

DeSoto High School

Financial Statements and Independent Auditors' Report

June 30, 2007

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Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
DeSoto High School

We have audited the accompanying financial statements of the governmental activities and each major fund of DeSoto High School (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2007 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison schedule are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kattell and Company, P.L.

November 13, 2007
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2007:

- The School's overall net assets increased by approximately \$10,000, which is about 24%.
- Total ending unrestricted net assets were \$21,119.
- The School had total expenses for the year of about \$339,000, compared to revenues of approximately \$349,000.
- The school served a population of approximately 45 students in 2007 and 32 students in 2006.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

- Governmental funds – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

The School maintains one individual governmental fund, the General Fund.

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

Net Assets

	2007 Governmental Activities	2006 Governmental Activities
Assets:		
Non-capital Assets	\$ 40,923	\$ 29,866
Capital Assets, Net	29,142	44,500
Total Assets	<u>70,065</u>	<u>74,366</u>
Liabilities:		
Current Liabilities	<u>19,804</u>	<u>33,634</u>
Net Assets:		
Invested in Capital Assets	29,142	44,500
Unrestricted	<u>21,119</u>	<u>(3,768)</u>
Total Net Assets	<u>\$ 50,261</u>	<u>\$ 40,732</u>

Change in Net Assets

Program Revenues:		
Charges for Services	\$ 8,402	\$ 6,804
General Revenues:		
Florida Education Finance Program	335,803	314,743
Other State Revenues	2,351	420
Unrestricted Grants & Contributions	642	1,160
Miscellaneous Local Revenues	<u>1,694</u>	<u>5,420</u>
Total Revenues	<u>348,892</u>	<u>328,547</u>
Program Expenses:		
Instruction	252,886	280,796
Instructional Support Services	1,860	95
General Support	82,333	117,772
Community Service	<u>2,284</u>	<u>3,297</u>
Total Expenses	<u>339,363</u>	<u>401,960</u>
Change in Net Assets	9,529	(73,413)
Beginning Net Assets	<u>40,732</u>	<u>114,145</u>
Ending Net Assets	<u>\$ 50,261</u>	<u>\$ 40,732</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$8,402 in program revenues and \$340,490 of general revenues, and incurred \$339,363 of program expenses. This resulted in a \$9,529 increase in net assets. This small increase was made possible by increased enrollment and conservative spending.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$24,887, from \$(3,768) to 21,119. This much needed increase is due to the fact that the School was able to hold expenditures down.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant amendments between the original and the final budgets and there were no differences between the final budget and actual results.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School had no significant capital asset activity during the year. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration

The School had no outstanding long term debt at the beginning of the year and did not issue any new debt during the year. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mary Malo, Principal, DeSoto High School, 14533 SW 170 Street, Archer, Florida 32618.

Statement of Net Assets
June 30, 2007
DeSoto High School

	Governmental Activities
Assets	
Assets:	
Cash	\$ 10,542
FEFP Receivable	26,778
Prepays	3,603
Capital Assets, Net	<u>29,142</u>
 Total Assets	 <u>70,065</u>
Liabilities	
Liabilities:	
Salaries and Wages Payable	10,074
Accounts Payable	5,730
Note Payable	<u>4,000</u>
 Total Liabilities	 <u>19,804</u>
Net Assets	
Net Assets:	
Invested in Capital Assets	29,142
Unrestricted	<u>21,119</u>
 Total Net Assets	 <u><u>\$ 50,261</u></u>

See accompanying notes.

**Statement of Activities
For the Year Ended June 30, 2007
DeSoto High School**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 252,886	\$ 8,402	\$ --	\$ --	\$ (244,484)
Instructional Support	1,860	--	--	--	(1,860)
General Support	82,333	--	--	--	(82,333)
Community Services	2,284	--	--	--	(2,284)
Total	<u>\$ 339,363</u>	<u>\$ 8,402</u>	<u>\$ --</u>	<u>\$ --</u>	<u>(330,961)</u>

General Revenues:

State Revenue:	
Florida Education Finance Program	335,803
Other State Revenues	2,351
Unrestricted Grants and Contributions	642
Miscellaneous Local Revenues	1,694
	<u>1,694</u>

Total General Revenues 340,490

Change in Net Assets 9,529

Net Assets – Beginning of Year 40,732

Net Assets – End of Year \$ 50,261

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2007
DeSoto High School

	General Fund	Total Governmental Funds
Assets		
Assets:		
Cash	\$ 10,542	\$ 10,542
FEFP Receivable	26,778	26,778
Prepays	3,603	3,603
Total Assets	\$ 40,923	\$ 40,923
Liabilities and Fund Balances		
Liabilities:		
Salaries and Wages Payable	\$ 10,074	\$ 10,074
Accounts Payable	5,730	5,730
Note Payable	4,000	4,000
Total Liabilities	19,804	19,804
Fund Balances:		
Reserved for Prepays	3,603	3,603
Unreserved	17,516	17,516
Total Fund Balances	21,119	21,119
Total Liabilities and Fund Balances	\$ 40,923	\$ 40,923

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2007
DeSoto High School**

Fund Balances – Total Governmental Funds \$ 21,119

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

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation 29,142

Net Assets of Governmental Activities \$ 50,261

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007
DeSoto High School**

Revenues	General Fund	Total Governmental Funds
Revenues:		
State Revenue:		
Florida Education Finance Program	\$ 335,803	\$ 335,803
Other State Revenue	2,351	2,351
Local Revenue:		
Gifts and Grants	642	642
Field Trip and Student Fees	8,402	8,402
Other Local Revenues	1,694	1,694
Total Revenues	348,892	348,892
Expenditures and Changes in Fund Balances		
Expenditures:		
Current:		
Instructional	241,464	241,464
Instructional Support	1,860	1,860
General Support	78,397	78,397
Community Services	2,284	2,284
Total Expenditures	324,005	324,005
Excess of Revenues Over (Under) Expenditures	24,887	24,887
Fund Balances, July 1, 2006	(3,768)	(3,768)
Fund Balances, June 30, 2007	\$ 21,119	\$ 21,119

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2007
DeSoto High School**

Excess of Revenues Over Expenditures – Total Governmental Funds \$ 24,887

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	--
Current Year Depreciation Expense	(15,358)
	(15,358)

Change in Net Assets of Governmental Activities \$ 9,529

See accompanying notes.

Notes to the Financial Statements
June 30, 2007
DeSoto High School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of DeSoto High School conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

DeSoto High School Project, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as DeSoto High School (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Alachua County District School Board (the “District”). The current charter is effective until June 30, 2014, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’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 provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets reports the School’s financial position as of the end of the fiscal year. In this statement, the School’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to the Financial Statements
June 30, 2007
DeSoto High School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following fund is used by the School:

GOVERNMENTAL FUND

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2007, there were no amounts exceeding FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$750 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 5-10 years.

Notes to the Financial Statements
June 30, 2007
DeSoto High School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

Unused sick and vacation time does not accumulate. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations would be reported in the government-wide financial statements. At June 30, 2007, the School has no long-term liabilities.

In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described.

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

Reserved Fund Balance

In the Accompanying fund financial statements, the use of the term *reserved* is limited to indicating that a portion of reported fund equity is legally restricted to a specific future use or is not available for appropriation or expenditure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Notes to the Financial Statements
June 30, 2007
DeSoto High School

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital Assets:				
Furniture, Fixtures & Equipment	\$ 76,791	\$ --	\$ --	\$ 76,791
Accumulated Depreciation:				
Furniture, Fixtures & Equipment	32,291	15,358	--	47,649
Net Capital Assets	<u>\$ 44,500</u>	<u>\$ 15,358</u>	<u>\$ --</u>	<u>\$ 29,142</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 11,422
General Support	<u>3,936</u>
Total Depreciation Expense	<u>\$ 15,358</u>

NOTE 3 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

NOTE 4 – NOTE PAYABLE / RELATED PARTY

The School occasionally borrows money from the Principal of the School to meet short-term operating shortfalls. These agreements are paid back with no interest, and with no specific repayment terms. At June 30, 2007, there is \$4,000 outstanding in such an agreement. This amount is listed separately in the accompanying financial statements, as short-term debt.

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Note Payable	<u>\$16,000</u>	<u>15,000</u>	<u>27,000</u>	<u>\$4,000</u>

NOTE 5 – BUILDING LEASE

The School leases space from the District inside the Archer Community School. The agreement calls for payments of \$1,500 per month to the District and \$1,700 per month directly to Archer Community School. This is a month-to-month agreement; accordingly, there is no obligation for minimum payments past June 30, 2007. Lease expense for the 2006/2007 School year was \$38,400.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2007
DeSoto High School**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenues:				
State Revenue:				
Florida Education Finance Program	\$ 320,000	\$ 335,803	\$ 335,803	\$ --
Other State Revenue	420	2,351	2,351	--
Local Revenue:				
Gifts and Grants	1,000	642	642	--
Field Trip and Student Fees	6,750	8,402	8,402	--
Other Local Revenue	3,300	1,694	1,694	--
Total Revenues	331,470	348,892	348,892	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	228,172	241,464	241,464	--
Instructional Support	100	1,860	1,860	--
General Support	95,304	78,397	78,397	--
Community Services	2,800	2,284	2,284	--
Total Expenditures	326,376	324,005	324,005	--
Excess of Revenues Over (Under)				
Expenditures	5,094	24,887	24,887	--
Fund Balances, July 1, 2006	-	--	(3,768)	(3,768)
Fund Balances, June 30, 2007	\$ 5,094	\$ 24,887	\$ 21,119	\$ (3,768)

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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MANAGEMENT LETTER

To the Board of Directors,
DeSoto High School

We have audited the financial statements of DeSoto High School (the "School"), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 13, 2007. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed. In that regard, findings 07-01 and 07-02 are similar to findings reported in the prior year.

Financial Emergency

The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*. We determined that the School has not met one or more of the conditions described in that section that are indicative of a state of financial emergency.

Other Matters - Recommendations

Recommendation #1 - We recommend that the School improve its procedure for collecting funds from students so that it provides a clear audit trail from collection to deposit.

Recommendation #2 - We recommend that employees be required to repay the school for salary overpayments.

Our audit did not reveal any other matters that we are required to include in this management letter.

This report is intended solely for the information and use of the management and the Board of Directors of the School, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

November 13, 2007
Gainesville, Florida

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

4055 NW 43rd Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
DeSoto High School

We have audited the financial statements of the governmental activities and each major fund of DeSoto High School (the "School") as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 13, 2007. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control. See finding 07-01 and 07-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 07-02.

We made certain recommendations that we reported in our Management Letter dated November 13, 2007.

The School's responses to the findings identified in our audit are described in the accompanying letter. We did not audit The School's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and the Board of Directors of the School, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

November 13, 2007
Gainesville, Florida

Schedule of Findings
June 30, 2007
DeSoto High School

07-01 *Finding* - The School's policy requires two signatures on checks. We noted several checks throughout the course of the year containing only one signature, which was often the signature of the same person who prepares the checks.

Recommendation - Steps should be taken to ensure that incompatible cash disbursement functions are properly segregated.

07-02 *Finding* - Occasionally, the School borrows money from the Principal. However, the School has not recorded the terms of this arrangement in a written agreement. As a result, there is no written provision to indemnify the District and the State under this arrangement.

Recommendation - All borrowing agreements should be established in writing and should specifically indemnify the above parties from any and all liabilities of the School.

07-03 *Finding* - The bank account became overdrawn once during the year when the monthly disbursement from the school board was not received in the usual time frame. During this period, the School incurred bank fees for non-sufficient funds.

Recommendation - The School should manage the cash account to insure that all disbursements are funded.

**DeSoto High School
14533 SW 170th Street
Archer, FL 32618
(352) 495-3326**

November 13, 2007

Honorable David Martin
State of Florida
Office of the Auditor General
Tallahassee, FL 32201

Dear Mr. Martin,

We have received the audit report and related findings. Our response follows:

07-01 We understand this finding and will be more diligent in obtaining the two signatures.

07-02 We understand this finding. It should be noted that we fully expect this loan to be paid off by the end of the next fiscal year.

07-03 We understand this finding and will be more diligent in managing the cash account.

We also understand the recommendations.

We will improve our procedure for collecting funds from students providing a clearer audit trail.

We will facilitate the repayment of inadvertent overpayments to employees.

If further information is needed please do not hesitate to contact the School.

Sincerely,

Maria Malo
Director