.52
2019-2023	611,500.00	475,000.00	136,500.00
2024-2025	242,850.00	225,000.00	17,850.00
Total District Revenue Bonds	2,070,500.04	1,350,000.00	720,500.04
Total	\$ 3,649,756.29	\$ 2,570,000.00	\$ 1,079,756.29

EXHIBIT – H (Continued)
DESOTO COUNTY
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8. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Liability for Long-Term Claims	\$ 120,000.00	\$	\$ 10,000.00	\$ 110,000.00	\$ 10,000.00
Qualified Zone Academy Bonds Payable	4,894,169.00			4,894,169.00	
Bonds Payable	2,754,492.69		147,304.18	2,607,188.51	150,000.00
Compensated Absences Payable	2,411,827.70	333,827.73	390,151.28	2,355,504.15	370,559.71
Total Governmental Activities	<u>\$10,180,489.39</u>	<u>\$ 333,827.73</u>	<u>\$547,455.46</u>	<u>\$ 9,966,861.66</u>	<u>\$530,559.71</u>

For the governmental activities, compensated absences are generally liquidated with resources of the General Fund.

9. INTERFUND TRANSFERS

The following is a summary of interfund transfers reported in the fund financial statements:

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 560,323.73	\$ 131,595.75
Capital Projects:		
Public Education Capital Outlay		250,983.54
Local Capital Improvement		526,827.71
Nonmajor Governmental	<u>349,083.27</u>	
Total	<u>\$ 909,407.00</u>	<u>\$ 909,407.00</u>

Interfund transfers were made for debt service repayments and allocations of maintenance and repair costs.

10. RESERVE FOR ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

EXHIBIT – H (Continued)
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Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$113,851.06 at June 30, 2008.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$18,874,277.00
Categorical Educational Programs:	
Class Size Reduction	4,540,873.00
Transportation	915,579.00
Instructional Materials	530,411.00
Other	570,281.72
Gross Receipts Tax (Public Education Capital Outlay)	1,262,725.00
Workforce Development Program	926,778.00
Class Size Reduction Construction	833,595.00
Adults with Disabilities	296,607.00
Discretionary Lottery Funds	233,933.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	157,821.99
Mobile Home License Tax	50,518.70
Food Service Supplement	40,244.00
Miscellaneous	<u>108,924.25</u>
 Total	 <u><u>\$29,342,568.66</u></u>

Accounting policies relating to certain State revenue sources are described in Note 1.

EXHIBIT – H (Continued)
DESOTO COUNTY
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12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.8970	\$ 9,282,489.00
Basic Discretionary Local Effort	0.5100	966,728.44
Supplemental Discretionary Local Effort	0.2500	473,886.49
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.5000	2,843,318.93
Total	7.1570	\$ 13,566,422.86

13. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Division of Retirement, Department of Management Services and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Benefits in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

EXHIBIT – H (Continued)
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DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved improvement choices. Benefits in PEORP vest after one year of service. There were 84 District participants in PEORP during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$241,658.87.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class in which reemployed.

EXHIBIT – H (Continued)
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The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$1,604,263.99, \$2,214,216.29, and \$2,652,096.47, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplemental information of FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

14. OTHER POSTEMPLOYMENT BENEFITS

Pursuant to Section 112.0801, Florida Statutes, the District pays the cost of healthcare insurance benefits for retired former employees. All of the District's employees may become eligible for those benefits if they meet eligibility requirements under the Florida Retirement System. At June 30, 2008, benefits are being provided to 7 retired former employees. The cost of the benefits provided is recognized as an expense each month as premiums are paid. For the 2007-08 fiscal year, premiums totaled \$55,651.08.

15. CONSORTIUMS

The District is a member of the Small School District Council Consortium which provides educational information, interpretation, and consultation that would otherwise be cost prohibitive. The Consortium is governed by a Board of Directors composed of the superintendents of the participating school districts. The Wakulla County District School Board is the fiscal agent.

The District is a member of the Heartland Educational Consortium which bids, contracts for, and purchases certain materials, supplies, equipment, and services to be used in respective school systems. The Consortium also served the member counties during the year by cooperatively applying for, and receiving, a Reading First Grant. The Highlands County District School Board serves as the fiscal agent.

EXHIBIT – H (Continued)
DESOTO COUNTY
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16. RISK MANAGEMENT PROGRAMS

The District 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 DeSoto County District School Board is a member of the Preferred Governmental Insurance Trust (Trust) under which local governmental entities have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, and other coverage deemed necessary by the participating members of the Trust. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Board of Trustees for the trust is comprised of elected or appointed officials from the participating members. The Trust is administered by Public Risk Underwriters.

The School Board makes premium contributions to the Trust to pay for its coverage. The interlocal agreement which establishes the Trust is not intended to create a partnership or other legal entity whereby one member assumes the obligations of another member or the obligations of the Trust in general, except for the payment of premiums. Should a deficit develop in the Trust, after excess reinsurance recoveries, whereby claims or other expenses cannot be paid, each individual member shall assume liability for the costs of claims brought against that member as if such member were individually self-insured. Each member shall thereafter be responsible for its individual costs, including, but not limited to, claims administration without obligation to, or right of contribution from, other members.

The District also participates in a self-insured employee group dental insurance program. Administrative services for this program were provided by Florida Combined Life Insurance Company (FCL), a benefits administrator, which is licensed in the State of Florida. FCL is an affiliate of Blue Cross and Blue Shield of Florida, and operational resources are supplemented by them. Premiums charged are based on the District's claims experience, and administrative costs are calculated per employee per month. The program has low risk due to low trend factors and a claims expense ceiling of \$2,000 per calendar year. Ultimate liability for claims remains with the District and, accordingly, the insurance risks are not transferred. The District accounts for the insurance program in the General Fund.

EXHIBIT – H (Continued)
DESOTO COUNTY
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The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insured employee group dental insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	\$ 44,134.72	\$ 292,361.16	\$(296,156.34)	\$ 40,339.54
2007-08	40,339.54	289,553.09	(285,283.49)	44,609.14

Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT - I
DESOTO COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 20,000.00	\$ 48,431.93	\$ 48,431.93	\$
Federal Through State and Local State	488,603.00 28,107,810.04	466,358.07 26,884,506.01	466,358.07 26,884,506.01	
Local:				
Taxes	9,992,235.00	10,089,154.62	10,089,154.62	
Miscellaneous	950,456.01	1,103,669.26	1,103,669.26	
Total Revenues	<u>39,559,104.05</u>	<u>38,592,119.89</u>	<u>38,592,119.89</u>	
Expenditures				
Current - Education:				
Instruction	26,292,371.03	25,856,428.64	24,120,866.96	1,735,561.68
Pupil Personnel Services	1,810,959.49	2,001,549.13	1,894,669.16	106,879.97
Instructional Media Services	575,673.70	632,215.79	596,732.85	35,482.94
Instruction and Curriculum Development Services	1,618,765.01	1,559,853.39	1,464,311.15	95,542.24
Instructional Staff Training Services	24,408.76	604,385.61	472,716.28	131,669.33
Instruction Related Technology	225,661.62	354,120.90	343,577.97	10,542.93
Board of Education	284,316.00	263,740.94	251,564.77	12,176.17
General Administration	748,307.58	442,017.55	409,575.15	32,442.40
School Administration	2,427,519.88	2,486,600.55	2,432,470.30	54,130.25
Facilities Acquisition and Construction	2,475,583.40	77,148.33	77,148.13	0.20
Fiscal Services	613,565.47	629,250.65	579,018.19	50,232.46
Food Services		46,772.89	46,772.89	
Central Services	659,042.22	686,875.99	631,015.74	55,860.25
Pupil Transportation Services	1,754,206.70	2,026,884.13	1,918,850.68	108,033.45
Operation of Plant	3,990,116.38	3,858,274.20	3,823,229.95	35,044.25
Maintenance of Plant	1,732,154.26	1,969,257.59	1,601,702.45	367,555.14
Administrative Technology Services	770,671.91	629,311.73	607,858.25	21,453.48
Community Services	12,326.02	17,210.02	16,556.79	653.23
Fixed Capital Outlay:				
Facilities Acquisition and Construction		15,778.12	1,855.12	13,923.00
Other Capital Outlay		120,175.87	103,534.48	16,641.39
Debt Service:				
Principal	10,000.00	10,000.00	10,000.00	
Total Expenditures	<u>46,025,649.43</u>	<u>44,287,852.02</u>	<u>41,404,027.26</u>	<u>2,883,824.76</u>
Deficiency of Revenues Under Expenditures	<u>(6,466,545.38)</u>	<u>(5,695,732.13)</u>	<u>(2,811,907.37)</u>	<u>2,883,824.76</u>
Other Financing Sources (Uses)				
Transfers In	400,000.00	560,323.73	560,323.73	
Insurance Loss Recoveries		38,840.24	38,840.24	
Transfers Out		(131,595.75)	(131,595.75)	
Total Other Financing Sources (Uses)	<u>400,000.00</u>	<u>467,568.22</u>	<u>467,568.22</u>	
Net Change in Fund Balances	<u>(6,066,545.38)</u>	<u>(5,228,163.91)</u>	<u>(2,344,339.15)</u>	<u>2,883,824.76</u>
Increase in Inventory Reserve			7,227.38	7,227.38
Fund Balances, July 1, 2007	6,267,337.86	6,249,775.78	6,249,775.78	
Fund Balances, June 30, 2008	<u>\$ 200,792.48</u>	<u>\$ 1,021,611.87</u>	<u>\$ 3,912,664.01</u>	<u>\$ 2,891,052.14</u>

EXHIBIT - I

Original Budget	Special Revenue - Other Fund		Variance with Final Budget - Positive (Negative)
	Final Budget	Actual	
\$ 4,126,972.78	\$ 5,771,854.67	\$ 5,285,288.17	\$ (486,566.50)
<u>4,126,972.78</u>	<u>5,771,854.67</u>	<u>5,285,288.17</u>	<u>(486,566.50)</u>
2,868,602.54	4,159,735.00	3,866,836.89	292,898.11
394,566.23	421,631.97	396,768.20	24,863.77
	7,794.00	7,690.26	103.74
617,693.66	615,220.16	569,108.68	46,111.48
198,311.69	323,663.03	246,189.51	77,473.52
	5,600.00	5,600.00	
41,092.40	102,825.68	88,562.19	14,263.49
	32,550.22	32,115.50	434.72
4,528.44	18,099.43	15,253.81	2,845.62
2,177.82	17,309.39	6,071.94	11,237.45
	67,425.79	51,091.19	16,334.60
<u>4,126,972.78</u>	<u>5,771,854.67</u>	<u>5,285,288.17</u>	<u>486,566.50</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 278,165.12
National School Lunch Program	10.555	300	1,281,818.40
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	<u>118,078.75</u>
Total United States Department of Agriculture			<u>1,678,062.27</u>
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,072,231.82
Special Education - Preschool Grants	84.173	267	40,910.88
Hendry County District School Board:			
Special Education - Grants to States	84.027	None	137,947.87
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	<u>89,476.55</u>
Total Special Education Cluster			1,340,567.12
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	207,383.30
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,286,542.25
Migrant Education - State Grant Program	84.011	217	322,260.95
Career and Technical Education - Basic Grants to States	84.048	151	161,200.02
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	31,536.90
Education for Homeless Children and Youth	84.196	127	95,441.09
Twenty-First Century Community Learning Centers	84.287	244	481,396.51
State Grants for Innovative Programs	84.298	113	9,179.12
Education Technology State Grants	84.318	121, 122	18,980.23
Comprehension School Reform Demonstration	84.332	128	3,000.00
Rural Education	84.358	110	165,730.89
English Language Acquisition Grants	84.365	102	110,873.80
Improving Teacher Quality State Grants	84.367	224	278,620.41
Highlands County District School Board:			
Reading First State Grant	84.357	None	228,210.40
Transition to Teaching	84.350	None	68.57
Arts in Education	84.351	None	1,500.00
South Florida Community College:			
Tech-Prep Education	84.243	None	<u>13,453.22</u>
Total United States Department of Education			<u>5,755,944.78</u>
United States Department of Homeland Security			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	<u>37,217.57</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>48,431.93</u>
Total Expenditures of Federal Awards			<u>\$ 7,519,656.55</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the DeSoto County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the DeSoto County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit – J. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

February 9, 2009



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the DeSoto County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the fiscal year ended June 30, 2008. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the District's major Federal program is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance 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 the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2008.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

February 9, 2009

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Title I Grants to Local Educational Agencies (CFDA No. 84.010)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENT FINDING

Significant Deficiency

Finding No. 1: Financial Reporting

Our review of the District's 2007-08 fiscal year annual financial report, provided for audit, disclosed that District personnel inadvertently misclassified certain account balances. For example, the District erroneously considered the compensated absences liability, totaling \$2,355,504.15, in the calculation of invested in capital assets, net of related debt, on the statement of net assets, instead of reducing unrestricted net assets for this liability. We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances on the financial statements.

Recommendation: To facilitate necessary financial reporting, the District should establish procedures to ensure that account balances are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the agency has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by that date, the District was also required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested

SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

The District requires applicants for employment to provide their SSN on employment applications, and the District obtains student SSNs from parents or legal guardian when completing certain student record forms. However, the District did not conduct the required review and evaluation of the reasons for collection of SSNs or prepare written statements notifying individuals of the purpose for collection of the numbers. Further, contrary to the above law, the District did not certify to the Legislature that it complied with Section 119.071(5)(a), Florida Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should take appropriate action to ensure compliance with Section 119.071(5)(a), Florida Statutes. Such action should include an evaluation of the reasons the District collects social security numbers from individuals. In those instances in which the District determines that collection of the social security numbers is not imperative for performance of its duties and responsibilities, the District should discontinue obtaining such numbers.

Finding No. 3: Policies for Reporting Fraud

The District did not develop policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damage to the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may not be identified or reported to the appropriate authority.

Recommendation: To aid in the detection and prevention of fraud, the District should develop policies for communicating and reporting known or suspected fraud.

PRIOR AUDIT FOLLOW-UP

There were no findings in our report No. 2008-106.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit – J.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*DESOTO COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2008-106		There were no prior Federal audit Findings.		

EXHIBIT – J
MANAGEMENT’S RESPONSE



The School District of DeSoto
Adrian H. Cline
Superintendent

January 16, 2009

David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4) (d), Florida Statutes, we are required to submit a written statement of explanation concerning all findings. Below is our response to the preliminary and tentative audit findings and recommendations as prepared by your office for DeSoto County District Board for the fiscal year ended June 30, 2008.

Finding No.1: Financial Reporting

Recommendation: To facilitate necessary financial reporting, the District should establish procedures to ensure the accuracy of the financial statements.

- **Response:** The District is enhancing procedures to ensure the accuracy of the financial statements.

Finding No. 2: Collection of Social Security Numbers

Recommendation: The District should take appropriate action to ensure compliance with Section 119.071(5) (a), Florida Statutes. Such action should include an evaluation of the reasons the District collects social security numbers from individuals. In those instances in which the District determines that collection of the social security numbers is not imperative for performance of its duties and responsibilities, the District should discontinue obtaining such numbers.

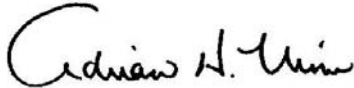
- Response: The school district has taken appropriate action to ensure compliance with Section 119.071(5), Florida Statutes, and certified compliance on August 19, 2008. All forms were reviewed and updated so that only necessary forms collect social security numbers. Where warranted, the collection of social security numbers has been replaced with the employee's identification number. Administration has instructed schools and divisions to give written notice regarding the reasons for and the anticipated use of social security numbers at the time of collection.

Finding No. 3: Policies for Reporting Fraud

Recommendation: To aid in the detection and prevention of fraud, the District should develop policies for communicating and reporting known or suspected fraud.

- Response: The District has added a section on Fraud to the School District of DeSoto County Employee Handbook for 2008-2009. This handbook is reviewed annually by all employees. Each employee acknowledges by signature that they have received and read the handbook. The Human Resource Division is currently in the process of providing training to each employee on incidents of fraud, procedures for reporting fraud, and the name and contact information of the person to receive the report.

Sincerely,



Adrian H. Cline,
Superintendent

AHC:mrh