

**DESOTO COUNTY
DISTRICT SCHOOL BOARD**

**Financial, Operational, and Federal Single
Audit**

For the Fiscal Year Ended
June 30, 2014



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	<u>District No.</u>
Rodney W. Hollingsworth, Chair to 11-11-13	1
Karen K. Chancey, Vice Chair from 11-12-13	2
Deborah D. Snyder, Vice Chair to 11-11-13, Chair from 11-12-13	3
William S. Stanko	4
Ronny R. Allen	5

Dr. Karyn E. Gary, Superintendent

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 Claudia A. Salgado, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DESOTO COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements.....	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities.....	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	19
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	42
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	44
Notes to Required Supplementary Information.....	45
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	46
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 <i>GOVERNMENT AUDITING STANDARDS</i>	47
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	51
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS.....	55
EXHIBIT A MANAGEMENT'S RESPONSE	56

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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

ADDITIONAL MATTERS

Finding No. 1: The District needed to enhance its procedures to require verification of eligibility of dependents covered by the District's health insurance plan.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 3: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Twenty-First Century programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

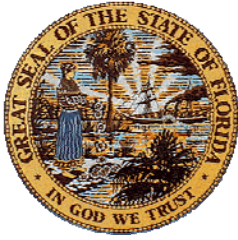
Our audit objectives were to determine whether the DeSoto County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- 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 programs; and
- Taken corrective actions for findings included in our report No. 2014-126.

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, 2014. 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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 19 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds is based solely on the report 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the DeSoto County District School Board as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note II to the financial statements, the DeSoto County Education Foundation, Inc., no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2013-14 fiscal year. This affects the comparability of amounts reported for the 2013-14 fiscal year with amounts reported for the 2012-13 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015

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, 2014. 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 immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal year are as follows:

- As of June 30, 2014, the assets exceed the liabilities by \$42,874,739.41. Of this amount, \$773,132.63 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position decreased \$3,622,099.05, which represents a 7.8 percent decrease from the 2012-13 fiscal year.
- General revenues totaled \$42,301,536.19, or 93.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$3,072,766.40 or 6.8 percent of all revenues.
- Expenses totaled \$48,996,401.64. Only \$3,072,766.40 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totaled \$6,546,052.95, which is \$2,728,161.84 less than the prior fiscal year balance. The General Fund total assigned and unassigned fund balance was \$5,553,322.29, or 16 percent of General Fund revenues.
- Total liabilities increased by \$325,291.35, or 2.4 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide financial statements present governmental activities that include 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. Local property taxes and the State's education finance program provide most of the resources that support these activities.

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 entitywide 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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 Federal Programs Fund, Special Revenue – Federal Economic Stimulus Fund, Debt Service – Other Debt Service Fund, and Capital Projects – Local Capital Improvement 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 and major special revenue funds 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.

The District uses agency funds to account for resources held for student activities and groups.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report represents required supplementary information concerning the District’s progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2014, compared to net position as of June 30, 2013:

	Net Position, End of Year	
	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	\$ 19,847,056.98	\$22,197,271.63
Capital Assets	36,635,099.21	37,579,878.29
Total Assets	56,482,156.19	59,777,149.92
Deferred Outflows of Resources		1,813.97
Long-Term Liabilities	11,191,838.01	10,965,305.82
Other Liabilities	2,415,578.77	2,316,819.61
Total Liabilities	13,607,416.78	13,282,125.43
Net Position:		
Net Investment in Capital Assets	30,239,198.27	30,990,709.59
Restricted	11,862,408.51	11,657,676.24
Unrestricted	773,132.63	3,848,452.63
Total Net Assets	\$ 42,874,739.41	\$46,496,838.46

The largest portion of the District’s net position (70.5 percent) is investment in capital assets (e.g., land, buildings; furniture, fixtures, 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position (27.7 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (1.8 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole, and for its separate governmental activities. Positive balances were similarly reported for the prior fiscal year.

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 316,787.35	\$ 511,357.64
Operating Grants and Contributions	2,570,013.59	2,458,023.04
Capital Grants and Contributions	185,965.46	187,479.87
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,126,805.05	8,626,848.74
Property Taxes, Levied for Capital Projects	2,136,096.93	2,149,533.95
Grants and Contributions Not Restricted to Specific Programs	30,750,324.65	29,494,734.70
Unrestricted Investment Earnings	124,877.53	132,691.40
Miscellaneous	1,163,432.03	729,904.18
Total Revenues	45,374,302.59	44,290,573.52
Functions/Program Expenses:		
Instruction	24,869,260.13	23,941,702.33
Student Personnel Services	3,026,760.46	2,308,638.53
Instructional Media Services	443,045.11	514,116.65
Instruction and Curriculum Development Services	1,315,229.34	1,450,408.19
Instructional Staff Training Services	874,136.92	690,249.62
Instruction Related Technology	381,521.40	387,481.82
Board of Education	319,545.81	263,262.49
General Administration	892,985.75	709,906.09
School Administration	2,554,447.41	2,247,842.66
Facilities Acquisition and Construction	323,953.21	413,146.54
Fiscal Services	526,756.34	811,723.56
Food Services	2,817,936.39	2,704,481.31
Central Services	505,836.37	529,071.53
Student Transportation Services	2,235,446.27	1,897,273.50
Operation of Plant	3,371,258.55	3,103,117.84
Maintenance of Plant	1,593,299.30	1,591,948.17
Administrative Technology Services	709,801.19	704,508.93
Community Services	44,085.82	63,374.87
Interest on Long-Term Debt	59,341.00	39,155.75
Unallocated Depreciation Expenses	2,115,450.46	2,036,765.01
Loss on Disposal of Capital Assets	16,304.41	116,332.47
Total Functions/Program Expenses	48,996,401.64	46,524,507.86
Increase in Net Position	(3,622,099.05)	(2,233,934.34)
Net Position - Beginning	46,496,838.46	48,730,772.80
Net Position - Ending	\$ 42,874,739.41	\$ 46,496,838.46

The largest revenue source is the State of Florida (56.4 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. Property tax revenues decreased by \$513,480.71, or 4.8 percent, as a result of decreases in taxable assessed values and the total millage rate.

Instruction expenses represent 50.8 percent of total government expenses in the 2013-2014 fiscal year, remaining fairly consistent with the previous fiscal year in which they represented 51.5 percent of total government expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$2,448,973.81 during the fiscal year to \$17,431,478.21, at June 30, 2014. Approximately 30.6 percent of this amount is unassigned fund balance (\$5,337,440.26), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$85,861.48), 2) restricted for particular purposes (\$11,792,294.44), or 3) assigned for particular purposes (\$215,882.03).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the unassigned fund balance is \$5,337,440.26 while the total fund balance is \$6,546,052.95. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 16 percent of the total General Fund revenues, while total fund balance represents 18.9 percent of total General Fund Revenues.

Total fund balance decreased by \$2,728,161.84 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Decreases in taxable property values and millage rates resulted in decreased tax revenues of \$508,043.69.
- Total expenditures increased by \$2,860,363.21 or 8.1 percent, due mainly to negotiated salary increases for all employees.

The Special Revenue – Other Federal Programs Fund has total revenues and expenditures of \$4,785,192.93 each, and the funding was mainly used for instruction. The Special Revenue - Federal Economic Stimulus Fund has total revenues and expenditures of \$431,453.79 each, and the funding was mainly used for student personnel services. Because grant revenues attributed to the grants accounted for in these funds are not recognized until expenditures are incurred, these funds generally do not accumulate fund balance. Revenues and expenditures in the Special Revenue – Other Federal Programs Fund decreased by \$486,624.08 or 9.2 percent due to an overall reduction in grant funding primarily for the Special Education and Title I grant programs. Revenues and expenditures in the Special Revenue – Federal Economic Stimulus Fund decreased by \$50,764.24 or 10.5 percent due to the expiration of Federal stimulus programs.

The Debt Service – Other Debt Service Fund has a total fund balance of \$3,380,822.09. This fund is restricted for the accumulation of resources for, and the payment of, long-term debt principal and interest for the District's Qualified Zone Academy Bonds (QZAB). Fund balance steadily increased as sinking fund deposits are accumulated for lump-sum QZAB payments in future years.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$5,991,676.37, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balances decreased \$89,262.96 in the current fiscal year due to renovations of various facilities and reduced property tax collections. Of the total fund balance, \$194,409 has been encumbered for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$626,099.51 or 1.8 percent. At the same time, final budgeted appropriations were less than the original budgeted amounts by \$665,286.02 or 1.6 percent.

Actual revenues were less than budgeted revenues by \$143,546.14, or less than one percent of the final budget amounts, while actual expenditures were less the final budgeted expenditures by \$2,074,566.27 or 5.1 percent less than final budget amounts. Approximately half of the large positive expenditures variance was due to categorical and grant roll forwards. The remaining amount was primarily due to amounts budgeted for contingencies which were proved to be unnecessary.

The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,931,947.99.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, is \$36,635,099.21 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total decrease in capital assets for the current fiscal year was 2.5 percent.

Additional information on the District's capital assets can be found in notes I.F.4 and III.C to the financial statements.

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of \$6,395,900.94, comprised of \$1,501,731.94 of bonds payable and \$4,894,169 of QZABs. During the fiscal year, outstanding debt decreased by \$224,597.67.

Additional information on the District's long-term debt can be found in notes III.H to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As a result of the Florida Department of Education recalibration of full-time equivalent (FTE) student counts, District enrollment is projected to decrease 66 FTE students during the 2014-15 fiscal year, which will decrease State revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent of Schools, DeSoto County District School Board, 530 LaSolona Avenue, Arcadia, Florida 34266.

BASIC FINANCIAL STATEMENTS

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 15,652,255.85
Investments	59,416.73
Due from Other Agencies	718,837.91
Inventories	85,861.48
Cash With Fiscal Agent	14,000.00
Restricted Investments	3,316,685.01
Capital Assets:	
Nondepreciable Capital Assets	482,612.20
Depreciable Capital Assets, Net	<u>36,152,487.01</u>
TOTAL ASSETS	<u>56,482,156.19</u>
LIABILITIES	
Payroll Deductions and Withholdings	1,761,587.88
Accounts Payable	268,371.35
Due to Other Agencies	1,200.00
Deposits Payable	384,419.54
Long-Term Liabilities:	
Portion Due Within One Year	439,460.39
Portion Due After One Year	<u>10,752,377.62</u>
TOTAL LIABILITIES	<u>13,607,416.78</u>
NET POSITION	
Net Investment in Capital Assets	30,239,198.27
Restricted for:	
State Required Carryover Programs	475,878.29
Debt Service	3,697,691.59
Capital Projects	6,360,723.63
Food Service	827,010.04
Career and Adult Education	320,503.71
Other Purposes	180,601.25
Unrestricted	<u>773,132.63</u>
TOTAL NET POSITION	<u>\$ 42,874,739.41</u>

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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 24,869,260.13	\$ 142,172.34	\$	\$ (24,727,087.79)
Student Personnel Services	3,026,760.46			(3,026,760.46)
Instructional Media Services	443,045.11			(443,045.11)
Instruction and Curriculum Development Services	1,315,229.34			(1,315,229.34)
Instructional Staff Training Services	874,136.92			(874,136.92)
Instruction Related Technology	381,521.40			(381,521.40)
School Board	319,545.81			(319,545.81)
General Administration	892,985.75			(892,985.75)
School Administration	2,554,447.41			(2,554,447.41)
Facilities Acquisition and Construction	323,953.21		34,900.50	(289,052.71)
Fiscal Services	526,756.34			(526,756.34)
Food Services	2,817,936.39	146,657.44	2,570,013.59	(101,265.36)
Central Services	505,836.37			(505,836.37)
Student Transportation Services	2,235,446.27	27,957.57		(2,207,488.70)
Operation of Plant	3,371,258.55			(3,371,258.55)
Maintenance of Plant	1,593,299.30			(1,593,299.30)
Administrative Technology Services	709,801.19			(709,801.19)
Community Services	44,085.82			(44,085.82)
Unallocated Interest on Long-Term Debt	59,341.00		151,064.96	91,723.96
Unallocated Depreciation/Amortization Expense	2,115,450.46			(2,115,450.46)
Loss on Disposal of Capital Assets	16,304.41			(16,304.41)
Total Governmental Activities	\$ 48,996,401.64	\$ 316,787.35	\$ 2,570,013.59	\$ 185,965.46
General Revenues:				
Taxes:				
				8,126,805.05
				2,136,096.93
				30,750,324.65
				124,877.53
				1,163,432.03
Total General Revenues				42,301,536.19
Change in Net Position				(3,622,099.05)
Net Position - Beginning				46,496,838.46
Net Position - Ending				\$ 42,874,739.41

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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund
ASSETS				
Cash and Cash Equivalents	\$ 8,189,806.73	\$	\$	\$ 64,137.08
Investments				
Due from Other Funds	403,096.30			
Due from Other Agencies	238,110.32	391,607.76	65,662.30	
Inventories	15,747.41			
Cash With Fiscal Agent	14,000.00			
Restricted Investments				3,316,685.01
TOTAL ASSETS	\$ 8,860,760.76	\$ 391,607.76	\$ 65,662.30	\$ 3,380,822.09
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 1,761,587.88	\$	\$	\$
Accounts Payable	167,000.53	54,636.95	36.67	
Due to Other Funds	499.86	336,970.81	65,625.63	
Due to Other Agencies	1,200.00			
Deposits Payable	384,419.54			
Total Liabilities	2,314,707.81	391,607.76	65,662.30	
Fund Balances:				
Nonspendable:				
Inventories	15,747.41			
Restricted for:				
State Required Carryover Programs	475,878.29			
Debt Service				3,380,822.09
Capital Projects				
Food Service				
Career and Adult Education	320,503.71			
Other Purposes	180,601.25			
Total Restricted Fund Balance	976,983.25			3,380,822.09
Assigned for:				
Purchases on Order	209,449.01			
Financial Aid Fees	6,433.02			
Total Assigned Fund Balance	215,882.03			
Unassigned Fund Balance	5,337,440.26			
Total Fund Balances	6,546,052.95			3,380,822.09
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,860,760.76	\$ 391,607.76	\$ 65,662.30	\$ 3,380,822.09

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,990,982.27	\$ 1,407,329.77	\$ 15,652,255.85
44,748.12	14,668.61	59,416.73
		403,096.30
2,527.98	20,929.55	718,837.91
	70,114.07	85,861.48
		14,000.00
		3,316,685.01
<u>\$ 6,038,258.37</u>	<u>\$ 1,513,042.00</u>	<u>\$ 20,250,153.28</u>
\$ 46,582.00	\$ 115.20	\$ 1,761,587.88
		268,371.35
		403,096.30
		1,200.00
		384,419.54
<u>46,582.00</u>	<u>115.20</u>	<u>2,818,675.07</u>
	70,114.07	85,861.48
		475,878.29
	316,869.50	3,697,691.59
5,991,676.37	369,047.26	6,360,723.63
	756,895.97	756,895.97
		320,503.71
		180,601.25
<u>5,991,676.37</u>	<u>1,442,812.73</u>	<u>11,792,294.44</u>
		209,449.01
		6,433.02
		215,882.03
		5,337,440.26
<u>5,991,676.37</u>	<u>1,512,926.80</u>	<u>17,431,478.21</u>
<u>\$ 6,038,258.37</u>	<u>\$ 1,513,042.00</u>	<u>\$ 20,250,153.28</u>

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balances - Governmental Funds \$ 17,431,478.21

Amounts reported for governmental activities in the statement of net position 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. 36,635,099.21

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

Qualified Zone Academy Bonds Payable	\$ 4,894,169.00	
Bonds Payable	1,501,731.94	
Compensated Absences Payable	1,453,934.07	
Other Postemployment Benefits Payable	3,342,003.00	
		(11,191,838.01)

Net Position - Governmental Activities \$ 42,874,739.41

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014**

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 57,910.24	\$	\$	\$
Federal Through State and Local State	132,326.27 25,250,408.69	4,748,835.08	431,453.79	
Local:				
Property Taxes	8,126,805.05			
Charges for Services - Food Service				
Miscellaneous	1,141,208.25	36,357.85		167,813.80
Total Local Revenues	<u>9,268,013.30</u>	<u>36,357.85</u>		<u>167,813.80</u>
Total Revenues	<u>34,708,658.50</u>	<u>4,785,192.93</u>	<u>431,453.79</u>	<u>167,813.80</u>
Expenditures				
Current - Education:				
Instruction	21,879,016.10	2,691,697.10	23,150.25	
Student Personnel Services	2,195,738.94	572,482.56	212,784.00	
Instructional Media Services	440,762.50			
Instruction and Curriculum Development Services	716,246.96	593,043.23		
Instructional Staff Training Services	416,172.06	451,374.82		
Instruction Related Technology	325,315.76	5,567.30	49,230.54	
School Board	314,469.98			
General Administration	665,704.07	204,980.03	17,058.79	
School Administration	2,498,245.81	19,372.04		
Facilities Acquisition and Construction	37,621.24			
Fiscal Services	528,672.46			
Food Services	28,671.30			
Central Services	454,411.90	50,249.49		
Student Transportation Services	2,132,722.25	64,241.87		
Operation of Plant	3,335,359.37	17,761.24		
Maintenance of Plant	1,583,157.70			
Administrative Technology Services	648,817.36		56,396.46	
Community Services	44,005.69			
Fixed Capital Outlay:				
Facilities Acquisition and Construction		32,500.00		
Other Capital Outlay	130,998.37	81,923.25	72,833.75	
Debt Service:				
Principal	10,000.00			
Interest and Fiscal Charges				
Total Expenditures	<u>38,386,109.82</u>	<u>4,785,192.93</u>	<u>431,453.79</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,677,451.32)</u>			<u>167,813.80</u>
Other Financing Sources (Uses)				
Transfers In	948,255.10			196,284.92
Insurance Loss Recoveries	106.52			
Transfers Out				
Total Other Financing Sources (Uses)	<u>948,361.62</u>			<u>196,284.92</u>
Net Change in Fund Balances	<u>(2,729,089.70)</u>			<u>364,098.72</u>
Increase in Nonspendable Inventories	927.86			
Fund Balances, Beginning	9,274,214.79			3,016,723.37
Fund Balances, Ending	<u>\$ 6,546,052.95</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 3,380,822.09</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	2,531,229.59	57,910.24
	354,140.04	7,843,844.73
2,136,096.93		25,604,548.73
	146,657.44	10,262,901.98
42,464.92	18,457.35	146,657.44
<u>2,178,561.85</u>	<u>165,114.79</u>	<u>1,406,302.17</u>
		11,815,861.59
<u>2,178,561.85</u>	<u>3,050,484.42</u>	<u>45,322,165.29</u>
		24,593,863.45
		2,981,005.50
		440,762.50
		1,309,290.19
		867,546.88
		380,113.60
		314,469.98
		887,742.89
288,884.09		2,517,617.85
		326,505.33
		528,672.46
	2,761,567.84	2,790,239.14
		504,661.39
		2,196,964.12
		3,353,120.61
		1,583,157.70
		705,213.82
		44,005.69
834,400.70	34,319.72	901,220.42
		285,755.37
	191,841.00	201,841.00
	58,736.98	58,736.98
<u>1,123,284.79</u>	<u>3,046,465.54</u>	<u>47,772,506.87</u>
<u>1,055,277.06</u>	<u>4,018.88</u>	<u>(2,450,341.58)</u>
		1,144,540.02
(1,144,540.02)		106.52
(1,144,540.02)		(1,144,540.02)
		106.52
(89,262.96)	4,018.88	(2,450,235.06)
	333.39	1,261.25
6,080,939.33	1,508,574.53	19,880,452.02
<u>\$ 5,991,676.37</u>	<u>\$ 1,512,926.80</u>	<u>\$ 17,431,478.21</u>

**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, 2014**

Net Change in Fund Balances - Governmental Funds \$ (2,450,235.06)

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 depreciation expense in excess of capital outlays in the current fiscal year. (928,474.67)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (16,304.41)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 191,841.00

Premiums and deferred charges on debt refunding are reported in the governmental funds in the fiscal year the debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.

Net increase in expenses from unamortized premiums	\$	3,240.73	
Net decrease in expenses from deferred charges		(1,813.97)	1,426.76

The purchases method is used to account for inventories, except for donated foods, which are reported under the consumption method in the governmental funds, while in the government-wide statements, inventories are accounted for under the consumption method. 1,261.25

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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 used in excess of the amount earned in the current fiscal year. 63,048.08

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (544,662.00)

The net decrease in estimated long-term liability claims payable is reported in the statement of activities, but not in the governmental funds statements. 60,000.00

Change in Net Position - Governmental Activities **\$ (3,622,099.05)**

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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2014**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 344,038.00
LIABILITIES	
Internal Accounts Payable	\$ 344,038.00

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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the DeSoto County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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 is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The DeSoto County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of DeSoto County.

Criteria for determining if other entities are potential component units that 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on these criteria, no component units are included within the District's reporting entity.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the 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 Federal Programs Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.
- 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, renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- 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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 15 days of fiscal year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission (SEC) Rule 2a7-like external investment pool, 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 Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of obligations of United States Government Instrumentalities held by a trustee under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZABs) financing arrangements and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. 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 the United States Department of Agriculture donated foods 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 donated foods are recorded as expenditures at the time the individual items are requisitioned for consumption.

4. 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 position 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.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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	5 - 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.

5. 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 position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Changes in long-term liabilities for the current year are reported in a subsequent note.

6. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification may include amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2014.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. As authorized in Board policy 90.15, the Superintendent and Director of Finance have the authority to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include 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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal 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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE 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 fiscal year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

3. District Property Taxes

The 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 Board adopted the 2013 tax levy on September 10, 2013. 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.

4. 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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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.

5. Compensated Absences

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 for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

II. CHANGE IN REPORTING ENTITY

The DeSoto County Education Foundation, Inc., has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation's financial transactions are no longer considered quantitatively significant to the District. As such, the Foundation no longer meets the criteria for inclusion as a component unit, and is not reported in the District's financial statements for the 2013-14 fiscal year, affecting the comparability of amounts reported on the financial statements for the 2013-14 fiscal year with the amounts reported for the 2012-13 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund based on ending monthly balances.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 565,676.46
Fund B	2.86 Year Average	44,748.12
Debt Service Accounts	6 Months	14,668.61
Obligations of United States Government Instrumentalities:		
FHLB Discount Note (2)	September 29, 2014	1,055,381.46
FHLMC Discount Note (3)	September 29, 2014	2,261,303.55
Total Investments		\$ 3,941,778.20

Notes:

- (1) This investment is reported as a cash equivalent for financial statement reporting purposes.
- (2) This investment is held under a trust agreement in connection with the Series 2006 QZABs (See Note III.H.1).
- (3) This investment is held under a trust agreement in connection with the Series 2001 QZABs (See Note III.H.1).

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investment policy requires investment maturities longer than three years must be disclosed in writing to the Board.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. 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. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy limits investments to the SEC registered money market funds with the highest credit rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts; direct obligations of the United States Treasury; Federal agencies and instrumentalities; registered open-end or closed end management-type investment company or investment trusts with portfolios limited to United States Treasury or agency obligations which are properly collateralized; as well as Florida PRIME or any authorized intergovernmental investment pool.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

The District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

The District's investment in obligations of United States Government instrumentalities, are authorized under agreements with the QZAB paying agents. The agreements authorize the investment of available fund amounts in certain eligible securities, including, without limitation, the Federal Mortgage Corporation, the Federal National Mortgage Association, and the Federal Home Loan Banks. These investments, totaling \$3,316,685.01, are rated AA+ by Standard & Poor's.

➤ **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investment policy addresses custodial credit risk in that all securities would be held with a third party custodian as evidenced by safekeeping receipts, and all securities purchased by, and all collateral obtained by, the District should be properly designated as an asset of the District

Restricted investments of \$3,316,685.01 in obligations of United States Government instrumentalities are held in custodial accounts by the QZAB paying agents.

➤ **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The risk and diversification characteristics of the investments in the Board's managed investment portfolio shall be structured so as to provide sufficient liquidity to meet obligations of the Board in a timely manner, meet the investment objectives, and meet the standards of care. Portfolio diversification requires prior approval of the Superintendent and Board

The FHLB discount note comprises 27 percent of the District's total investments and 32 percent of investments reported in the Debt Service – Other Debt Service Fund. The FHLMC discount note comprises 57 percent of the District's total investments and 68 percent of the investments in the Debt Service – Other Debt Service Fund. These investments are made pursuant to agreements with QZAB paying agents (see note III.H.1).

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 331,142.20	\$	\$	\$ 331,142.20
Construction in Progress	1,361,226.16	289,966.65	1,499,722.81	151,470.00
Total Capital Assets Not Being Depreciated	1,692,368.36	289,966.65	1,499,722.81	482,612.20
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,799,663.03	328,622.57		2,128,285.60
Buildings and Fixed Equipment	57,274,701.80	1,352,695.32		58,627,397.12
Furniture, Fixtures, and Equipment	4,587,579.54	331,526.28	590,256.18	4,328,849.64
Motor Vehicles	3,550,943.33	302,726.00	124,820.50	3,728,848.83
Audio Visual Materials and Computer Software	1,696,725.47	81,161.78	157,870.00	1,620,017.25
Total Capital Assets Being Depreciated	68,909,613.17	2,396,731.95	872,946.68	70,433,398.44
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,096,751.70	107,988.93		1,204,740.63
Buildings and Fixed Equipment	24,551,776.15	1,363,068.35		25,914,844.50
Furniture, Fixtures, and Equipment	3,668,092.03	298,286.09	574,951.77	3,391,426.35
Motor Vehicles	2,445,825.75	200,772.86	124,820.50	2,521,778.11
Audio Visual Materials and Computer Software	1,259,657.61	145,334.23	156,870.00	1,248,121.84
Total Accumulated Depreciation	33,022,103.24	2,115,450.46	856,642.27	34,280,911.43
Total Capital Assets Being Depreciated, Net	35,887,509.93	281,281.49	16,304.41	36,152,487.01
Governmental Activities Capital Assets, Net	\$ 37,579,878.29	\$ 571,248.14	\$ 1,516,027.22	\$ 36,635,099.21

The District’s capital assets serve multiple functions; however, depreciation expense is not allocated to the various functions on the statement of activities, but is shown as unallocated depreciation expense.

D. Florida Retirement System

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

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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, death benefits, and annual cost-of-living adjustments.

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 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 the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
FRS, Senior Management Service	3.00	18.31
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$1,614,704.15, \$1,701,813.45, and \$2,216,394.61, respectively, which were equal to the required contributions for each fiscal year.

There were 117 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled \$279,346.79, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees, and eligible dependents, who retire from the District are eligible to participate in the District's medical, prescription drug, and life insurance coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The District pays, upon retirement, for retirees who accrue 20 years of service with the District, the first year of premiums for medical and prescription drug coverage. Retirees are not required to enroll in the Federal Medicare program in order to remain covered under the program; however, since membership in Medicare Part A is automatic, the OPEB Plan pays as secondary for all eligible retirees, and for eligible retirees that enroll in Medicare Part B. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 166 retirees received other postemployment

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

benefits. The District provided required contributions of \$333,716 toward the annual OPEB cost, net of retiree contributions totaling \$277,743, which represents 1.2 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	\$ 424,573
Amortization of Unfunded Actuarial Accrued Liability	521,641
Annual Required Contribution	946,214
Interest on Net OPEB Obligation	106,998
Adjustment to Annual Required Contribution	(174,834)
Annual OPEB Cost (Expense)	878,378
Contribution Toward the OPEB Cost	(333,716)
Change in Net OPEB Obligation	544,662
Net OPEB Obligation, Beginning of Year	2,797,341
Net OPEB Obligation, End of Year	\$ 3,342,003

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 878,214	33.0%	\$2,210,269
2012-13	912,485	35.7%	2,797,341
2013-14	878,378	38.0%	3,342,003

Funded Status and Funding Progress. As of January 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$8,191,082, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,191,082 and a funded ratio of 0 percent. The covered payroll

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

(annual payroll of active participating employees) was \$23,122,492, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.4 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of January 1, 2014 used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.83 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.83 percent per year, projected salary increases ranging from 4.5 to 8.38 percent, and an annual healthcare cost trend of 8 percent initially for the calendar year 2014, reduced in various increments and decrements to an ultimate rate of 5.47 percent beginning January 2021. The investment rate of return and projected salary increases include a general price inflation rate of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 20-year period on a closed basis. The remaining amortization period at June 30, 2014, is 16 years.

F. Other Significant Commitments

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 following is a schedule of encumbrances at June 30, 2014:

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Major Funds					
General	Special Revenue - Federal Other Federal Programs	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 431,120	\$ 13,926	\$ 29,500	\$ 194,409	\$ 626,259	\$ 1,295,214

G. 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 government 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(12)(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 District 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 an obligation to, or right of contribution from, other members.

As of the 2013-14 fiscal year, the District is no longer participating in a self-insured employee group dental insurance program. Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

H. Long-Term Liabilities

1. Qualified Zone Academy Bonds Payable

The District entered into a financing agreement 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 QZABs, pursuant to Section 1397E of the Internal Revenue

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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, 2014, the paying agent held deposits invested in obligations of United States Government instrumentalities in the sinking fund totaling \$2,261,303.55.

The moneys received from the QZABs, Series 2001, were used for the purpose of financing capital outlay maintenance and renovations 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 made 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 a guaranteed investment return of 3.25 percent per annum whereby the required deposits, along with the 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, 2014, the paying agent held \$1,055,381.46 in deposits invested in obligations of United States Government instrumentalities.

The moneys received from the QZABs, Series 2006, were used for the purpose of financing capital outlay maintenance and renovations projects at four qualifying schools (DeSoto Middle School, Nocatee Elementary School, West Elementary School, and Memorial Elementary School). The mandatory annual deposits are made payable by the District, annually, on September 28.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

The following is a schedule by years for future annual deposits due under the QZAB as of June 30:

Fiscal Year Ending June 30	Deposit Amount
2015	\$ 256,689
2016	132,287
2017	132,287
2018	132,287
2019	132,287
2020-2022	396,861
Total	\$ 1,182,698

2. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

	Outstanding	Rates (Percent)	Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 515,000	5	2018
Series 2009A, Refunding	45,000	5	2019
District Revenue Bonds:			
Series 2012, Refunding	912,216	2.36	2025
Plus Unamortized Premiums	29,516		
Total Bonds Payable	\$ 1,501,732		

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 SBE 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 SBE and the SBA.

➤ 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 were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2013)). The annual distribution is remitted

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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.

The District has pledged a total of \$1,041,081 of pari-mutuel tax revenues in connection with the Series 2012, Refunding District Revenue Bonds, described above. During the 2013-14 fiscal year, the District recognized pari-mutuel tax revenues totaling \$132,166.66 and expended \$94,643.36 of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt, or June 1, 2025. All of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	\$ 158,000.00	\$ 130,000.00	\$ 28,000.00
2016	156,500.00	135,000.00	21,500.00
2017	159,750.00	145,000.00	14,750.00
2018	147,500.00	140,000.00	7,500.00
2019	10,500.00	10,000.00	500.00
	<u>29,515.94</u>	<u>29,515.94</u>	
Plus Unamortized Premiums			
	<u>29,515.94</u>	<u>29,515.94</u>	
Total State School Bonds	<u>661,765.94</u>	<u>589,515.94</u>	<u>72,250.00</u>
District Revenue Bonds:			
2015	94,644.00	73,547.00	21,097.00
2016	94,644.00	75,293.00	19,351.00
2017	94,644.00	77,080.00	17,564.00
2018	94,644.00	78,910.00	15,734.00
2019	94,643.00	80,783.00	13,860.00
2020-2024	473,219.00	433,609.00	39,610.00
2025	94,643.00	92,994.00	1,649.00
	<u>1,041,081.00</u>	<u>912,216.00</u>	<u>128,865.00</u>
Total District Revenue Bonds	<u>1,041,081.00</u>	<u>912,216.00</u>	<u>128,865.00</u>
Total	<u>\$ 1,702,846.94</u>	<u>\$ 1,501,731.94</u>	<u>\$ 201,115.00</u>

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Estimated Liability for Long-Term Claims	\$ 60,000.00	\$	\$ 60,000.00	\$	\$
Qualified Zone Academy Bonds Payable	4,894,169.00			4,894,169.00	
Bonds Payable	1,696,813.67		195,081.73	1,501,731.94	203,547.00
Compensated Absences Payable	1,516,982.15	183,095.41	246,143.49	1,453,934.07	235,913.39
Other Postemployment Benefits Payable	2,797,341.00	878,378.00	333,716.00	3,342,003.00	
Total Governmental Activities	\$ 10,965,305.82	\$ 1,061,473.41	\$ 834,941.22	\$ 11,191,838.01	\$ 439,460.39

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

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the Fund Balance Policies note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

J. Interfund Receivables and Payables

The following is a summary of interfund receivables and payables reported in the fund financial statements:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 403,096.30	\$ 499.86
Special Revenue:		
Other Federal Programs		336,970.81
Federal Economic Stimulus		65,625.63
Total	\$ 403,096.30	\$ 403,096.30

Interfund amounts represent temporary loans of one fund incurring expenditures and then getting reimbursed by other funds and are expected to be repaid within 12 months.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 18,868,152.00
Categorical Educational Program - Class Size Reduction	5,086,494.00
Career and Adult Education Program	640,880.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	183,189.38
Adults With Disabilities	170,000.00
Voluntary Prekindergarten Program	135,337.52
Mobile Home License Tax	48,753.79
Discretionary Lottery Funds	44,865.00
Food Service Supplement	38,784.00
Miscellaneous	388,093.04
Total	\$ 25,604,548.73

Accounting policies relating to certain State revenue sources are described in note I.G.2.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.958	\$ 7,345,289.74
Basic Discretionary Local Effort	0.748	1,108,161.73
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,222,253.85
Total	7.206	\$ 10,675,705.32

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 948,255.10	\$
Debt Service - Other Debt Service	196,284.92	
Capital Projects - Local Capital Improvement		1,144,540.02
Total	\$ 1,144,540.02	\$ 1,144,540.02

In general, the interfund transfers were made for the debt service repayments, allocations of maintenance and repair costs, and payment of property casualty insurance premiums.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 57,910.24	\$ 57,910.24	\$ -
Federal Through State and Local	131,509.81	258,230.59	132,326.27	(125,904.32)
State	25,900,582.40	25,260,187.53	25,250,408.69	(9,778.84)
Local:				
Property Taxes	7,827,974.00	8,126,805.05	8,126,805.05	-
Miscellaneous	316,038.92	1,149,071.23	1,141,208.25	(7,862.98)
Total Local Revenues	<u>8,144,012.92</u>	<u>9,275,876.28</u>	<u>9,268,013.30</u>	<u>(7,862.98)</u>
Total Revenues	<u>34,226,105.13</u>	<u>34,852,204.64</u>	<u>34,708,658.50</u>	<u>(143,546.14)</u>
Expenditures				
Current - Education:				
Instruction	23,043,709.09	22,784,070.99	21,879,016.10	905,054.89
Student Personnel Services	1,745,992.10	2,203,722.84	2,195,738.94	7,983.90
Instructional Media Services	477,622.20	447,518.26	440,762.50	6,755.76
Instruction and Curriculum Development Services	1,059,146.28	976,753.41	716,246.96	260,506.45
Instructional Staff Training Services	668,536.06	649,180.89	416,172.06	233,008.83
Instruction Related Technology	286,700.93	389,406.88	325,315.76	64,091.12
School Board	386,995.67	314,469.98	314,469.98	-
General Administration	1,057,904.06	700,033.08	665,704.07	34,329.01
School Administration	2,767,791.08	2,582,615.12	2,498,245.81	84,369.31
Facilities Acquisition and Construction	21,741.82	70,770.26	37,621.24	33,149.02
Fiscal Services	766,966.41	531,658.43	528,672.46	2,985.97
Food Services		28,675.73	28,671.30	4.43
Central Services	551,324.65	476,385.30	454,411.90	21,973.40
Student Transportation Services	1,886,400.57	2,150,467.38	2,132,722.25	17,745.13
Operation of Plant	3,649,311.02	3,386,321.20	3,335,359.37	50,961.83
Maintenance of Plant	1,805,504.67	1,905,750.36	1,583,157.70	322,592.66
Administrative Technology Services	855,448.36	650,847.36	648,817.36	2,030.00
Community Services	84,867.14	71,030.25	44,005.69	27,024.56
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		130,998.37	130,998.37	-
Debt Service:				
Principal	10,000.00	10,000.00	10,000.00	-
Total Expenditures	<u>41,125,962.11</u>	<u>40,460,676.09</u>	<u>38,386,109.82</u>	<u>2,074,566.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,899,856.98)</u>	<u>(5,608,471.45)</u>	<u>(3,677,451.32)</u>	<u>1,931,020.13</u>
Other Financing Sources (Uses)				
Transfers In	773,732.00	948,255.10	948,255.10	-
Proceeds from Sale of Capital Assets				
Insurance Loss Recoveries		106.52	106.52	-
Transfers Out				
Total Other Financing Sources (Uses)	<u>773,732.00</u>	<u>948,361.62</u>	<u>948,361.62</u>	<u>-</u>
Net Change in Fund Balances	<u>(6,126,124.98)</u>	<u>(4,660,109.83)</u>	<u>(2,729,089.70)</u>	<u>1,931,020.13</u>
Increase in Nonspendable Inventories			927.86	927.86
Fund Balances, Beginning	9,274,214.79	9,274,214.79	9,274,214.79	-
Fund Balances, Ending	<u>\$ 3,148,089.81</u>	<u>\$ 4,614,104.96</u>	<u>\$ 6,546,052.95</u>	<u>\$ 1,931,947.99</u>

Special Revenue - Other Federal Programs Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 6,388,845.45	\$ 6,345,408.73	\$ 4,748,835.08	\$ (1,596,573.65)	\$ 239,097.29	\$ 470,116.43	\$ 431,453.79	\$ 431,453.79 (470,116.43)
37,546.02	111,927.35	36,357.85	(75,569.50)				
37,546.02	111,927.35	36,357.85	(75,569.50)				
6,426,391.47	6,457,336.08	4,785,192.93	(1,672,143.15)	239,097.29	470,116.43	431,453.79	(38,662.64)
3,137,471.25	3,732,764.47	2,691,697.10	1,041,067.37	92,127.53	23,150.25	23,150.25	
801,635.08	651,158.41	572,482.56	78,675.85		212,784.00	212,784.00	
872,430.09	737,010.14	593,043.23	143,966.91				
675,558.63	752,257.02	451,374.82	300,882.20	25,423.34	8,298.55		8,298.55
9,266.14	5,567.30	5,567.30		56,186.96	49,230.54	49,230.54	
361,493.45							
298,104.87	264,275.18	204,980.03	59,295.15	10,803.36	17,422.88	17,058.79	364.09
20,285.81	19,372.04	19,372.04		1,254.71			
117,392.95							
127,768.27	71,349.10	50,249.49	21,099.61	20,271.17	30,000.00		30,000.00
4,984.93	91,142.12	64,241.87	26,900.25	1,727.12			
	18,017.05	17,761.24	255.81				
				31,303.10	56,396.46	56,396.46	
	32,500.00	32,500.00					
	81,923.25	81,923.25			72,833.75	72,833.75	
6,426,391.47	6,457,336.08	4,785,192.93	1,672,143.15	239,097.29	470,116.43	431,453.79	38,662.64
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
January 1, 2010	\$ 0	\$ 8,028,085	\$ 8,028,085	0.0%	\$ 21,795,474	36.8%
January 1, 2012	0	8,582,625	8,582,625	0.0%	21,674,711	39.6%
January 1, 2014	0	8,191,082	8,191,082	0.0%	23,122,492	35.4%

Note: (1) The District's OPEB valuation used the entry age normal cost method to estimate the actuarial accrued liability.

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

I. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and State Board of Education (SBE) 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 SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student personnel services, and school administration) and may be amended by resolution at any 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.
- 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.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The January 1, 2014, unfunded actuarial accrued liability of \$ \$8,191,082 was lower than the January 1, 2012, liability of \$8,582,625 as a result of benefit changes and other changes in liabilities and costs as discussed below.

- Changes in covered population: The number of retirees with medical coverage included in the valuation increased from 30 as of October 1, 2012, to 37 as of January 1, 2014. At the same time, the number of active employees with medical coverage increased from 535 to 550. Combined population changes had an increasing effect on the cost and liabilities.
- Initial Cost of Coverage: The total cost of coverage increased from \$946 per subscriber per month for the 2012 calendar year to \$953 per subscriber per month for the 2014 calendar year. This increase was lower than expected at the time of the previous valuation. This had a decreasing effect on the cost and liabilities.
- Medical Trend Assumption: The assumed trend rate of costs and premiums for medical and prescription drug coverage increased. In the previous valuation, the January 1, 2015, costs and premiums were expected to be 7.5 percent higher than the January 1, 2014, costs and premiums. The assumed trend rate was revised to 8 percent higher in January 1, 2015, with trend rates decreasing in each subsequent year until reaching the value of 5 percent. The excise tax also affected the trend rate, as discussed below. This change had an increasing effect on the costs and liabilities.
- Reflecting Provisions of the Affordable Care Act: The District plan is projected to have the excise tax on high-cost employer health plans assessed as soon as it becomes effective. Absent any plan changes, this will result in 5.21 percent increase in the cost of coverage for the plan year 2018, in addition to 6.5 percent medical inflation assumed for that year for a total increase of 11.71 percent over 2017 costs. After 2018, the tax is expected to add 0.47 percent to the medical inflation. This is a lower estimate than previously projected and as such this change had a decreasing effect on the cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

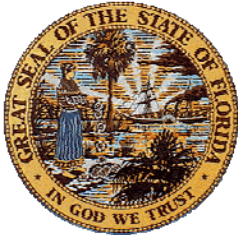
Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	13002	\$ 391,192.76
National School Lunch Program	10.555 (2)	13001, 13003	2,026,441.05
Summer Food Service Program for Children	10.559	13006, 13007	20,783.88
Total Child Nutrition Cluster			2,438,417.69
Florida Department of Agriculture and Consumer Services:			
Fresh Fruit and Vegetable Program	10.582	330	72,336.76
Total United States Department of Agriculture			2,510,754.45
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	777,412.66
Special Education - Preschool Grants	84.173	267	34,713.60
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	84,431.83
Putnam County District School Board:			
Special Education - Grants to States	84.027 (3)	None	1,285.88
Washington County District School Board:			
Special Education - Grants to States	84.027 (3)	None	2,706.95
Total Special Education Cluster			900,550.92
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	194,285.00
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	2,138,749.68
Migrant Education - State Grant Program	84.011	217	415,195.11
Career and Technical Education - Basic Grants to States	84.048	161	90,809.53
Education for Homeless Children and Youth	84.196	127	37,610.62
Twenty-First Century Community Learning Centers	84.287	244	445,340.86
Rural Education	84.358	110	86,396.40
English Language Acquisition State Grants	84.365	102	95,735.92
Improving Teacher Quality State Grants	84.367	224	379,028.19
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			
	84.395 (4)	RL111, RD 211	431,453.79
Highlands County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			
	84.395 (4)	None	862.24
Putnam County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			
	84.395 (4)	None	272.62
Avid Center:			
Investing in Innovation (I3) Fund	84.411	None	31,687.56
Total United States Department of Education			5,247,978.44
United States Department of Health and Human Services:			
Indirect:			
Manatee County Substance Abuse Coalition:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	575.00
Central Florida Behavioral Health Network, Inc.:			
ARRA - Early Head Start	93.709	None	44,267.64
Total United States Department of Health and Human Services			44,842.64
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	53,557.51
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	57,910.24
Total Expenditures of Federal Awards			\$ 7,915,043.28

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 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. - Includes \$238,724.16 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education: Total CFDA No. 84.027 expenditures are \$865,837.32.

(4) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act: Total CFDA No. 84.395 expenditures are \$432,588.65.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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***

Report on the Financial Statements

We have audited, 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, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

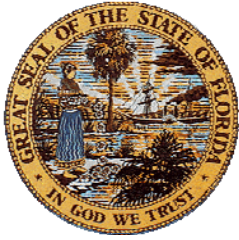
Purpose of this Report

The purpose of the **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** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the DeSoto County District School Board’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major Federal programs for the fiscal year ended June 30, 2014. The District’s major Federal programs are identified in the **SUMMARY OF AUDITOR’S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major Federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
84.287	Twenty-First Century Community Learning Centers
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**DESOTO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ADDITIONAL MATTERS

Finding No. 1: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the District contributed monthly from \$316.49 to \$563.80 toward the health insurance of each full time employee and eligible retiree pursuant to Section 112.0801, Florida Statutes. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the health insurance provider. Employees may enroll in the District’s health insurance plan upon employment, during open enrollment periods, and make changes to their coverage outside of the enrollment period for certain qualifying events such as marriage, divorce, death, or birth of a dependent. For the 2013-14 fiscal year, 822 employees contributed a total of \$6 million and 27 retirees contributed a total of \$216,000 to participate in the District’s health insurance plan, and the District contributed \$117,000 toward the plan. Also, 357 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums were only for eligible employees and retirees. However, the District did not require documentation, such as birth certificates, evidencing the eligibility of dependents of employees or retirees. Without verifying the eligibility of dependents covered through the District’s health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District’s health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees’ healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of dependents covered by the District’s health insurance plan.

Finding No. 2: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures in place to reduce the risk of contractual relationships that cause conflicts of interest. For example, given the small size of the District, the Finance Director reviews and approves purchase orders and is generally aware of related parties in assessing whether conflicts of interest exist. The Superintendent, Board members, and the Finance Director were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. While statements of financial interests were filed as required, these statements were not provided to personnel responsible for procurement decisions for review.

Subsequent to our inquiry in January 2015, District personnel reviewed the most recent required statements of financial interests of the Superintendent, Board members, and the Finance Director, and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interests by personnel responsible for procurement decisions would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.

Finding No. 3: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

For the 2013-14 fiscal year, District records indicated that no VIP students were enrolled full-time or part-time. The District's pupil progression plan and other records identified certain instruction methods, the basis for eligibility in instructional programs, and enrollment and withdrawal information. However the District had not established comprehensive, written policies and procedures to document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. While the District generally administered the VIP in accordance with applicable State requirements, the District had not established comprehensive, written policies and procedures to document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. Written policies and procedures would promote compliance with VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls.

Section 1002.45(10), Florida Statutes, requires that school districts provide information to parents and students about their right to participate in a VIP, and Section 1002.45(1)(b), Florida Statutes, requires school districts to provide parents with timely, written notification of open enrollment periods for their VIPs. District personnel indicated that various communication methods were used to provide information about the District's VIP to parents and students. Such communication methods included displaying VIP information on the District's Web site and guidance counselors providing information to students when requested. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP for the 2013-14 school year, District records did not evidence that written notifications were provided directly to parents and students. Absent timely, written notifications provided directly to parents, some parents may not have been informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should ensure that timely, written notification is provided to parents about student opportunities to participate in the District’s VIP and open enrollment period dates.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-126.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

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, 2014*

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
2013-158 (2) 2014-126 (1)	Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391) - Matching, Level of Effort, Earmarking - Maintenance of Effort	The District did not have procedures to monitor its compliance with maintenance of effort requirements, resulting in \$48,262 and \$176,880 of questioned costs for the 2011-12 and 2012-13 fiscal years, respectively.	Corrected.	The grantor sustained the finding and the District restored the questioned costs to the programs.

EXHIBIT A
MANAGEMENT’S RESPONSE



Dr. Karyn E. Gary, Superintendent of Schools



530 LaSolona Avenue, Arcadia, Florida 34266
Tel: 863.494.4222 | Fax: 863.494.0389

March 13, 2015

David W. Martin, CPA
Auditor General
111 W. Madison Street
Tallahassee, FL 32399

Dear Mr. Martin,

This letter is in response to the tentative audit findings for 2013-2014.

Finding No. 1: Health Insurance Plan – Participant Eligibility

Recommendation: The District should enhance its procedures to require verification of eligibility of dependents covered by the District’s health insurance plan.

Response: The District recognizes your recommendation as a good practice, and has moved to establish procedures to implement this practice. Our insurance carrier has developed a plan to verify dependents covered by the District’s health insurance plan (Please see Attachment I).

Finding No. 2: Purchasing Procedures

Recommendation: The District should provide for routine review of required statements of financial interest by personnel responsible for making procurement decisions.

Response: The District recognizes your recommendation as a good practice, and this information is readily available to all supervisory personnel responsible for making procurement decisions. Moreover, we will ensure that all supervisors review budgets before making procurement decisions.

Finding No. 3: Virtual Instruction Program Policies and Procedures

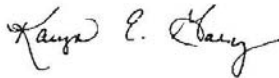
Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should ensure that timely, written notification is provided to parents about student opportunities to participate in the District’s VIP and open enrollment period dates.

Response: The District recognizes your recommendation as a good practice, and has enhanced its current written procedures in reference to enrolling students in FLVS full or part time to mirror your request. Moreover, the notification of VIP enrollment is available on the website, and was in the 2013

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

Pupil Progression Plan. The Pupil Progression Plan is considered a written copy of the document and in the 2015-2016 school year there will be signature page for students and parents that will be returned to their "home" school. In addition, the District will revise all current VIP policies and procedures to reflect the updated expectations for enrollment.

Thank you,



Dr. Karyn E. Gary
Superintendent

Cc: claudiasalgado@aud.state.fl.us

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Attachment I

From: [REDACTED]
Sent: Wednesday, March 11, 2015 9:21 AM
Cc: [REDACTED]
Subject: Response Needed: Please Read Carefully regarding your Health Insurance



Dear DCSD Employee:

As part of Desoto County School District's ongoing efforts to ensure our benefit plans meet regulatory requirements and to help manage the cost of our plans for you and for the District, we are conducting a review to verify that only eligible dependents are enrolled in our medical, dental and vision plans.

You are receiving this letter because you have at least one dependent enrolled in these benefit plans, and you must take action by April 30, 2015.

Please provide the below documentation:

Eligible Dependents

Required Documentation

Current spouse	A copy of your marriage certificate or a copy of the front page of your 2014 federal or state tax return confirming this dependent is your spouse.
Natural, adopted, step or domestic partner's children up to age 26	A copy of the child's birth certificate or adoption certificate naming you or your spouse as the child's parent OR a copy of the court order naming you or your spouse as the child's legal guardian. Note: For a stepchild, you must also provide documentation of your current relationship to your spouse as requested above.

- In order to confirm eligibility and not have further action taken on your health plan, **you must provide the required documentation by April 30, 2015.**
- **Failure to respond could result in termination of plan coverage for your dependents effective January 1, 2016.**

Any questions should be addressed to [REDACTED] as they will be managing this process. You can call [REDACTED]

Sincerely,

[REDACTED]
HR Director,
DCSD