

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DESOTO COUNTY, FLORIDA

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DeSoto County, Florida (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County'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.

Auditors' Responsibility

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 from 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, for the year ended September 30, 2018, the County adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the management's discussion and analysis and the required supplementary information as listed in the table of contents (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from, and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's 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 County's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

DeSoto County's (the County) Management's Discussion and Analysis (the MD&A) presents an overview of the County's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the County's financial statements following the MD&A.

Financial Highlights

- The assets (plus deferred outflows) of the County exceeded its liabilities (plus deferred inflows) at the close of fiscal 2018 by \$41.2 million (*net position*). This is net of a \$23.3 million deficit in unrestricted net position.
- At September 30, 2018, the County's governmental funds reported combined ending fund balances of \$7.6 million, a decrease of \$3.4 million for the year.
- At September 30, 2018, unassigned fund balance for the General Fund was \$5.3 million, or 17.8% of total General Fund expenditures and other uses.
- Net capital assets increased by \$2.6 million from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the County's assets (plus deferred outflows) and liabilities (plus deferred inflows), with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Concluded)

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture and recreation, and court-related activities. The business-type activities of the County include solid waste disposal and water and sewer utilities. The government-wide financial statements can be found immediately following the MD&A.

Fund 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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 evaluating 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, County Transportation, Fire and EMS, and Hurricane Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

The County adopts an annual appropriated budget for all non-fiduciary funds. Budgetary comparison schedules have been provided for the General Fund and major special revenue funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Overview of the Financial Statements (Concluded)

Proprietary Funds

The County maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities relating to solid waste disposal (landfill) and water and sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Landfill and Water/Sewer Utility funds, which are considered to be major enterprise funds of the County.

The basic proprietary fund financial statements follow the governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found after the basic proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the fiduciary fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents budgetary comparison schedules for the County's general fund and other budgeted major special revenue funds. In addition, schedules providing information on the County's net pension liabilities and other postemployment benefits plan are also in this section. Required supplementary information can be found following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented in the other supplemental information section of this report. Combining and individual fund schedules can be found after the required supplementary information.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets (plus deferred outflows) exceeded liabilities (plus deferred inflows) by \$41.2 million at the close of the year ended September 30, 2018. The County is able to report positive balances in net investment in capital assets and restricted net position for both governmental and business-type activities. The County reports a positive unrestricted net position for business-type activities, but a deficit in unrestricted net position for governmental activities. Following is a summarized version of the statement of net position found in the financial section of this report, with comparative information for 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 11,418,762	\$ 13,849,826	\$ 11,169,138	\$ 8,989,494	\$ 22,587,900	\$ 22,839,320
Capital Assets (Net)	48,718,626	44,496,282	32,515,606	34,106,369	81,234,232	78,602,651
Total Assets	60,137,388	58,346,108	43,684,744	43,095,863	103,822,132	101,441,971
Deferred Outflows	10,524,971	10,896,971	603,711	644,075	11,128,682	11,541,046
Current and Other Liabilities	2,970,917	2,790,596	409,498	248,100	3,380,415	3,038,696
Long-term Liabilities	48,394,164	44,582,696	17,990,989	21,894,895	66,385,153	66,477,591
Total Liabilities	51,365,081	47,373,292	18,400,487	22,142,995	69,765,568	69,516,287
Deferred Inflows	3,891,475	2,246,612	135,279	67,025	4,026,754	2,313,637
Net Position:						
Net Investment in Capital Assets	36,818,182	31,554,375	21,750,876	22,746,453	58,569,058	54,300,828
Restricted	4,353,746	4,917,271	1,561,198	1,601,540	5,914,944	6,518,811
Unrestricted	(25,766,125)	(16,848,471)	2,440,675	(2,818,075)	(23,325,450)	(19,666,546)
Total Net Position	\$ 15,405,803	\$ 19,623,175	\$ 25,752,749	\$ 21,529,918	\$ 41,158,552	\$ 41,153,093

A substantial portion of the County's net position (142.3%) reflects its net investments in capital assets (e.g. land, buildings, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (14.4%) represents restricted resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net position.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Government-wide Financial Analysis (Concluded)

The following table is a summary of the information presented in the statement of activities found in the financial section of this report, with comparative information for 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>REVENUES</u>						
Program Revenues:						
Charges for Services	\$ 9,862,926	\$ 9,572,210	\$ 5,593,193	\$ 5,431,497	\$ 15,456,119	\$ 15,003,707
Operating Grants and Contributions	1,759,468	2,478,481	151,030	90,909	1,910,498	2,569,390
Capital Grants and Contributions	4,353,050	1,500,509	885,023	187,975	5,238,073	1,688,484
General Revenues:						
Property Taxes	14,085,265	12,430,736	0	0	14,085,265	12,430,736
Other Taxes	8,398,696	7,997,334	0	0	8,398,696	7,997,334
Shared Revenues	5,273,527	5,125,978	0	0	5,273,527	5,125,978
Loan Forgiveness	0	0	847,785	0	847,785	0
Other	416,080	648,168	18,021	21,582	434,101	669,750
Total Revenues	44,149,012	39,753,416	7,495,052	5,731,963	51,644,064	45,485,379
<u>EXPENSES</u>						
General Government	9,620,389	8,730,153	0	0	9,620,389	8,730,153
Public Safety	18,067,157	17,607,215	0	0	18,067,157	17,607,215
Physical Environment	5,311,874	2,248,378	0	0	5,311,874	2,248,378
Transportation	4,489,692	4,234,491	0	0	4,489,692	4,234,491
Economic Environment	1,234,138	807,620	0	0	1,234,138	807,620
Human Services	1,825,872	1,769,596	0	0	1,825,872	1,769,596
Culture/Recreation	1,970,757	1,794,332	0	0	1,970,757	1,794,332
Court-related	1,315,277	1,240,788	0	0	1,315,277	1,240,788
Interest on Long-term Debt	470,398	455,367	0	0	470,398	455,367
Landfill	0	0	(1,270,877)	1,924,594	(1,270,877)	1,924,594
Water and Sewer Utility	0	0	4,286,969	4,354,097	4,286,969	4,354,097
Total Expenses	44,305,554	38,887,940	3,016,092	6,278,691	47,321,646	45,166,631
Excess (Deficiency)						
Before Transfers	(156,542)	865,476	4,478,960	(546,728)	4,322,418	318,748
Transfers	(2,888)	(4,005)	2,888	4,005	0	0
Change in Net Position	(159,430)	861,471	4,481,848	(542,723)	4,322,418	318,748
Net Position, Beginning of Year:						
As Originally Reported	19,623,175	18,759,836	21,529,918	22,072,641	41,153,093	40,832,477
Adjustment (See Note 15)	(4,057,942)	1,868	(259,017)	0	(4,316,959)	1,868
As Adjusted	15,565,233	18,761,704	21,270,901	22,072,641	36,836,134	40,834,345
Net Position, End of Year	\$ 15,405,803	\$ 19,623,175	\$ 25,752,749	\$ 21,529,918	\$ 41,158,552	\$ 41,153,093

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Governmental Activities

Governmental activities decreased the County's net position by \$159 thousand during 2018. Following is further detail of the revenues and expenses for governmental activities in 2018, compared to 2017:

Governmental Activities - Expenses and Net Revenue (Cost) by Function

	Expenses				Net Revenue (Cost) of Services	
	2018	% of Total	2017	% Change	2018	2017
Functions/Programs						
General Government	\$ 9,620,389	21.7%	\$ 8,730,153	10.2%	\$ (6,632,348)	\$ (5,879,627)
Public Safety	18,067,157	40.8%	17,607,215	2.6%	(13,221,444)	(11,923,040)
Physical Environment	5,311,874	12.0%	2,248,378	136.3%	(3,504,471)	(493,437)
Transportation	4,489,692	10.1%	4,234,491	6.0%	50,572	(3,438,337)
Economic Environment	1,234,138	2.8%	807,620	52.8%	(613,187)	492,267
Human Services	1,825,872	4.1%	1,769,596	3.2%	(1,477,549)	(1,541,933)
Culture/Recreation	1,970,757	4.4%	1,794,332	9.8%	(1,645,959)	(1,399,151)
Court-related	1,315,277	3.0%	1,240,788	6.0%	(815,326)	(698,115)
Interest on Long-term Debt	470,398	1.1%	455,367	3.3%	(470,398)	(455,367)
	<u>\$ 44,305,554</u>	<u>100%</u>	<u>\$ 38,887,940</u>		<u>\$ (28,330,110)</u>	<u>\$ (25,336,740)</u>

Governmental Activities - Revenues by Source

Description	2018	% of Total	2017	% Change
Program Revenues:				
Charges for Services	\$ 9,862,926	22.3%	\$ 9,572,210	3.0%
Operating Grants and Contributions	1,759,468	4.0%	2,478,481	-29.0%
Capital Grants and Contributions	4,353,050	9.9%	1,500,509	190.1%
General Revenues:				
Property Tax	14,085,265	31.9%	12,430,736	13.3%
Small County Surcharge	2,303,049	5.2%	2,130,963	8.1%
Law Enforcement	2,089,235	4.7%	1,826,211	14.4%
Business Tax	0	0.0%	8,496	-100.0%
Communications Service	159,880	0.4%	207,618	-23.0%
Tourist Development	79,133	0.2%	83,198	-4.9%
Gas and Fuel Taxes	2,522,656	5.7%	2,490,423	1.3%
Franchise Fees	1,244,743	2.8%	1,250,425	-0.5%
Pari-mutual Tax	314,333	0.7%	314,333	0.0%
State Shared Revenue	872,371	2.0%	821,672	6.2%
Local Shared Revenue	858,293	1.9%	858,293	0.0%
State Sales Tax	3,228,530	7.3%	3,131,680	3.1%
Miscellaneous	416,080	0.9%	648,168	-35.8%
	<u>\$ 44,149,012</u>	<u>100%</u>	<u>\$ 39,753,416</u>	

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Governmental Activities (Concluded)

During the year, one new special revenue fund was created, Ogden Acres Lighting District. Revenues for governmental activities increased \$4.4 million from the prior year. The increase in revenues was mainly due to \$2.9 million in increased capital grants and \$1.7 million in property tax revenues. Expenses for governmental activities increased by \$5.4 million, including the implementation of Governmental Accounting Statement Board Statement No. 75 (GASB 75) resulting in an increase in other postemployment benefits liability of \$4.0 million, as well as the addition of the FEMA long-term payable of \$1.2 million.

Business-type Activities

Business-type activities increased the County's net position by \$4.5 million in 2018 compared to a decrease of \$543 thousand in 2017. The increase in Landfill is a result of a new five-year study performed for Landfill, which included a change in estimate of the total accrued landfill closure and post-closure costs, reducing the liability by \$2.7 million. The increase in Water and Sewer is due to FDOT voluntarily canceling two promissory notes with the County, totaling \$848 thousand. Following is further detail of the business-type activities financial results for 2018, compared to 2017:

Business-type Activities - Expenses and Net Revenue (Cost) by Function

	2018			2017		
	Revenues	Expenses	Net	Revenues	Expenses	Net
Functions/Programs:						
Landfill	\$ 2,123,898	\$ (1,270,877)	\$ 3,394,775	\$ 1,911,310	\$ 1,924,594	\$ (13,284)
Water and Sewer	4,505,348	4,286,969	218,379	3,799,071	4,354,097	(555,026)
	6,629,246	3,016,092	3,613,154	5,710,381	6,278,691	(568,310)
General Revenues (Expenses)	865,806	0	865,806	21,582	0	21,582
Transfers	2,888	0	2,888	4,005	0	4,005
Net	\$ 7,497,940	\$ 3,016,092	\$ 4,481,848	\$ 5,735,968	\$ 6,278,691	\$ (542,723)

Business-type Activities - Revenues by Source

	2018	% of Total	2017	% of Total
Charges for Services	\$ 5,593,193	74.6%	\$ 5,431,497	94.8%
Operating Grants and Contributions	151,030	2.0%	90,909	1.5%
Capital Grants and Contributions	885,023	11.8%	187,975	3.3%
Loan Forgiveness	847,785	11.3%	0	0.0%
Miscellaneous	18,021	0.3%	21,582	0.4%
	\$ 7,495,052	100.0%	\$ 5,731,963	100.0%

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's *governmental funds* is to provide information on *near-term* inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2018, the County's governmental funds reported combined ending fund balances of \$7.6 million, a decrease of \$3.4 million for the year. At the end of 2018, the County's governmental funds reported combined *restricted fund balances* of \$4.2 million. This represents amounts that can only be spent for specific purposes as stipulated by external resource providers or by enabling legislation. The County's governmental funds reported combined *assigned fund balances* of \$230 thousand. *Unassigned fund balances* totaled \$2.5 million and are available for spending. The remainder of the fund balances are *nonspendable* to indicate that they are not available for spending: 1) for prepaids and inventories (\$181 thousand); and 2) for advances to other funds (\$494 thousand).

The General Fund is the chief operating fund of the County. At the end of 2018, unassigned fund balance of the General Fund was \$5.3 million, while total fund balance reached \$5.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.8% of the total general fund expenditures and other uses, while total fund balance represents 19.6% of the same amount. During 2018, the fund balance of the General Fund increased \$308 thousand as opposed to a decrease of \$5.3 million as originally budgeted due to effective cost control strategies.

The County Transportation Fund reported a decrease in fund balance of \$705 thousand during 2018, resulting in an ending fund balance deficit of \$227 thousand. This decrease was related to timing of grant reimbursement funds, which are considered unavailable at fiscal year-end.

The Fire and EMS Fund reported an increase in fund balance of \$308 thousand during 2018, compared to an increase of \$249 thousand in 2017. The fund balance is in a positive position of \$548 thousand at September 30, 2018. The current year increase occurred for a variety of reasons.

The Hurricane Fund reported a decrease in fund balance of \$2.0 million during 2018. This was a result of Hurricane Irma debris removal, repairs, and other hurricane-related costs.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The only two enterprise funds, Landfill and Water/Sewer Utility, are reported as major funds.

The Landfill Fund reported an increase in net position of \$3.4 million during 2018, compared to an increase of \$5 thousand in 2017. As mentioned previously, the increase is primarily due to a new five-year study performed, which included a change in estimate of the total accrued landfill closure and post-closure costs, reducing the liability by \$2.7 million

The Water and Sewer Fund reported an increase in net position of \$1.1 million, as compared to a decrease net position of \$548 thousand in 2017. This increase is attributable to increased capital contributions received during 2018, as well as two promissory notes (totaling \$848 thousand) with the Florida Department of Transportation being voluntarily canceled in 2018.

Unrestricted net position for proprietary funds are as follows:

Fund	Unrestricted Net Position (Deficit)	
	2018	2017
Landfill	\$ 1,004,981	\$ (2,564,227)
Water and Sewer	1,435,694	(253,848)
Total	\$ 2,440,675	\$ (2,818,075)

General Fund Budgetary Highlights

A budget versus actual comparison of the operating results of the County's general fund (excluding the County Officers) can be found in the Required Supplementary Information section of the report. Final budgeted revenues increased from the original budget by \$574 thousand, mostly related to permits and fees revenues. As shown below, final budgeted expenditures and transfers out increased by \$1.6 million from the original budget, reducing budgeted reserves.

	Original Budget	Final Budget	Difference
General Government	\$ 6,130,196	\$ 6,079,930	\$ (50,266)
Public Safety	827,145	538,295	(288,850)
Physical Environment	141,217	389,737	248,520
Economic Environment	98,710	328,948	230,238
Human Services	1,587,048	1,667,361	80,313
Culture/Recreation	1,286,583	1,293,847	7,264
Debt Service	16,137	16,137	0
Reserves	5,176,723	5,405,939	229,216
Transfers Out	16,338,064	17,720,450	1,382,386
	\$ 31,601,823	\$ 33,440,644	\$ 1,838,821

The General Fund final actual revenues were \$40 thousand less than the final budget. As shown below, the General Fund actual expenditures and transfers out were \$5.8 million less than the final amended budget. The most significant factor was budgeted reserves of \$5.4 million that were not expended.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

General Fund Budgetary Highlights (Concluded)

General Fund budgeted and actual expenditures and transfers out for 2018 were as follows:

	Actual		
	Expenditures	Final Budget	Difference
General Government	\$ 6,634,482	\$ 6,079,930	\$ (554,552)
Public Safety	521,792	538,295	16,503
Physical Environment	353,540	389,737	36,197
Economic Environment	301,463	328,948	27,485
Human Services	1,498,934	1,667,361	168,427
Culture/Recreation	1,197,417	1,293,847	96,430
Debt Service	16,137	16,137	0
Reserves	0	5,405,939	5,405,939
Transfers Out	17,119,996	17,720,450	600,454
	<u>\$ 27,643,761</u>	<u>\$ 33,440,644</u>	<u>\$ 5,796,883</u>

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounted to \$81.2 million (net of accumulated depreciation and amortization). The total increase in the County's investment in capital assets for the current fiscal year was \$2.6 million or 3.35%. Major capital asset events during 2018 included the following:

- Depreciation expense for governmental activities was \$3.6 million, an increase of \$131 thousand from the prior year. Capital asset additions were \$7.8 million.
- Depreciation expense for business-type activities was \$2.2 million, an increase of \$96 thousand. Capital asset additions were \$574 thousand.

Following is a summary of the County's capital assets at the end of 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Easements	\$ 3,458,059	\$ 3,458,059	\$ 2,959,193	\$ 2,959,193	\$ 6,417,252	\$ 6,417,252
Construction in Progress	1,574,096	1,422,763	923,023	4,256,268	2,497,119	5,679,031
Buildings and Improvements	31,192,888	29,275,196	1,092,173	1,092,173	32,285,061	30,367,369
Intangibles	551,756	551,756	60,278	60,278	612,034	612,034
Machinery and Equipment - Board	12,375,713	11,877,382	2,176,045	2,158,016	14,551,758	14,035,398
Machinery and Equipment - Sheriff	6,722,037	5,773,061	0	0	6,722,037	5,773,061
Infrastructure	35,557,484	32,180,267	9,065,713	9,065,713	44,623,197	41,245,980
Water Distribution System	0	0	41,159,456	37,330,377	41,159,456	37,330,377
	91,432,033	84,538,484	57,435,881	56,922,018	148,867,914	141,460,502
Less: Accumulated Depreciation	(42,713,407)	(40,042,202)	(24,920,275)	(22,815,649)	(67,633,682)	(62,857,851)
Capital Assets, Net	<u>\$ 48,718,626</u>	<u>\$ 44,496,282</u>	<u>\$ 32,515,606</u>	<u>\$ 34,106,369</u>	<u>\$ 81,234,232</u>	<u>\$ 78,602,651</u>

More detailed information on the County's capital assets can be found in Note 5 to the financial statements.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Concluded)

Capital Assets and Debt Administration (Concluded)

Long-term Debt

The County's outstanding long-term debt consists primarily of revenue bonds/notes, other notes payable, and installment obligations. At the end of 2018, the County's governmental activities had a decrease of \$1.15 million in outstanding long-term debt, primarily with the addition of new installment purchases totaling \$827 thousand, and reduced by scheduled principal payments of \$2.0 million. Business-type activities had a decrease of \$1.4 million in outstanding long-term debt. This was a result of the addition of new notes payable of \$72 thousand, principal payments of \$1.7 million, and one new revenue bond totaling \$7.1 million, which was used to refinance an existing bond with \$6.9 million outstanding.

Following is a summary of the County's long-term debt at the end of 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue Bonds	\$ 0	\$ 0	\$ 7,080,000	\$ 6,917,130	\$ 7,080,000	\$ 6,917,130
Revenue Notes	11,184,902	13,017,394	3,131,600	4,610,478	14,316,502	17,627,872
Installment Purchases	1,029,674	343,355	553,130	649,941	1,582,804	993,296
	<u>\$ 12,214,576</u>	<u>\$ 13,360,749</u>	<u>\$ 10,764,730</u>	<u>\$ 12,177,549</u>	<u>\$ 22,979,306</u>	<u>\$ 25,538,298</u>

More detailed information on the County's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County's millage rate for general operations remained the same in 2019 as in 2018, at 8.5060 mills. The Law Enforcement M.S.T.U. increased in 2019 to 2.3000 mills, from 1.5000 mills in 2018. Budgets remained conservative with little activity in upcoming capital improvements. The 2019 general fund budget uses carry over surplus of \$211 thousand to balance.

Requests for Information

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County's Finance Department, 201 E. Oak Street, Suite 205, Arcadia, Florida 34266.

BASIC FINANCIAL STATEMENTS

DESOTO COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 5,567,508	\$ 2,468,458	\$ 8,035,966
Restricted Cash and Cash Equivalents	684,079	8,091,970	8,776,049
Accounts Receivable, Net	821,560	388,461	1,210,021
Special Assessments Receivable	18,685	0	18,685
Notes Receivable	1,375,000	60	1,375,060
Internal Balances	214,947	(214,947)	0
Due from Other Governments	2,491,178	400,720	2,891,898
Inventories	104,216	31,976	136,192
Prepays	76,589	2,500	79,089
Deposits	65,000	0	65,000
Capital Assets - Nondepreciated	5,032,155	3,882,216	8,914,371
Capital Assets - Depreciated, Net	43,686,471	28,633,390	72,319,861
Total Assets	60,137,388	43,684,804	103,822,192
Deferred Outflows of Resources			
Contractual Rights	0	280,000	280,000
Deferred Amount on Refunding	314,132	0	314,132
Deferred Outflows Related to Pensions	10,210,839	323,711	10,534,550
Total Deferred Outflows of Resources	10,524,971	603,711	11,128,682
Total Assets and Deferred Outflows	70,662,359	44,288,515	114,950,874
Liabilities			
Vouchers Payable	1,694,161	194,413	1,888,574
Accrued Liabilities	508,842	113,551	622,393
Due to Other Governments	74,966	0	74,966
Unearned Revenue	30,762	0	30,762
Deposits	612,185	101,534	713,719
Short-term Notes Payable	50,001	0	50,001
Long-term Liabilities:			
Due Within One Year	2,779,889	663,293	3,443,182
Due in More Than One Year	45,614,275	17,327,696	62,941,971
Total Liabilities	51,365,081	18,400,487	69,765,568
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	3,267,147	94,069	3,361,216
Deferred Inflows Related to OPEB	624,328	41,210	665,538
Total Deferred Inflows of Resources	3,891,475	135,279	4,026,754
Total Liabilities and Deferred Inflows	55,256,556	18,535,766	73,792,322
Net Position			
Net Investment in Capital Assets	36,818,182	21,750,876	58,569,058
Restricted for:			
Capital Expansion Program	0	1,561,198	1,561,198
Transportation	144,802	0	144,802
Economic Development	2,212,213	0	2,212,213
Other Purposes	1,996,731	0	1,996,731
Unrestricted (Deficit)	(25,766,125)	2,440,675	(23,325,450)
Total Net Position	\$ 15,405,803	\$ 25,752,749	\$ 41,158,552

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	Business-type Activities	Total
Governmental Activities							
General Government	\$ 9,620,389	\$ 2,972,629	\$ 15,412	\$ 0	\$ (6,632,348)	\$ 0	\$ (6,632,348)
Public Safety	18,067,157	4,372,938	436,536	36,239	(13,221,444)	0	(13,221,444)
Physical Environment	5,311,874	1,800,740	6,663	0	(3,504,471)	0	(3,504,471)
Transportation	4,489,692	180,318	112,341	4,247,605	50,572	0	50,572
Economic Environment	1,234,138	0	620,951	0	(613,187)	0	(613,187)
Human Services	1,825,872	16,403	262,714	69,206	(1,477,549)	0	(1,477,549)
Culture and Recreation	1,970,757	223,628	101,170	0	(1,645,959)	0	(1,645,959)
Court-related	1,315,277	296,270	203,681	0	(815,326)	0	(815,326)
Interest on Long-term Debt	470,398	0	0	0	(470,398)	0	(470,398)
Total Governmental Activities	44,305,554	9,862,926	1,759,468	4,353,050	(28,330,110)	0	(28,330,110)
Business-type Activities							
Landfill	(1,270,877)	1,972,868	151,030	0	0	3,394,775	3,394,775
Water and Sewer	4,286,969	3,620,325	0	885,023	0	218,379	218,379
Total Business-type Activities	3,016,092	5,593,193	151,030	885,023	0	3,613,154	3,613,154
Total	\$ 47,321,646	\$ 15,456,119	\$ 1,910,498	\$ 5,238,073	(28,330,110)	3,613,154	(24,716,956)
General Revenues							
Taxes:							
Property Tax					14,085,265	0	14,085,265
Small County Surcharge					2,303,049	0	2,303,049
Law Enforcement					2,089,235	0	2,089,235
Communications					159,880	0	159,880
Tourist					79,133	0	79,133
Gas and Fuel Taxes					2,522,656	0	2,522,656
Franchise Fees					1,244,743	0	1,244,743
Intergovernmental							
Revenue:							
Pari-mutuel Tax					314,333	0	314,333
State Shared					872,371	0	872,371
Local Shared					858,293	0	858,293
State Sales Tax					3,228,530	0	3,228,530
Miscellaneous					416,080	18,021	434,101
Loan Forgiveness					0	847,785	847,785
Transfers in (out)					(2,888)	2,888	0
Total General and Transfers					28,170,680	868,694	29,039,374
Change in Net Position					(159,430)	4,481,848	4,322,418
Net Position, Beginning of Year:							
As Originally Reported					19,623,175	21,529,918	41,153,093
Adjustment (See Note 15)					(4,057,942)	(259,017)	(4,316,959)
As Adjusted					15,565,233	21,270,901	36,836,134
Net Position, End of Year					\$ 15,405,803	\$ 25,752,749	\$ 41,158,552

See accompanying notes.

DESOTO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General</u>	<u>County Transportation</u>	<u>Fire and EMS</u>
Assets			
Cash and Cash Equivalents	\$ 2,779,540	\$ 0	\$ 540,485
Restricted Cash and Cash Equivalents	606,704	0	0
Accounts Receivable, Net	495,370	19,874	290,007
Special Assessments Receivable	0	0	11,224
Notes Receivable, Net	0	0	0
Due from Other Funds	2,399,024	0	18,440
Due from Other Governments	984,356	1,345,350	2,334
Inventories	12,051	92,165	0
Prepays	30,986	28,749	0
Deposits	65,000	0	0
Advances to Other Funds	273,839	0	0
Total Assets	<u>7,646,870</u>	<u>1,486,138</u>	<u>862,490</u>
Liabilities			
Vouchers Payable	780,481	742,996	39,305
Accrued Liabilities	193,430	24,591	82,152
Due to Other Funds	38,558	241,524	0
Due to Other Governments	74,822	0	144
Deposits	612,185	0	0
Short-term Notes Payable	0	0	0
Advances from Other Funds	0	0	0
Unearned Revenues	30,762	0	0
Total Liabilities	<u>1,730,238</u>	<u>1,009,111</u>	<u>121,601</u>
Deferred Inflows			
Unavailable Revenues	61,989	704,473	192,729
Fund Balances (Deficits)			
Nonspendable:			
Prepays and Inventories	43,037	120,914	0
Advances to Other Funds	273,839	0	0
Restricted for:			
Transportation	0	0	0
Economic Development	0	0	0
Public Assistance Programs	0	0	0
Streetlighting	0	0	0
Public Safety	0	0	548,160
Court-related Services	0	0	0
Building Code Enforcement	0	0	0
Assigned for:			
Budget Carryforward	210,789	0	0
Mosquito Control	0	0	0
Unassigned (Deficit)	5,326,978	(348,360)	0
Total Fund Balances (Deficits)	<u>5,854,643</u>	<u>(227,446)</u>	<u>548,160</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 7,646,870</u>	<u>\$ 1,486,138</u>	<u>\$ 862,490</u>

See accompanying notes.

Hurricane	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 2,247,483	\$ 5,567,508
0	77,375	684,079
0	16,309	821,560
0	7,461	18,685
0	1,375,000	1,375,000
0	14,842	2,432,306
0	159,138	2,491,178
0	0	104,216
0	16,854	76,589
0	0	65,000
0	220,223	494,062
<u>0</u>	<u>4,134,685</u>	<u>14,130,183</u>
60,776	70,603	1,694,161
828	21,306	322,307
2,080,501	76,999	2,437,582
0	0	74,966
0	0	612,185
50,001	0	50,001
0	273,839	273,839
0	0	30,762
<u>2,192,106</u>	<u>442,747</u>	<u>5,495,803</u>
<u>0</u>	<u>40,048</u>	<u>999,239</u>
0	16,854	180,805
0	220,223	494,062
0	23,888	23,888
0	2,212,213	2,212,213
0	7,158	7,158
0	4,498	4,498
0	787,967	1,336,127
0	249,722	249,722
0	382,372	382,372
0	0	210,789
0	19,524	19,524
<u>(2,192,106)</u>	<u>(272,529)</u>	<u>2,513,983</u>
<u>(2,192,106)</u>	<u>3,651,890</u>	<u>7,635,141</u>
<u>\$ 0</u>	<u>\$ 4,134,685</u>	<u>\$ 14,130,183</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

Total Fund Balances of Governmental Funds		\$ 7,635,141
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Revenues are deferred in governmental funds when both the measurable and available criteria are not met under the modified accrual basis of accounting. Under the full accrual basis of accounting these revenues would be recognized when earned regardless of when they are received.		999,239
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$91,432,033, and the accumulated depreciation is \$42,713,407.		48,718,626
Deferred refunding losses are considered deferred outflows in the government-wide statement of net position. These losses are expensed as incurred in the governmental fund financial statements:		
Deferred Charge on Refunding (Accumulated Amortization)	\$ 1,134,360 <u>(820,228)</u>	314,132
Net pension liabilities and related deferred outflows and inflows of resources are not due or available in the current period and, therefore, not recognized in the governmental funds:		
Deferred Outflows	10,210,839	
Deferred Inflows	(3,267,147)	
Net Pension Liability	<u>(24,262,666)</u>	(17,318,974)
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:		
Notes Payable	(11,184,902)	
FEMA Long-term Payable	(1,154,825)	
Installment Purchase Obligations	(1,029,674)	
Interest Payable	(186,535)	
Compensated Absences	<u>(915,431)</u>	(14,471,367)
The other postemployment benefits liability is not recorded in the fund financial statements because it does not utilize current resources:		
Other Postemployment Benefit Liability	(9,846,666)	
Deferred Inflows	<u>(624,328)</u>	(10,470,994)
Total Net Position of Governmental Activities		<u><u>\$ 15,405,803</u></u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General</u>	<u>County Transportation</u>	<u>Fire and EMS</u>
Revenues			
Taxes	\$ 18,637,429	\$ 2,522,656	\$ 0
Special Assessments	0	0	2,232,470
Permits and Fees	1,395,292	9,150	8,920
Intergovernmental Revenues	5,815,394	3,626,921	126,245
Charges for Services	3,373,064	64,260	758,373
Fines and Forfeitures	44,105	0	0
Miscellaneous Revenues	352,508	101,092	79,957
Total Revenues	<u>29,617,792</u>	<u>6,324,079</u>	<u>3,205,965</u>
Expenditures			
Current:			
General Government	8,992,550	0	66,200
Public Safety	10,291,867	0	5,426,708
Physical Environment	353,540	0	0
Transportation	0	7,854,534	0
Economic Environment	301,463	0	0
Human Services	1,498,934	0	0
Culture and Recreation	1,197,417	0	0
Court-related	1,064,090	0	0
Debt Service:			
Principal Retirement	13,614	126,888	0
Interest and Fiscal Charges	2,523	8,487	0
(Total Expenditures)	<u>(23,715,998)</u>	<u>(7,989,909)</u>	<u>(5,492,908)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,901,794</u>	<u>(1,665,830)</u>	<u>(2,286,943)</u>
Other Financing Sources (Uses)			
Transfers in	537,170	2,221,566	2,442,585
Transfers (out)	(6,144,450)	(1,683,396)	(259,745)
Distributions of Excess Commissions	(10,838)	0	0
Loan Proceeds	0	421,821	405,000
Insurance Proceeds	23,968	716	7,075
Total Other Financing Sources (Uses)	<u>(5,594,150)</u>	<u>960,707</u>	<u>2,594,915</u>
Net Change in Fund Balances	307,644	(705,123)	307,972
Fund Balances (Deficits), Beginning of Year	5,546,999	477,677	240,188
Fund Balances (Deficits), End of Year	<u>\$ 5,854,643</u>	<u>\$ (227,446)</u>	<u>\$ 548,160</u>

See accompanying notes.

Hurricane	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 79,133	\$ 21,239,218
0	55,683	2,288,153
0	456,322	1,869,684
0	1,079,480	10,648,040
0	2,141,512	6,337,209
0	72,582	116,687
0	219,745	753,302
0	4,104,457	43,252,293
0	105,659	9,164,409
75,833	2,714,267	18,508,675
1,957,002	1,852,287	4,162,829
0	93,414	7,947,948
0	928,301	1,229,764
0	223,449	1,722,383
0	31,841	1,229,258
0	147,086	1,211,176
0	1,832,492	1,972,994
0	343,717	354,727
(2,032,835)	(8,272,513)	(47,504,163)
(2,032,835)	(4,168,056)	(4,251,870)
0	3,336,265	8,537,586
0	(452,883)	(8,540,474)
0	0	(10,838)
0	0	826,821
14,523	0	46,282
14,523	2,883,382	859,377
(2,018,312)	(1,284,674)	(3,392,493)
(173,794)	4,936,564	11,027,634
\$ (2,192,106)	\$ 3,651,890	\$ 7,635,141

See accompanying notes.

DESOTO COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (3,392,493)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital purchases as expenditures.

Donated and transferred capital assets are not recorded in the fund statements. In the statement of activities, the cost of capital assets acquired is depreciated over their estimated useful lives and reported as depreciation expense.

Capital Asset Purchases	\$ 7,729,373	
Capital Asset Donations	69,206	
Capital Asset Disposals	(9,012)	
Depreciation Expense	<u>(3,567,223)</u>	4,222,344

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. In addition, principal payments are recorded as expenditures in the fund statements, and proceeds from debt issuances are recorded as other financing sources.

New Debt	(826,821)	
Principal Paid	<u>1,972,994</u>	1,146,173

Amortization is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities.

Refunding Loss - Amortization		(104,710)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Adjustments are as follows:

Accrued Interest	(10,961)	
Other Postemployment Benefits	(114,520)	
FEMA Long-term Payable	(1,154,825)	
Pension Adjustments	(1,457,975)	
Compensated Absences	<u>(84,532)</u>	(2,822,813)

Under the modified accrual basis of accounting used in governmental funds, revenues are recognized when they are earned, measurable, and available. In the statement of activities, however, which is presented on the accrual basis, revenues are recognized when they are earned and measurable.

792,069

Change in Net Position of Governmental Activities

\$ (159,430)

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,108,226	\$ 1,360,232	\$ 2,468,458
Accounts Receivable, Net	70,259	318,202	388,461
Note Receivable	0	60	60
Due from Other Funds	5,276	0	5,276
Due from Other Governments	0	400,720	400,720
Inventories	0	31,976	31,976
Prepays	0	2,500	2,500
Restricted Assets:			
Cash and Cash Equivalents	12,385	185,513	197,898
Total Current Assets	1,196,146	2,299,203	3,495,349
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	6,332,874	1,561,198	7,894,072
Capital Assets - Nondepreciated	700,384	3,181,832	3,882,216
Capital Assets - Depreciated, Net	997,463	27,635,927	28,633,390
Total Noncurrent Assets	8,030,721	32,378,957	40,409,678
Total Assets	9,226,867	34,678,160	43,905,027
Deferred Outflows of Resources			
Contractual Rights	0	280,000	280,000
Deferred Outflows Related to Pensions	122,228	201,483	323,711
Total Deferred Outflows of Resources	122,228	481,483	603,711
Liabilities			
Current Liabilities:			
Vouchers Payable	35,326	159,087	194,413
Accrued Liabilities	8,506	7,690	16,196
Accrued Interest	0	97,355	97,355
Deposits	12,385	89,149	101,534
Accrued Compensated Absences	3,261	8,831	12,092
Notes Payable	130,145	239,600	369,745
Bonds Payable	0	251,039	251,039
Other Postemployment Benefits	13,392	13,392	26,784
Net Pension Liability	1,372	2,261	3,633
Total Current Liabilities	204,387	868,404	1,072,791
Noncurrent Liabilities:			
Other Postemployment Benefits	273,213	356,219	629,432
Accrued Compensated Absences	29,349	23,163	52,512
Net Pension Liability	308,587	508,691	817,278
Notes Payable	422,987	2,891,998	3,314,985
Bonds Payable	0	6,828,961	6,828,961
Accrued Landfill Closure/Post-closure Costs	5,684,528	0	5,684,528
Advances from Other Funds	220,223	0	220,223
Total Noncurrent Liabilities	6,938,887	10,609,032	17,547,919
Total Liabilities	7,143,274	11,477,436	18,620,710
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	35,520	58,549	94,069
Deferred Inflows Related to OPEB	20,605	20,605	41,210
Total Deferred Inflows of Resources	56,125	79,154	135,279
Net Position			
Net Investment in Capital Assets	1,144,715	20,606,161	21,750,876
Restricted for:			
Capital Expansion Program	0	1,561,198	1,561,198
Unrestricted	1,004,981	1,435,694	2,440,675
Total Net Position	\$ 2,149,696	\$ 23,603,053	\$ 25,752,749

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Operating Revenues			
Charges for Services	\$ 1,307,747	\$ 3,576,527	\$ 4,884,274
Special Assessments	637,218	0	637,218
Licenses and Permits	0	41,140	41,140
Miscellaneous Operating Revenues	27,903	2,658	30,561
Total Operating Revenues	1,972,868	3,620,325	5,593,193
Operating Expenses			
Purchased Water	0	657,533	657,533
Personnel Services	488,564	668,817	1,157,381
Contracted Services	137,424	130,309	267,733
Supplies and Materials	49,749	199,469	249,218
Repairs and Maintenance	102,249	233,229	335,478
Other Services and Charges	119,302	118,473	237,775
Utilities	4,012	205,389	209,401
Depreciation	491,392	1,672,722	2,164,114
Amortization	0	40,000	40,000
Provision for Closure and Long-term Care	(2,684,378)	0	(2,684,378)
(Total Operating Expenses)	1,291,686	(3,925,941)	(2,634,255)
Operating Income (Loss)	3,264,554	(305,616)	2,958,938
Nonoperating Revenues (Expenses)			
Operating Grants	101,001	50,029	151,030
Loan Forgiveness	0	847,785	847,785
Interest Income	13,702	5,107	18,809
Interest Expense	(20,809)	(357,068)	(377,877)
Gain (Loss) on Disposal of Capital Assets	0	(2,701)	(2,701)
Other Nonoperating Revenues (Expenses)	0	(2,047)	(2,047)
Total Nonoperating Revenues (Expenses)	93,894	541,105	634,999
Income (Loss) Before Transfers and Contributions	3,358,448	235,489	3,593,937
Operating Transfers			
Operating Transfers in	5,276	0	5,276
Operating Transfers (out)	0	(2,388)	(2,388)
Total Operating Transfers	5,276	(2,388)	2,888
Capital Contributions			
Capital Grants	0	885,023	885,023
Total Capital Contributions	0	885,023	885,023
Increase (Decrease) in Net Position	3,363,724	1,118,124	4,481,848
Net Position (Deficit), Beginning of Year, As Originally Reported	(1,100,782)	22,630,700	21,529,918
Prior Period Adjustment	(113,246)	(145,771)	(259,017)
Total Net Position (Deficit), Beginning of Year, as Restated	(1,214,028)	22,484,929	21,270,901
Total Net Position, End of Year	\$ 2,149,696	\$ 23,603,053	\$ 25,752,749

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 2,030,577	\$ 3,615,178	\$ 5,645,755
Payments to Suppliers	(402,491)	(1,533,323)	(1,935,814)
Payments to Employees	(462,619)	(661,303)	(1,123,922)
Net Cash Provided by (Used in) Operating Activities	1,165,467	1,420,552	2,586,019
Cash Flows from Noncapital Financing Activities			
Transfers from Other Funds	5,276	0	5,276
Transfers to Other Funds	0	(2,388)	(2,388)
Interfund Loans (Repayments)	(49,848)	(5,988)	(55,836)
Operating Grants	101,001	50,029	151,030
Other Nonoperating Revenues (Expenses)	0	(2,047)	(2,047)
Net Cash Provided by (Used in) Noncapital Financing Activities	56,429	39,606	96,035
Cash Flows from Capital and Related Financing Activities			
Acquisition/Construction of Capital Assets	(75,851)	(501,800)	(577,651)
New Debt	0	7,151,906	7,151,906
Capital Grants	0	551,835	551,835
Principal Paid	(96,811)	(7,620,129)	(7,716,940)
Interest Paid	(20,809)	(297,702)	(318,511)
Proceeds from Sale of Capital Assets	0	1,599	1,599
Net Cash Provided by (Used in) Capital and Related Financing Activities	(193,471)	(714,291)	(907,762)
Cash Flows from Investing Activities			
Interest Received	13,702	5,107	18,809
Net Cash Provided by (Used in) Investing Activities	13,702	5,107	18,809
Net Increase (Decrease) in Cash and Cash Equivalents	1,042,127	750,974	1,793,101
Cash and Cash Equivalents - Beginning of Year	6,411,358	2,355,969	8,767,327
Cash and Cash Equivalents - End of Year	\$ 7,453,485	\$ 3,106,943	\$ 10,560,428

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Concluded)

	Business-Type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Cash and Cash Equivalents Classified as:			
Current Assets	\$ 1,108,226	\$ 1,360,232	\$ 2,468,458
Current Assets - Restricted	12,385	185,513	197,898
Noncurrent Assets - Restricted	6,332,874	1,561,198	7,894,072
Total Cash and Cash Equivalents	\$ 7,453,485	\$ 3,106,943	\$ 10,560,428
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</u>			
Operating Income (Loss)	\$ 3,264,554	\$ (305,616)	\$ 2,958,938
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	491,392	1,672,722	2,164,114
Amortization	0	40,000	40,000
Pension Adjustments	4,967	3,396	8,363
OPEB Adjustments	18,187	18,187	36,374
Provision for Closure and Postclosure	(2,684,378)	0	(2,684,378)
Change in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	56,509	(20,322)	36,187
Decrease (Increase) in Due from Other Governments	0	(33,766)	(33,766)
Decrease (Increase) in Inventories	0	0	0
Increase (Decrease) in Accounts Payable	10,245	74,996	85,241
Increase (Decrease) in Due to Governments	0	(30,151)	(30,151)
Increase (Decrease) in Accrued Liabilities	414	2	416
Increase (Decrease) in Deposits	1,200	15,175	16,375
Increase (Decrease) in Compensated Absences	2,377	(14,071)	(11,694)
Total Adjustments	(2,099,087)	1,726,168	(372,919)
Net Cash Provided by (Used in) Operating Activities	\$ 1,165,467	\$ 1,420,552	\$ 2,586,019
Noncash Financing and Investing Activities:			
Forgiveness of Debt	\$ 0	\$ 847,785	\$ 847,785

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2018

Assets

Cash and Cash Equivalents	\$ 1,425,481
Accounts Receivable	11,486
Due from Other Governments	<u>257,719</u>
Total Assets	<u><u>1,694,686</u></u>

Liabilities

Due to Other Governments	499,828
Due to Individuals and Businesses	645,593
Deposits	<u>549,265</u>
Total Liabilities	<u><u>\$ 1,694,686</u></u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Significant Accounting Policies

The financial statements of DeSoto County, Florida (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies used in these financial statements are described below:

A. Reporting Entity

The County is a political subdivision of the State of Florida established by the Constitution of the State of Florida, Article VIII, Section 1(e). It is governed by an elected Board of County Commissioners (the Board) which must comply with specific state statutes and regulations. In addition to the Board, there are five elected Constitutional Officers: Clerk of the Circuit and County Courts, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Constitutional Officers maintain separate accounting records and budgets. The Board funds a portion or, in certain instances, all of the operating budgets, of the County's Constitutional Officers. The operations of each Constitutional Officer are reported as part of the consolidated General Fund and nonmajor special revenue funds within the County's financial statements.

As required by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, the financial reporting entity consists of: (1) the primary government of the County; (2) organizations for which the County is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable if it appoints a voting majority of the organization's governing body and: (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has: (1) a separately elected governing board; (2) a governing board appointed by a higher level of government; or (3) a jointly appointed board. Based on these criteria, County management examined all organizations which were legally separate in order to determine which organizations, if any, should be included in the County's financial statements. Management determined that the County has no component units. However, the Board has created several taxing districts by ordinance or resolution, and these are included in the financial statements as special revenue funds.

The County is responsible for appointing members of the Board of the DeSoto Memorial Hospital but is not accountable for this organization. Other governmental entities who serve all or part of the County's population include the City of Arcadia and the DeSoto County School Board. These entities are autonomous organizations with their own governmental powers and constituencies.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund 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 government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses and indirect costs of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those costs that are allocated to functions and activities in accordance with the County's adopted indirect cost allocation plan. The Expenses column includes both direct and indirect expenses. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Reconciliations are provided that convert the results of governmental fund accounting to the government-wide financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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 government 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

Property taxes, franchise fees, emergency services fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Reimbursement-type grants are considered susceptible to accrual when all restrictions have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial transactions of the County are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of either fund category, or the governmental and enterprise funds combined), for the determination of major funds. In addition, funds may be considered major for qualitative reasons.

The County reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the primary government, except those required to be accounted for in another fund.
- The *County Transportation Fund*, a special revenue fund, was created pursuant to the provisions of Section 129.02, Florida Statutes, to account for restricted transportation-related grants and gas taxes, and expenditures not more properly accounted for elsewhere.
- The *Fire and EMS Fund* is a special revenue fund used to account for the revenue and costs of providing fire-fighting and emergency medical services throughout the County. Its significant restricted revenues come from special assessments.
- The *Hurricane Fund* is a special revenue fund used to account for the revenue and costs related to Hurricanes that have occurred.

The County reports the following major enterprise funds:

- The *Landfill Fund* accounts for the fiscal activity of all solid waste disposal within the County.
- The *Water/Sewer Utility Fund* accounts for the fiscal activity of providing water and wastewater services to residential and commercial customers in the County's service area.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Fund Financial Statements (Concluded)

Additionally, the County reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted or committed for specified purposes.
- A *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.
- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. They are excluded from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the ongoing costs of providing these sales and services, administrative expenses, depreciation of capital assets, and amortization of landfill closure and post-closure costs. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Budgetary Requirements

The following procedures are utilized by the County in establishing and/or amending the budgetary information contained in the financial statements:

- On or before July 15 of each year, or within 15 days after the receipt of certified taxable property values from the Property Appraiser, whichever occurs last, management presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budget as submitted contains balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for all funds of the County, except agency funds.
- Following a preliminary review of the proposed budgets by the Board, whose members make such changes as are deemed necessary (provided that the proposed budget for each fund remains balanced), the Board causes a notice of proposed property taxes to be mailed to each County property taxpayer. Included in the notice is a statement of the Board's intent to hold a public hearing to consider adoption of the tentative millage rates and budgets, as well as a comparison of the taxpayer's proposed property tax bill with the actual tax bill of the preceding year.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Requirements (Concluded)

- Following successful completion of the above-referenced public hearings, the Board advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1 each year. If, however, for some reason the Board is unable to finally adopt a budget prior to October 1, state law permits the re-adoption by resolution of the budget of the preceding year as an interim measure.
- Adoption and execution of the budgets are governed in accordance with applicable provisions of the Florida Statutes. The budget is legally enacted by resolution.
- Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted. The level at which expenditures may not legally exceed appropriations is the functional level for the County's general fund (e.g., general government, public safety), the fund level for other Board funds, and for the Constitutional Officers.
- Budgets for the general fund and major special revenue funds are adopted on a basis consistent with GAAP. However, beginning in 2011, certain budgetary funds have been combined for financial reporting purposes. For financial reporting, the general fund includes the following funds of the County or its Officers that are budgeted separately:
 - Board of County Commissioners (BOCC) General Fund
 - Clerk of the Courts General Fund
 - Property Appraiser General Fund
 - Sheriff General Fund
 - Supervisor of Elections General Fund
 - Tax Collector General Fund

The required supplementary information (RSI) section presents budget vs. actual information for the general fund and major special revenue funds. Where needed, combining schedules of revenues, expenditures, and changes in fund balance are presented as other supplementary information which will reconcile the actual column of the budgetary schedules to the amounts reported in the basic financial statements.

All appropriations lapse at the end of each fiscal year, although the County expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent years' budget.

E. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board, and other property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax millage rate for general operations of the County was 8.5060 mills for fiscal year ended September 30, 2018.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Property Taxes (Concluded)

The tax levy of the County is established by the Board prior to October 1 of each year and the Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, independent districts, and the County School Board tax requirements.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State of Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Delinquent taxes on real property bear interest at 18% per year or as bid in a public sale of tax certificates. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The County does not accrue its portion of the County-held tax sale certificates or personal property tax warrants because such amounts are not considered to be material.

Key dates in the property tax cycle for the fiscal year ended September 30, 2018, were as follows:

Assessment Roll Certified	July 2017
Beginning of Fiscal Year for Which Taxes were Being Levied	October 2017
Property Taxes Levied	October 2017
Tax Bills Issued	November 1, 2017
Property Taxes Due by: For Maximum Discount	November 30, 2017
Delinquent After	March 31, 2018
Tax Certificates (Liens) Sold on Unpaid Property Taxes	May 15, 2018

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Interfund Payables and Receivables

Unpaid amounts of current interfund transactions at year-end are reflected as Due from Other Funds or Due to Other Funds in the related fund financial statements. Noncurrent portions of interfund payables and receivables are reported as Advances. In governmental funds, advances receivable are offset equally by a nonspendable fund balance which indicates that they do not constitute expendable financial resources available for appropriation. In the entity-wide financial statements, interfund transactions within governmental and business-type activities are eliminated and the net amount is reported as internal balances on the statement of net position.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposit accounts, repurchase agreements with financial institutions, certificates of deposit, money market accounts, deposits in the State of Florida Local Government Surplus Funds Trust (Florida PRIME) administered by the State Board of Administration (SBA), and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

I. Investments

Investments, if any, are carried at fair market value unless the investment qualifies as an external investment pool under the guidance of GASB Statement No. 79, which allows under certain criteria, these investments to be recorded at amortized cost. The Florida PRIME is considered a stable value investment pool. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the SBA.

J. Inventories and Prepaids

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. Prepaids represent payments made to vendors for services that will benefit beyond September 30, 2018. These payments are generally recorded as expenditures or expenses when consumed rather than when purchased.

K. Restricted Assets

The use of certain assets is restricted by specific provisions of debt resolutions, developer agreements, or landfill regulations. Assets so designated are identified as restricted assets on the statement of net position, as their use is limited.

L. Utility Receivables

Water and wastewater operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services rendered during the current fiscal year are billed at the close of the fiscal year.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

M. Special Assessment Receivables

The Board imposes special assessments against property located within specified areas, as set forth in the related assessment resolution, for the construction of improvements. The assessment of each parcel is generally based upon the lineal feet of frontage along the areas to be improved. The assessments are collected on the ad valorem tax bill, as authorized by Section 197.3632, Florida Statutes.

N. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, water mains and wastewater force mains, landfill facilities, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All land and land improvements are capitalized. Buildings and intangibles with initial costs of \$50,000 or more, and furniture and equipment with initial costs of \$1,000 or more and estimated useful lives of over one year, are recorded as capital assets.

Roads, bridges, and other infrastructure assets are capitalized when their initial costs equal or exceed \$50,000 and possess estimated useful lives of more than one year. Governmental infrastructure constructed prior to June 30, 1980, is not reported, as permitted by GASB Statement No. 34.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date contributed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, when required.

Intangibles assets are amortized over their useful lives, when the length of their lives is limited by contractual or legal limitations. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives in the period they are placed in service:

Buildings and Improvements	10-50 Years
Landfill and Water/Sewer Structures	10-50 Years
Machinery, Equipment, and Vehicles	2-20 Years
Infrastructure	10-50 Years

O. Deferred Outflows/Deferred Inflows

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (or fund balance) that applies to a future period(s) and so it will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position (or balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position (or fund balance) that applies to a future period(s) and so it will not be recognized as an inflow of resources (revenue) until that time.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

P. Compensated Absences

It is the County's general policy to grant all permanent full-time and part-time employees annual leave based upon the number of years of employment. Employees are encouraged to use their annual leave in the year that it is earned. The County records compensated absences in governmental funds as expenditures for the amount accrued during the year that would normally be liquidated with expendable, available financial resources. The County accrues compensated absences in the period they are earned in the government-wide and enterprise fund financial statements.

Q. Landfill Closure Costs

The Board recognizes municipal solid waste landfill closure and post-closure care costs under the State of Florida's *Solid Waste Management Act of 1988*, regulations of the Federal Environmental Protection Agency, and GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*. The Board is required to place a final cover on closed landfills and to provide long-term care for up to 30 years after closure. These obligations for closure and post-closure are recognized in the enterprise fund for the County's landfill operations over the active life of the landfill, based on landfill capacity.

R. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Principal payments reduce these obligations. Refunding losses are reported as deferred outflows and amortized over the remaining term. Issuance costs are expensed as incurred.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Principal, interest, and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

S. Other Postemployment Benefits

It is the County's policy to provide retirement health benefits based on three classes of employees as discussed further in Note 9. The County records other postemployment benefit liabilities based on actuarially-determined annual costs in the government-wide and enterprise fund financial statements.

T. Unearned Revenues/Unavailable Revenues

Unearned revenues reported on the balance sheet or statement of net position represent revenues that have been received but not earned. Deferred Inflows – Unavailable Revenues on the governmental fund balance sheet represent revenues that are earned and receivable, but have not been recognized because they have not met the "availability" criteria for governmental fund revenues.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

U. Grant Revenues

Program and capital grants received by governmental funds are recorded in the applicable governmental fund as receivables, and revenues at the time reimbursable costs are incurred and all significant grant restrictions are satisfied. Grant revenues received in advance of meeting all major grant restrictions are reported as unearned revenues. Grant revenues that have met all significant restrictions, but have not met the “availability” criteria, are reported as deferred inflows.

V. Fund Balance and Net Position

Government-wide Statements

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- *Net Investment in Capital Assets*—Consists of capital assets net of accumulated depreciation and other assets financed by the related debt, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted*—Consists of net position with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted*—Consists of the net amount of assets (plus deferred outflows) and liabilities (plus deferred inflows) that are not included in the determination of net investment in capital assets or the restricted component of net position.

Proprietary Fund Statements

In the fund financial statements, proprietary fund equity is classified the same as in the government-wide statements.

Governmental Fund Financial Statements

In accordance with GASB Statement No. 54, the County classifies governmental fund balances as follows:

- *Nonspendable Fund Balance*—Represents fund balance that is: (a) not in a spendable form such as prepaid items; or (b) legally or contractually required to be maintained intact such as an endowment.
- *Restricted Fund Balance*—Consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources such as voter approved gas taxes and grant revenues.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

V. Fund Balance and Net Position (Concluded)

Governmental Fund Financial Statements (Concluded)

- *Committed Fund Balance*—Self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for specific purposes as determined by a formal action of the highest level of decision-making authority (i.e., the County Commission by ordinance, or where applicable, a Constitutional Officer by policy). In addition, to meet this classification, the expenditure constraint cannot be removed except by a similar formal action.
- *Assigned Fund Balance*—Amounts that are subject to a purpose constraint that represents an intended use established by the County Commission or by their designated body or official. (To date, the Board has not designated any such body or official). The purpose of the assignment must be narrower than the purpose of the fund. Formal action is *not* necessary to impose, remove, or modify a constraint in this category. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget. It is also used for residual balances in special revenue funds, debt service, and capital projects funds.
- *Unassigned Fund Balance*—Represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications of the general fund. This classification also includes deficit fund balances of other governmental funds.

Minimum Fund Balance Policy

On May 9, 2017, the County adopted a fund balance policy. This policy states that “the reserve for contingencies will be maintained at a level not less than five percent (5%) of the General Fund budget. Recognizing that the minimum of the five percent (5%) target may not be accomplished immediately, the County Administrator will provide annually one-half of one percent of the projected expenditures until the five percent (5%) target is reached. If the reserve for contingencies falls below 50% of the minimum level, the reserves will be re-established over a three-year fiscal period.” The policy requirements have been met as of September 30, 2018.

Use of Available Equity

When both restricted and unrestricted resources are available for use, it is the County’s policy to use unrestricted resources (committed, assigned, and unassigned) first, and then restricted resources, as they are needed for their intended purposes. When unrestricted resources are available for use, it is the County’s policy to use committed resources, then assigned, and then unassigned, as needed.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

W. Adoption of New Accounting Pronouncement

During the year ended September 30, 2018, the County implemented Governmental Accounting Standards Board Statement No. 75 (GASB Statement No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for Other Post-Employment Benefits (OPEB). GASB Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, GASB Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB.

Note 2 - Deposits/Investments

A. Deposits

At September 30, 2018, the carrying amount of the County's deposits was \$18,237,496 (including \$1,425,481 in the agency funds). All of the County's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to 50% of the average daily balance of all public deposits in excess of any federal deposit insurance. In addition, to the extent that total public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

In the event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash and time deposits held by banks are fully insured and collateralized.

In addition to the cash deposits, the County maintains cash on hand for the purpose of making change on transactions. At September 30, 2018, the County held \$12,165 in cash on hand.

B. Investments

The Board's investment policy (adopted based upon the requirements established by Florida Statutes) and bond resolutions authorize the Board to invest in U.S. Treasury obligations, obligations unconditionally guaranteed by the U.S. government, time deposits and savings deposits of banks organized under the laws of the State of Florida or the United States and operating in Florida, specific obligations of U.S. government agencies, repurchase agreements, high-grade commercial paper, bankers' acceptances, state and local government obligations, and the Florida PRIME.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 2 - Deposits/Investments (Continued)

B. Investments (Concluded)

Florida Statute 218.415(15) authorizes the Constitutional Officers to invest surplus public funds in the Florida PRIME Fund administered by the SBA; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; savings accounts and certificates of deposit, in state-certified, qualified public depositories; direct obligations of the U.S. Treasury such as U.S. Treasury notes, bills, and bonds; and direct obligations of federal agencies and instrumentalities such as bonds, notes, and discount notes of the Federal Home Loan Mortgage Association, Federal National Mortgage Association, Federal Farm Credit, and Student Loan Marketing Association. Several of the Constitutional Officers have adopted investment policies in accordance with the Florida Statute and also authorized investment in repurchase agreements.

C. Other Risk Disclosures

The County's and County Officers' investment policies broadly address exposure to interest rate changes, custodial credit risk, concentration risk, and quality credit risk. The following items discuss the County's exposure to various risks in primarily the fixed-rate portions of their investment portfolios:

- *Credit Quality*—In addition to specifying permitted investments, County policies require those investments to be of a specified minimum quality, as identified below:
 - Commercial Paper—U.S. corporations having a rating of at least two out of three of the following:
 - ▶ A-1 by Standard & Poor's
 - ▶ P-1 by Moody's
 - ▶ F-1 by Fitch Investors
 - Bankers' Acceptances—which are eligible for purchase by the Federal Reserve Banks and have a Letter of Credit rating of A or better.
 - Tax-exempt Obligations of the State of Florida or any of its Various Political Subdivisions—rated A+ or better by Standard & Poor's.
- *Interest Rate Risk*—The County does not own any fixed-rate investments, nor owned any fixed-rate investments during 2018. The County's policy identifies *safety of capital* as the highest priority in the handling of investments for the County. All other investment objectives are secondary to the safety of capital. The policy anticipates that a liquidity base of approximately two months of anticipated disbursements, excluding debt reserves, will be kept in relatively short-term investments. Beyond that, portfolio composition and maturities are left to the discretion of the County Administrator, as the Chief Financial Officer, within the limitations of the policy.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 2 - Deposits/Investments (Concluded)

C. Other Risk Disclosures (Concluded)

- *Custodial Credit Risk*—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For County deposits, the County and Officers are under no obligation to secure additional custodianship or collateral beyond the provisions set forth in Chapter 280 (discussed above), except in the case of repurchase agreements. For repurchase agreements, the County policy requires use of the Bond Market Association's Master Repurchase Agreement, with specified terms. For other investments, County and Officer Policies require a prequalification process when selecting investment management and custodial services, and require independent third party custodians. Certificates of deposit, if purchased, would be physically held by the County.
- *Concentration of Credit Risk*—The County's policies mitigate concentration of credit risk by diversifying the investment portfolio so that the potential losses on individual securities will be minimized. The policies require diversification to prevent an overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. Following are the maximum permitted percentages of investments in specific instruments:

Certificates of Deposit	20%
Commercial Paper	30%
Qualified Bankers' Acceptances	30%
Florida Tax Exempt Obligations	20%
Local Government Surplus Funds Trust Fund	No Limit

D. Restricted Cash

Following is a summary of restricted cash and cash equivalents at September 30, 2018:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Major Funds:		
General Fund - Mining Escrow	\$ 606,704	\$ 0
Landfill - Closure/Post-closure	0	6,332,874
Landfill - Deposits	0	12,385
Water/Sewer Utility - Wastewater Impact Fees	0	1,561,198
Water/Sewer Utility - Deposits	0	88,158
Water/Sewer Utility - Accrued Interest	0	97,355
Special Revenue Fund - Court Fees Fund	<u>77,375</u>	<u>0</u>
Total	<u><u>\$ 684,079</u></u>	<u><u>\$ 8,091,970</u></u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 3 - Interfund Receivables, Payables, and Transfers

The composition of short-term interfund balances as of September 30, 2018, is as follows:

	<u>Due from</u>	<u>Due to</u>	<u>Purpose</u>
Governmental Funds			
General Fund (GF)	\$ 2,399,024	\$ 38,558	Receivables are primarily to cover fund cash shortages in other funds (\$2,328,348) and for Officer excess fees (\$70,677). Payables are for Officer excess fees
County Transportation	0	241,524	Payables are to GF for cash shortages.
Fire and EMS	18,440	0	Receivables are for Officer excess fees.
Hurricane	0	2,080,501	Payables are to GF for cash shortages.
Nonmajor Special Revenue	14,842	76,999	Receivables are for Officer excess fees. Payables are to GF for cash shortage loan (\$6,322) and for Officer excess fees (\$70,677).
Enterprise Funds			
Landfill	5,276	0	Receivables are for Officer excess fees.
	<u>\$ 2,437,582</u>	<u>\$ 2,437,582</u>	

The composition of interfund advances as of September 30, 2018, is as follows:

	<u>Advance to</u>	<u>Advance from</u>	
General Fund (GF)	\$ 273,839	\$ 0	Loan for Cash Shortage to Debt Service and Golden Melody Lighting
Nonmajor Debt Service (DS)	220,223	265,747	Loan to Landfill for Debt Service Early Payment
Nonmajor Golden Melody Lighting	0	8,092	Loan to Golden Melody Lighting for Cash Shortage
Landfill	0	220,223	Loan for Debt Service Early Payment
	<u>\$ 494,062</u>	<u>\$ 494,062</u>	

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 3 - Interfund Receivables, Payables, and Transfers (Concluded)

Interfund transfers consist of the following:

	Transfers in	Transfers (out)	Purpose
Governmental Funds			
General Fund	\$ 537,170	\$ 6,144,450	Transfers in are from Officer excess fees (\$70,677), and administrative costs paid by other funds (\$466,493). Transfers out are to cover various programs in other funds (\$4,925,687), debt service (\$240,169), for Officer funding (\$938,582), and for Officer excess fees (\$40,012).
County Transportation	2,221,566	1,683,396	Transfers in are for funding transportation projects. Transfers out are to DS Fund for debt payment (\$1,676,232), and various project costs (\$7,164).
Fire and EMS	2,442,585	259,745	Transfers in are for funding of emergency response projects (\$2,424,145), and from Officer excess fees (\$18,440). Transfers out are to DS Fund for debt payment (\$259,745).
Nonmajor Special Revenue	1,126,876	451,581	Transfers in are for administration costs (\$417), program costs (\$173,034), and from Officer excess fees (\$953,425). Transfers out are primarily for GF administrative costs (\$116,924), for funding various programs (\$263,980), and for Officer excess fees (\$70,677).
Nonmajor Debt Service	2,177,448	0	Transfers in are to cover debt service payments.
Nonmajor Capital Projects	31,941	1,302	Transfers in are for program costs (\$31,941), and Transfer out are for outstanding construction projects (\$1,302).
Enterprise Funds			
Landfill	5,276	0	Transfers in are from Officer excess fees (\$5,276), and transfers out are for program costs (\$2,388).
Water/Sewer Utility	0	2,388	
	<u>\$ 8,542,862</u>	<u>\$ 8,542,862</u>	

Note 4 - Other Receivables

Following is a summary of other receivables balances at September 30, 2018:

	Accounts	Special Assessments	Notes	Total
Governmental Funds				
General Fund	\$ 495,370	\$ 0	\$ 0	\$ 495,370
County Transportation	19,874	0	0	19,874
Fire and EMS	846,494	11,224	0	857,718
Nonmajor Special Revenue	16,309	7,461	9,490,427	9,514,197
(Less Allowance)	(556,487)	0	(8,115,427)	(8,671,914)
Total Governmental Funds	<u>821,560</u>	<u>18,685</u>	<u>1,375,000</u>	<u>2,215,245</u>
Enterprise Funds				
Landfill	70,259	0	0	70,259
Water/Sewer Utility	330,427	0	60	330,487
(Less Allowance)	(12,225)	0	0	(12,225)
Total Enterprise Funds	<u>388,461</u>	<u>0</u>	<u>60</u>	<u>388,521</u>
Agency Funds	<u>11,486</u>	<u>0</u>	<u>0</u>	<u>11,486</u>
Totals	<u>\$ 1,221,507</u>	<u>\$ 18,685</u>	<u>\$ 1,375,060</u>	<u>\$ 2,615,252</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 4 - Other Receivables (Concluded)

The entire balance of Notes Receivable at September 30, 2018, is noncurrent. All other net receivables above are considered to be current.

Notes Receivable

Loans in the State Housing Initiative Partnership Program (SHIP) have been provided for home rehabilitation, reconstruction, or down-payment assistance under terms of the various grant programs. Receivables are generally secured by zero-interest, primary, or subordinate mortgages on the affected property, some with principal due in full when the property is sold or otherwise transferred, or after thirty years, and some forgiven with the passage of time.

Water/Sewer Utility Accounts Receivable

Accounts receivable for the Water/Sewer Utility Fund includes outstanding receivable balances for customer usage charges.

Note 5 - Capital Assets

A. Changes in Capital Assets

The following shows the changes in capital assets for governmental activities:

	Beginning Balance 10/01/2017	Additions	Transfers	Disposals	Ending Balance 9/30/2018
Governmental Activities					
Capital Assets, Not Depreciated:					
Land and Easements	\$ 3,458,059	\$ 0	\$ 0	\$ 0	\$ 3,458,059
Construction in Progress	1,422,763	5,446,242	(5,294,909)	0	1,574,096
Total Capital Assets, Not Depreciated	4,880,822	5,446,242	(5,294,909)	0	5,032,155
Capital Assets, Depreciated:					
Buildings and Improvements	29,275,196	0	1,917,692	0	31,192,888
Intangibles	551,756	0	0	0	551,756
Machinery and Equipment - Board	11,877,382	1,212,687	42,631	(756,987)	12,375,713
Machinery and Equipment - Sheriff	5,773,061	1,139,650	0	(190,674)	6,722,037
Infrastructure	32,180,267	0	3,377,217	0	35,557,484
Total Capital Assets, Depreciated	79,657,662	2,352,337	5,337,540	(947,661)	86,399,878
Less Accumulated Depreciation for:					
Buildings and Improvements	(15,128,124)	(1,035,303)	0	0	(16,163,427)
Intangibles	(511,377)	(13,962)	0	0	(525,339)
Machinery and Equipment - Board	(9,607,156)	(750,992)	(42,631)	747,975	(9,652,804)
Machinery and Equipment - Sheriff	(4,251,355)	(652,946)	0	190,674	(4,713,627)
Infrastructure	(10,544,190)	(1,114,020)	0	0	(11,658,210)
Total Accumulated Depreciation	(40,042,202)	(3,567,223)	(42,631)	938,649	(42,713,407)
Total Capital Assets, Depreciated	39,615,460	(1,214,886)	5,294,909	(9,012)	43,686,471
Governmental Activities Capital Assets	\$ 44,496,282	\$ 4,231,356	\$ 0	\$ (9,012)	\$ 48,718,626

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 5 - Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

The following is a summary of governmental activities depreciation expense by function:

Depreciation Expense by Function	
Governmental Activities	
General Government	\$ 266,884
Public Safety (Board)	616,288
Public Safety (Sheriff)	652,946
Physical Environment	20,084
Economic Environment	358
Transportation	1,169,686
Contributed	45,626
Human Services	46,253
Culture/Recreation	728,546
Court Services	20,552
Total Depreciation Expense	
Governmental Activities	<u>\$ 3,567,223</u>

The following shows the changes in capital assets for the County's business-type activities, by fund:

	Beginning Balance 10/01/2017	Additions	Transfers	Disposals	Ending Balance 9/30/2018
Landfill Fund					
Capital Assets, Not Depreciated:					
Land	\$ 483,337	\$ 0	\$ 0	\$ 0	\$ 483,337
Construction in Progress	196,918	20,129	0	0	217,047
Total Capital Assets, Not Depreciated	<u>680,255</u>	<u>20,129</u>	<u>0</u>	<u>0</u>	<u>700,384</u>
Capital Assets, Depreciated:					
Buildings and Improvements	245,520	0	0	0	245,520
Machinery and Equipment	1,527,866	55,722	0	(42,630)	1,540,958
Infrastructure	7,246,474	0	0	0	7,246,474
Total Capital Assets, Depreciated	<u>9,019,860</u>	<u>55,722</u>	<u>0</u>	<u>(42,630)</u>	<u>9,032,952</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(143,862)	(12,276)	0	0	(156,138)
Machinery and Equipment	(714,099)	(122,426)	0	42,630	(793,895)
Infrastructure	(6,728,766)	(356,690)	0	0	(7,085,456)
Total Accumulated Depreciation	<u>(7,586,727)</u>	<u>(491,392)</u>	<u>0</u>	<u>42,630</u>	<u>(8,035,489)</u>
Total Capital Assets, Depreciated	<u>1,433,133</u>	<u>(435,670)</u>	<u>0</u>	<u>0</u>	<u>997,463</u>
Landfill Capital Assets	<u>\$ 2,113,388</u>	<u>\$ (415,541)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,697,847</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 5 - Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

	Beginning Balance 10/01/2017	Additions	Transfers	Disposals	Ending Balance 9/30/2018
Water/Sewer Utility					
Capital Assets, Not Depreciated:					
Land and Easements	\$ 2,475,856	\$ 0	\$ 0	\$ 0	\$ 2,475,856
Construction in Progress	4,059,350	475,706	(3,829,080)	0	705,976
Total Capital Assets, Not Depreciated	6,535,206	475,706	(3,829,080)	0	3,181,832
Capital Assets, Depreciated:					
Buildings and Improvements	846,653	0	0	0	846,653
Intangibles	60,278	0	0	0	60,278
Machinery and Equipment	630,150	26,094	0	(21,157)	635,087
Infrastructure	1,819,239	0	0	0	1,819,239
Water Distribution System	37,330,377	0	3,829,080	0	41,159,457
Total Capital Assets, Depreciated	40,686,697	26,094	3,829,080	(21,157)	44,520,714
Less Accumulated Depreciation for:					
Buildings and Improvements	(480,306)	(46,193)	0	0	(526,499)
Intangibles	(43,810)	(11,142)	0	0	(54,952)
Machinery and Equipment	(472,323)	(31,572)	0	16,857	(487,038)
Infrastructure	(537,583)	(79,528)	0	0	(617,111)
Water Distribution System	(13,694,900)	(1,504,287)	0	0	(15,199,187)
Total Accumulated Depreciation	(15,228,922)	(1,672,722)	0	16,857	(16,884,787)
Total Capital Assets, Depreciated	25,457,775	(1,646,628)	3,829,080	(4,300)	27,635,927
Water/Sewer Utility Capital Assets	\$ 31,992,981	\$ (1,170,922)	\$ 0	\$ (4,300)	\$ 30,817,759

The following is a summary of business-type activities depreciation expense by activity:

Depreciation Expense by Activity	
Business-type Activities	
Landfill	\$ 491,392
Water/Sewer Utility	1,672,722
Total Depreciation Expense	
Business-type Activities	\$ 2,164,114

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 5 - Capital Assets (Concluded)

A. Changes in Capital Assets (Concluded)

The following summarizes capital assets found on the statement of net position for governmental activities and business-type activities:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Land and Easements	\$ 3,458,059	\$ 2,959,193	\$ 6,417,252
Construction in Progress	1,574,096	923,023	2,497,119
Capital Assets - Nondepreciable	<u>\$ 5,032,155</u>	<u>\$ 3,882,216</u>	<u>\$ 8,914,371</u>
 Buildings and Improvements	 \$ 31,192,888	 \$ 1,092,173	 \$ 32,285,061
Intangibles	551,756	60,278	612,034
Machinery and Equipment - Board	12,375,713	2,176,045	14,551,758
Machinery and Equipment - Sheriff	6,722,037	0	6,722,037
Infrastructure	35,557,484	9,065,713	44,623,197
Water Distribution System	0	41,159,456	41,159,456
	<u>86,399,878</u>	<u>53,553,665</u>	<u>139,953,543</u>
(Less Accumulated Depreciation)	(42,713,407)	(24,920,275)	(67,633,682)
Capital Assets - Depreciable	<u>\$ 43,686,471</u>	<u>\$ 28,633,390</u>	<u>\$ 72,319,861</u>

B. Commitments

The following is a summary of major construction contract commitments remaining at fiscal year-end:

<u>Project/Description</u>	<u>Contract Amount</u>	<u>Expended as of 9/30/2018</u>	<u>Remaining Commitment</u>
SCS Engineers	\$ 699,471	\$ 217,046	\$ 482,425
HWY US17 - Water	2,433,465	1,539,193	894,272
HWY US17 - Waste Water	2,204,490	2,005,340	199,150
SCOP CR 661	322,217	276,811	45,406
Total Commitments	<u>\$5,659,643</u>	<u>\$4,038,390</u>	<u>\$ 1,621,253</u>

Note 6 - Long-term Debt

A. Schedule of Changes in Long-term Debt

The County's outstanding long-term debt includes bonds payable, loans payable, capital leases, compensated absences, other postemployment benefits, net pension liability, and accrued landfill closure costs. The following is a schedule of changes in the County's long-term debt for the fiscal year ended September 30, 2018:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 6 - Long-term Debt (Continued)

A. Schedule of Changes in Long-term Debt (Concluded)

	Balance 9/30/17	Additions	Reductions	Balance 9/30/18	Due Within One Year	Long-Term Portion
Governmental Activities						
Notes Payable:						
Revenue Note, Series 2010	\$ 9,000,000	\$ 0	\$ (1,400,000)	\$ 7,600,000	\$ 1,435,000	\$ 6,165,000
Sales Tax Refunding						
Revenue Note, Series 2012	1,314,000	0	(227,000)	1,087,000	233,000	854,000
Arcadia Bank Loan 2016A	919,857	0	0	919,857	0	919,857
Arcadia Bank Loan 2016B	757,928	0	(106,382)	651,546	114,289	537,257
Public Safety Note 2017	1,025,609	0	(99,110)	926,499	101,389	825,110
Installment Purchases	343,355	826,821	(140,502)	1,029,674	261,630	768,044
Long-term Debt - At Par	13,360,749	826,821	(1,972,994)	12,214,576	2,145,308	10,069,268
Other Long-term Obligations:						
Other Postemployment						
Benefits Liability*	10,356,473	0	(509,807)	9,846,666	405,770	9,440,896
FEMA Long-term Payable	0	1,154,825	0	1,154,825	0	1,154,825
Compensated Absences:						
Board	449,862	17,282	0	467,144	73,318	393,826
Clerk	26,205	29,350	(24,602)	30,953	3,095	27,858
Property Appraiser	20,728	15,340	(14,565)	21,503	2,150	19,353
Sheriff	319,671	60,224	0	379,895	37,989	341,906
Supervisor	8,000	200	0	8,200	820	7,380
Tax Collector	6,433	21,741	(20,438)	7,736	4,072	3,664
Net Pension Liability	24,092,516	170,150	0	24,262,666	107,367	24,155,299
Governmental Activities						
Long-term Liabilities	\$ 48,640,637	\$ 2,295,933	\$ (2,542,406)	\$ 48,394,164	\$ 2,779,889	\$ 45,614,275

*Due to the implementation of GASB Statement No. 75, in fiscal year ended September 30, 2018, the beginning balance

for Other Postemployment Benefits increased by \$4,057,942. See Note 15 for further information.

Business-type Activities

Bonds and Notes Payable:

Revenue Bonds	\$ 6,917,130	\$ 7,080,000	\$ (6,917,130)	\$ 7,080,000	\$ 251,039	\$ 6,828,961
Notes Payable	4,610,478	71,906	(1,550,786)	3,131,598	239,600	2,891,998
Installment Purchases	649,941	0	(96,809)	553,132	130,145	422,987
Total Long-term Debt	12,177,549	7,151,906	(8,564,725)	10,764,730	620,784	10,143,946

Other Long-term Obligations:

Due to Florida Department

of Transportation	30,151	0	(30,151)	0	0	0
Landfill Closure Costs	8,368,906	0	(2,684,378)	5,684,528	0	5,684,528
Other Postemployment						
Benefits Liability*	661,052	0	(4,836)	656,216	26,784	629,432
Compensated Absences	76,298	0	(11,694)	64,604	12,092	52,512
Net Pension Liability	839,956	0	(19,045)	820,911	3,633	817,278

Business-type Activities

Long-term Liabilities	\$ 22,153,912	\$ 7,151,906	\$ (11,314,829)	\$ 17,990,989	\$ 663,293	\$ 17,327,696
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*Due to the implementation of GASB Statement No. 75, in fiscal year ended September 30, 2018, the beginning balance

for Other Postemployment Benefits increased by \$259,017. See Note 15 for further information.

Compensated absences and other postemployment benefits will be liquidated in future periods primarily by the general fund. The net pension liability will be liquidated through employer contributions by the funds where then current employees reside.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 6 - Long-term Debt (Continued)

B. Bonds and Notes Payable

Bonds and notes outstanding at September 30, 2018, consist of the following for governmental activities:

	<u>Purpose of Issue</u>	<u>Loan Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
Governmental Activities				
Revenue Notes:				
Capital Improvement Refunding Note Series 2010 (Matures 2022)	Refunding of Series 2002 Capital Improvement Revenue Bonds	\$ 15,450,000	\$ 7,600,000	2.80%
Sales Tax Refunding Revenue Note Series 2012 (Matures 2022)	Purchase Fire Truck and Refinance Notes	2,280,000	1,087,000	2.15%
FPL Savings Note 2016A and 2016B (Matures 2029 and 2022)	To Finance FPL Savings Project	919,857 906,760	919,857 651,546	3.25% 4.09%
Arcadia Bank Public Safety Note 2017 (Matures 2026)	To Fund Construction of Fire Station in City of Arcadia	1,100,000	926,499	2.98%
Installment Notes: Lease to Own (Matures 2020 - 2022)	Various County Equipment	434,220	<u>1,029,674</u>	2.95% - 4.50%
Total Governmental Activities Notes Payable			<u>\$ 12,214,576</u>	

The Capital Improvement Refunding Revenue Note, Series 2010 is secured by a pledge of all legally available non-ad valorem revenues of the County, excluding enterprise fund revenues. This Note was reissued on May 9, 2018. The total principal and interest remaining to be repaid on the bonds is \$8,143,900. Debt service for 2018 was \$1,632,400. Pledged revenues for 2018 (BOCC general fund only) were \$12,958,392.

The Sales Tax Refunding Revenue Note, Series 2012 is secured by a pledge of certain sales tax revenues (pari-mutuel replacement program) with a backup covenant of non-ad valorem revenues of the County. The total principal and interest remaining to be repaid on the bonds is \$1,146,254. Debt service for 2018 was \$254,036. Pledged revenues for 2018 were \$314,333.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 6 - Long-term Debt (Continued)

B. Bonds and Notes Payable (Continued)

The FPL Savings Project is in relation to the agreement between the County and Florida Power and Light to reduce energy costs by replacing fixtures throughout the County. The amount of the loan is expected to be recovered by energy savings resulting from updating fixtures. The County began making interest payments on the notes in 2016, and making principal payments on the 2016B Note in 2017. The County will not begin making principal payments on the 2016A note until 2024. The total principal and interest remaining to be repaid on the 2016A and 2016B notes is \$1,178,591 and 734,540, respectively. Debt service for the 2016A and 2016B notes was \$29,897 and \$137,382, respectively.

Public Safety Building Note 2017 is in relation to the agreement between the County and First State Bank of Arcadia to construct a new fire station located in the City of Arcadia, Florida. The loan is secured by a pledge of all ½-cent sales tax revenue of the County, which was \$1,230,481 in 2018. The total principal and interest remaining to be repaid on the loan is \$1,050,007. Debt Service for 2018 was \$128,576.

Bonds and notes/loans outstanding at September 30, 2018, consist of the following for business-type activities:

	<u>Purpose of Issue</u>	<u>Loan Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
Business-type Activities				
Revenue Bonds:	Refund the			
Water and Wastewater	Outstanding			
Refunding System	U.S. Department of			
Revenue Bond,	Agriculture			
Series 2018	Loan	\$ 7,080,000	\$ 7,080,000	3.80%
(Matures 2038)				
Notes Payable:				
State Revolving	Wastewater System			
Fund Loans	Improvements			
(Matures 2035)	DP63904S	2,900,528	1,860,659	2.29%
(Matures 2030)	DW140230	1,795,946	345,962	1.69%
(Matures 2032)	DP140240	2,371,756	924,978	0.70%
Installment Notes:				
Caterpillar Financial	Compactor	625,288	500,033	2.45%
(Matures 2019 - 2022)	Wheel Loader	143,612	<u>53,098</u>	3.20%
Total Business-type Activities - Bonds and Notes Payable			<u><u>\$ 10,764,730</u></u>	

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 6 - Long-term Debt (Continued)

B. Bonds and Notes Payable (Concluded)

The Water and Wastewater System Refunding Revenue Bond, Series 2018 (the 2018 Bond) was issued by the County to the Seacoast Bank Loan, and provide for level annual debt service over the life of the bond. The proceeds from the issuance of the 2018 Bond were used to refund the outstanding principal balance of the County's Water and Wastewater System Revenue Bonds, Series 2005, and to finance the costs of certain capital improvements to the County's water and wastewater system. The bond and the interest thereon are payable solely from and secured by a senior lien on, and pledge of, the net revenue of the water and wastewater systems, and are payable through 2038. The total principal and interest remaining to be repaid on the bond is \$10,158,191. Debt service for 2018 was \$0. Pledged revenues of the water/wastewater system for 2018 were \$1,386,184.

The State Revolving Fund (SRF) Loans are through the Florida Department of Environmental Protection and provide for level semiannual debt service over the life of the loan. The loans are secured by a junior lien on, and pledge of, the gross revenues of the water/wastewater systems (including interest income), after payment of operation and maintenance expenses, and certain other future senior debt. The final maturity of SRF loan #DP63904S is in 2035. The total principal and interest remaining to be repaid on the loan is \$2,244,776. Debt service for 2018 was \$136,047. Pledged revenues of the water/wastewater system for 2018 were \$1,386,184.

The other two SRF loans are still being drawn down and the related projects are in process. The balances shown above represent the draws to date on the loans. A legislative appropriation of \$957,000 was awarded to the County in 2016 to offset the principal balances. Loan repayments of \$39,055 began on March 15, 2017, for loan #DW140230. Loan repayments of \$45,153 began on April 15, 2017, for loan #DP140240.

The Note Payable to Florida Department of Transportation (FDOT) relates to an agreement between the County and the FDOT for the widening of U.S. Highway 17, Phase II. The Note was for a portion of the County's cost of relocating water and sewer pipeline located in the Department's rights-of-way. In May of 2016, the County signed a new promissory note that restated the balance and installments. The new amount for the Note was \$1,136,197. The Note was unsecured, and payable in twenty-seven equal payments of \$42,081, beginning November 15, 2016, with no interest. Prior to the new promissory Note, the County made three installments totaling \$169,302, \$56,434 each, from fiscal year 2014 through 2016. During 2018, pursuant to Section 337.403(1)(h), Florida Statutes, FDOT determined that the County was unable to pay the cost of the Note and, therefore, voluntarily cancelled the Note.

Debt Service Requirements

The following schedule shows debt service requirements to maturity for the County's revenue bonds and notes:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 2,145,308	\$ 332,546	\$ 620,784	\$ 334,012
2020	2,207,868	269,218	572,987	327,823
2021	2,247,387	204,640	588,439	312,370
2022	2,232,425	138,541	784,583	292,973
2023	2,073,526	75,492	535,861	276,511
2024-2028	1,101,581	125,323	2,578,769	1,117,741
2029-2033	206,481	9,359	2,590,669	704,067
2034-2038	0	0	2,492,638	250,982
	<u>\$ 12,214,576</u>	<u>\$ 1,155,119</u>	<u>\$ 10,764,730</u>	<u>\$ 3,616,479</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 6 - Long-term Debt (Concluded)

C. Other Long-term Obligations

Due to the FDOT

In 2015, the County entered into an agreement with the FDOT for financing Phase III of the U.S. Highway 17 utilities relocation project. The total loan available was \$160,250, of which \$94,251 had been drawn down toward project costs as of September 30, 2018. Loan repayments began in 2016, and were paid annually in the amount of \$32,050. During 2018, pursuant to Section 337.403(1)(h), Florida Statutes, FDOT determined that the County was unable to pay the cost of the Note, and therefore, voluntarily cancelled the Note.

FEMA Long-term Payable

In 2018, the County made the determination to record a long-term liability to the Federal Emergency Management Agency (FEMA) resulting from Hurricane Charley disputed reimbursements that were previously made to the County. The County received notification from FEMA that it has exhausted all possible appeals and a plan is currently being negotiated. The outstanding liability owed to FEMA as of September 30, 2018, is \$1,154,825.

D. Landfill Closure and Post-closure Care Costs

The County has adopted a policy based on U.S. Environmental Protection Agency rules and in accordance with Florida law, to set aside funds for the closure and post-closure care costs of its current landfill. At September 30, 2018, the County had \$2,478,629 in restricted cash and investments in the landfill fund for these purposes. Of that amount, \$1,592,949 is required by Statute to be set aside for closure.

Accounting rules require the recording of a liability for the estimated future costs (in current dollars) for *all* landfill closure and post-closure care costs attributable to the portion of the landfill capacity filled to-date (state laws require post-closure monitoring of closed landfills for thirty years). The County's estimate of future costs was based on their consulting engineer's report and the County's estimated remaining landfill capacity. As of September 30, 2018, the County has recognized \$5,684,528, or approximately 94% of the remaining estimated closure and post-closure care totaling \$6,018,253. The following table summarizes the estimated remaining closure costs and post-closure costs, and costs incurred through September 30, 2018, by zone:

<u>Zone</u>	<u>Remaining Closure Costs</u>	<u>Remaining Post-closure Costs</u>	<u>Remaining Total Costs</u>	<u>Percent Filled</u>	<u>Costs Incurred To-Date</u>
1	\$ 0	\$ 926,070	\$ 926,070	100%	\$ 926,070
2	0	782,010	782,010	100%	782,010
3	0	1,070,130	1,070,130	100%	1,070,130
4	1,737,763	1,502,280	3,240,043	90%	2,906,318
	<u>\$ 1,737,763</u>	<u>\$ 4,280,490</u>	<u>\$ 6,018,253</u>	94%	<u>\$ 5,684,528</u>

The accrued closure and post-closure care costs are \$5,684,528 at September 30, 2018, and have been accrued as a liability on the statement of net position of the landfill fund.

There was a new five-year study performed in 2018, which included a change in estimate of the total accrued landfill closure/post-closure costs, reducing the liability by \$2,684,378.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 7 - Restricted Net Position (Other Purposes)

Net position restricted for other purposes on the face of the statement of net position for governmental activities includes the following:

Governmental Activities	Other Purposes
Court-related Services	\$ 249,722
Public Safety:	
Law Enforcement	357,399
Fire and EMS	548,160
E911 Services	435,722
Public Assistance Programs	7,158
Street Lighting	4,498
Building Code Enforcements	394,072
Total Governmental Activities	\$ 1,996,731

Note 8 - Retirement System

A. General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the County are eligible to enroll as members of the state-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, *Florida Administrative Code*; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' web site (www.dms.myflorida.com).

The County's pension expense totaled \$2,504,371 for the fiscal year ended September 30, 2018, (all plans). For Further information of pension expense by plan for each Constitutional Officer, see the schedule below:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

A. General Information about the Florida Retirement System (FRS) (Concluded)

	Florida Retirement System	Health Insurance Subsidy	Investment Plan	Total
Board of County Commissioners	\$ 869,682	\$ 125,240	\$ 153,049	\$ 1,147,971
Clerk of Circuit Court	75,686	8,929	310	84,925
Property Appraiser	70,595	7,628	267	78,490
Tax Collector	75,209	8,011	2,486	85,706
Sheriff	898,177	84,668	68,306	1,051,151
Supervisor of Elections	52,862	2,962	304	56,128
	<u>\$ 2,042,211</u>	<u>\$ 237,438</u>	<u>\$ 224,722</u>	<u>\$ 2,504,371</u>

Payables to the Pension Plan. The County reported a payable of \$7,921 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2018.

B. FRS Pension Plan

Plan Description. FRS Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature established and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. The general classes of membership applicable to the County are as follows:

- *Regular Class*—Members of the Plan who do not qualify for membership in the other classes.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)*—Members in senior management level positions.
- *Special Risk Class*—Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four 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 to eligible participants.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System *(Continued)*

B. FRS Pension Plan *(Continued)*

Plan Description. (Concluded)

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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
<i>Regular Class Members Initially Enrolled Before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System *(Continued)*

B. FRS Pension Plan *(Continued)*

Benefits Provided. *(Concluded)*

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the County's 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2018</u>		<u>Year Ended June 30, 2019</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	6.20	3.00	6.54
FRS, Elected County Officers	3.00	43.78	3.00	46.98
FRS, Senior Management Service	3.00	20.99	3.00	22.34
FRS, Special Risk Regular	3.00	21.55	3.00	22.78
DROP - Applicable to Members from All of the Above Classes	0.00	11.60	0.00	12.37
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed. Employer contributions are also required for members in the FRS Investment Plan for a portion of the unfunded actuarial accrued liability.

The County's contributions (employer only) to the Plan totaled \$2,042,211 for the fiscal year ended September 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2018, the County reported a liability of \$20,548,868 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The County's proportionate share of the net pension liability was based on the County's 2016-17 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the County's proportion was 0.068222159%, which was an increase of 0.000006691 from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$3,460,251 related to the Plan. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the FRS Plan from the following sources:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 587,298	\$ 0
Difference Between Expected and Actual		
Experience	1,740,798	63,183
Changes of Assumptions	6,714,371	0
Changes in Proportion and Difference Between		
County Contributions and Proportionate Share of		
Contributions	764,096	950,270
Net Difference between Projected and Actual Earnings		
on Pension Plan Investments	0	1,587,651
Total	<u>\$ 9,806,563</u>	<u>\$ 2,601,104</u>

The deferred outflows of resources related to pensions, totaling \$587,298, resulting from County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2019 \$	\$ 2,572,402
2020	1,813,259
2021	252,920
2022	1,123,337
2023	744,725
Thereafter	111,518
Total	<u>\$ 6,618,161</u>

For information regarding the Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources by Constitutional Officer, see the table below:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Board of County Commissioners	\$ 8,966,193	\$ 4,110,231	\$ 931,863
Clerk of Circuit Court	766,680	403,939	71,732
Property Appraiser	717,581	453,216	77,922
Tax Collector	764,776	383,470	74,614
Sheriff	8,793,298	4,153,600	1,397,345
Supervisor of Elections	540,340	302,107	47,628
	<u>\$ 20,548,868</u>	<u>\$ 9,806,563</u>	<u>\$ 2,601,104</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the individual entry age cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	7.00%
Long-term Expected Rate of Return,	
Net of Investment Expense	7.00%
Municipal Bond Index	N/A

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017 valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.5%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	<u>100.0%</u>			
Assumed Inflation – Mean			2.6%	1.9%

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.10% in the July 1, 2017 valuation.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Concluded)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's Proportionate Share of the Net Pension Liability	\$ 37,502,546	\$ 20,548,868	\$ 6,467,836

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

C. HIS Pension Plan

Plan Description. The HIS Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature established and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs.

Benefits Provided. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2018 and 2017, the contribution rates were 1.66% of payroll, pursuant to Section 112.363, Florida Statutes. The County contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

C. HIS Pension Plan (Continued)

Contributions. (Concluded) The County's contributions to the HIS Plan totaled \$237,438 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2018, the County reported a net pension liability of \$4,534,709 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The County's proportionate share of the net pension liability was based on the County's 2016-17 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the County's proportionate share was 0.04284491%, which was an increase of 0.0002475541 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the County recognized pension expense of \$295,626 related to the HIS Plan. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions after Measurement Date	\$ 64,012	\$ 0
Difference Between Expected and Actual		
Experience	69,424	7,704
Changes of Assumptions	504,316	479,447
Changes in Proportion and Difference Between		
County Contributions and Proportionate Share		
Contributions	87,498	272,961
Net Difference between Projected and Actual Earnings		
on Pension Plan Investments	2,737	0
Total	<u>\$ 727,987</u>	<u>\$ 760,112</u>

The deferred outflows of resources related to pensions, totaling \$64,012, resulting from County contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2019	\$ 20,597
2020	20,366
2021	6,621
2022	(27,835)
2023	(86,896)
Thereafter	(28,990)
Total	<u>\$ (96,137)</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

C. HIS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

For information regarding the Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources by Constitutional Officer, see the table below:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Board of County Commissioners	\$ 2,442,485	\$ 388,555	\$ 375,438
Clerk of Circuit Court	172,474	32,598	35,376
Property Appraiser	143,375	25,503	44,620
Tax Collector	152,947	23,561	20,440
Sheriff	1,566,719	245,561	277,395
Supervisor of Elections	56,709	12,209	6,843
	<u>\$ 4,534,709</u>	<u>\$ 727,987</u>	<u>\$ 760,112</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the individual entry age cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	3.87%
Long-term Expected Rate of Return,	
Net of Investment Expense	N/A
Municipal Bond Index	3.87%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2018 valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate was 3.58% in the July 1, 2017 valuation.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Continued)

C. HIS Pension Plan (Concluded)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. (Concluded)

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
County's Proportionate Share of the Net Pension Liability	\$ 5,164,768	\$ 4,534,709	\$ 4,009,518

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

D. FRS—Defined Contribution Pension Plan

The County contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

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. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.) as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts (employer and employee) during the 2017-18 fiscal year were as follows:

Class	Year Ended June 30, 2018		Year Ended June 30, 2019	
	Percent of Gross Compensation Employee	Employer	Percent of Gross Compensation Employee	Employer
FRS, Regular Class	3.00	3.30	3.00	3.30
FRS, Special Risk Class	3.00	11.00	3.00	11.00
FRS, Senior Management Service Class	3.00	4.67	3.00	4.67
FRS, Elected County Officers, Judges	3.00	10.23	3.00	10.23
FRS, Elected County Officers	3.00	8.34	3.00	8.34

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 8 - Retirement System (Concluded)

D. FRS—Defined Contribution Pension Plan (Concluded)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The County's contributions to the Investment Plan totaled \$224,722 for the fiscal year ended September 30, 2018.

Note 9 - Other Postemployment Benefits Plan

In the fiscal year ended September 30, 2018, The County implemented GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, for reporting the employers' OPEB Plan liability.

A. Plan Description

The Desoto County's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the County. The Plan, which is administered by the County, allows employees who retire and meet retirement eligibility requirements under one of the County's retirement plans to continue medical, dental, and life insurance coverage as a participant in the County's plan. For purposes of applying Paragraph 4 under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 9 - Other Postemployment Benefits Plan (Concluded)

B. Benefit Provided

Retirees participating in the group insurance plans offered by the County, who retired on or before December 31, 2008 (Class A), are provided a benefit equal to 100% of the premium for the life of the retiree. The County also pays a portion of the costs for dependent coverage. Employees who retire after December 31, 2008 (Class B), and who meet the age and service requirements set forth by the Plan Provisions, are provided a benefit equal to 100% of the premium for the life of the retiree.

C. Employees Covered by Benefit Terms

At October 1, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	40
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	<u>323</u>
Total	<u><u>363</u></u>

D. Total OPEB Liability

The County's total OPEB liability of \$10,502,882 was measured as of October 1, 2016, and was determined by an actuarial valuation as of September 30, 2018. The beginning OPEB liability was increased by \$4,316,960 due to the adoption of GASB Statement No. 75.

E. Actual Assumption and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions:

<u>Actuarial Cost Method</u>	<u>Entry Age Normal</u>
Inflation	2.50%
Salary Increase Rate	3.00%
Discount Rate	4.18%
Initial Trend Rate	7.75%
Ultimate Trend Rate	4.00%
Years to Ultimate	56

For special risk employees, mortality rates were also based on various RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 10% white-collar table, 90% blue-collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled female lives, a blend of 60% of the RP-2000 disabled female mortality table set forward two (2) years and 40% of the white-collar table with no setback was used. For disabled male lives, a blend of 60% of the RP-2000 disabled male mortality table set back four (4) year and 40% of the white-collar table with no setback was used. Disabled mortality has not been adjusted for mortality improvements.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 9 - Other Postemployment Benefits Plan (Continued)

E. Actuarial Assumptions and Other Inputs (Concluded)

For all other employees, mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 50% white-collar table, 50% blue-collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two (2) years, male lives set back four (4) years. Disabled mortality has not been adjusted for mortality improvements.

F. Discount Rate

Given the County's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 4.18%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

G. Changes in the Total OPEB Liability

The following table shows the change in the County's OPEB Plan liability:

Balance at September 30, 2017, as Restated	\$ 11,017,526
Changes for the year:	
Service Cost	275,269
Interest on the Total OPEB Liability	403,256
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes in Assumptions or Other Inputs	(760,615)
Benefit Payments	(432,554)
Net Changes	<u>(514,644)</u>
Balance at September 30, 2018	<u>\$ 10,502,882</u>

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2017, to 4.18% for the reporting period ended September 30, 2018.

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.18%) or 1 percentage higher (5.18%) than the current rate:

	1.00% Decrease 3.18%	Current Discount Rate 4.18%	1.00% Increase 5.18%
Total OPEB Liability	\$ 11,982,437	\$ 10,502,882	\$ 9,295,001

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 9 - Other Postemployment Benefits Plan (Concluded)

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage higher than the current healthcare cost trend rates:

	1.00% Decrease 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1.00% Increase 5.00% - 9.50%
Total OPEB Liability	\$ 9,077,623	\$ 10,502,882	\$ 12,262,749

J. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2018, the County recognized OPEB expense of \$587,448. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 0
Change of Assumptions or Other Inputs	0	\$ 665,538
Benefits Paid Subsequent to the Measurement Date	0	0
Total	<u>\$ 0</u>	<u>\$ 665,538</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ending September 30,	Amortization
2019	\$ (95,077)
2020	(95,077)
2021	(95,077)
2022	(95,077)
2023	(95,077)
Thereafter	(190,153)
Total	<u>\$ (665,538)</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 10 - Risk Management

The County is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of a non-profit risk sharing pool with membership limited to Florida governmental entities. The pool charges its members premiums based upon claim history. The pool provides coverage for most insurable risks including covering the County to the statutory limit for each workers' compensation claim, up to \$2,000,000 for each general liability claim, and at replacement cost for each property damage claim. As of September 30, 2018, settled claims have not exceeded the pool coverage in any of the past three years.

Note 11 - Fund Balance and Net Position Deficits

The following funds had deficit fund balances or net position as of September 30, 2018:

<u>Fund Name</u>	<u>Deficit Amounts</u>
County Transportation	\$ 227,446
Hurricane	2,192,106
Nonmajor Funds:	
Special Revenue Funds:	
Golden Melody Lighting	6,101
Lake Suzy Lighting	681
Debt Service	45,524

The deficit in the County Transportation fund will be eliminated with a grant reimbursement that was unavailable at fiscal year-end. The deficit in the Hurricane fund will be eliminated with reimbursements from the Federal Emergency Management Agency (FEMA), as further explained in Note 14. The deficits in the special revenue funds will be eliminated with future special assessment receipts. The deficit in the Debt Service Fund will be eliminated with future transfers from the General Fund.

Note 12 - Related-Party - Peace River Manasota Water Supply Authority

A. Water Supplier

The Peace River Manasota Regional Water Supply Authority (the Authority) was established in 1991 when it purchased the Peace River Plant located in DeSoto County. The Authority has four voting members: DeSoto County, Charlotte County, Sarasota County, and Manatee County.

On October 5, 2005, the Authority renegotiated new water supply contracts and established the Peace River Manasota Regional Water Supply Authority Master Water Supply Contract with all four counties – DeSoto, Charlotte, Sarasota, and Manatee, and with the City of North Port. The term of these contracts is 35 years, with an option to renew for an additional 35 years. A provision in each contract requires that customers of the Authority must identify and commit to water demands for a seven-year period.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 12 - Related-Party - Peace River Manasota Water Supply Authority (Concluded)

A. Water Supplier (Concluded)

The contracts require all customers to pay for all committed water through the Authority's annual budget process, which reflects the budgetary needs of the Authority every year. The contract does also have a provision for customers who exceed their allocation; a conservation rate will be charged to all customers exceeding their allocation, and a corresponding credit is given to the customers who do not use their full allocation. The conservation rate is adopted annually by a rate resolution. During 2018, the County's water purchases from the Authority were \$492,432 for base charges and \$165,101 for variable water use charges. The agreement also anticipates an expansion of the current water supply system to accommodate its customers' anticipated increased needs.

Additional amounts paid to the Authority in 2018 included an annual membership fee of \$50,467. Because the Authority's facility is located in the County, the County received \$796,000 in payments in lieu of property taxes in the General Fund.

B. Water Contractual Rights

In 2007, the County acquired the contractual rights to a maximum flow capacity of 3.1 million gallons per day from a newly constructed potable water transmission pipeline owned by the Authority. The term of the contract extends for as long as the County continues to receive water from the Authority. The cost of the contractual rights was \$800,000, approximating the allocable cost of the pipeline, and is reported as a deferred outflow on the statement of net position of the Water/Sewer Utility Fund, to be amortized over twenty years, beginning in 2007. Amortization expense was \$40,000 for 2018, and the unamortized balance is \$280,000 at September 30, 2018.

Note 13 - Fire and EMS Services Merger

On May 15, 2006, the County entered into a 30-year Interlocal Agreement with the City of Arcadia (the City) for the merger of Fire and Emergency Medical Services. With an effective date of June 1, 2006, the City of Arcadia Fire Department merged with DeSoto County Fire Department to become one all-inclusive department within the County. All City of Arcadia Fire personnel (14 employees) were transferred and employed by the County. The City and County retirement programs were unchanged by the merger. The transferred employees had the option to remain members of the City retirement program or join the County retirement program.

The City transferred ownership of all fire suppression and emergency medical assets to the County, including a deed, with the associated debt, to real property located on Highway 17 for the construction of a Fire Suppression and EMS Station. The City agreed to allow the County to use the City's existing Fire Stations 1 and 2 for working stations without additional compensation for up to ten years from the effective date, or until the County determines that Fire Stations 1 and 2 are no longer needed. The County is responsible for all maintenance costs for the buildings while in use. To-date, the County has opted to use only Station 1.

Finally, under terms of the Interlocal Agreement, the City agreed to make monthly payments to the County for fire suppression and emergency medical services in accordance with the following schedule:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 13 - Fire and EMS Services Merger (Concluded)

<u>Fiscal Year</u>	<u>Total</u>	
2019	\$ 320,000	(2)
2020	270,000	(2)
2021	220,000	(2)
2022	170,000	(2)
2023	120,000	(2)
2024-2025	210,000	(1) (2)

(1) Each year is reduced by \$50,000.

(2) If the City implements a municipal services benefit unit (MSBU) for fire suppression and/or a municipal services taxing unit (MSTU) for emergency medical services (EMS) equivalent to the County's fees, then the City may use the amount collected less any property assessor/tax collector's fees to reduce the payment due each year.

During 2007, the City initiated a special assessment for fire services within the City limits and added the City to the County-wide MSTU millage for EMS services. Accordingly, a credit of \$253,833 was given off the required 2018 payment of \$370,000. Actual intergovernmental revenue under this agreement for 2018 was \$116,167.

Note 14 - Other Commitments and Contingencies

A. Litigation

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the County.

The DeSoto County Sheriff's Office claims are covered by the Florida Sheriff's Risk Management Fund (FSRMF). The FSRMF believes that the potential liability under these claims is more than adequately covered by the Risk Management Fund.

B. Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the County. In the opinion of management, except for potential adjustments from matters in the preceding paragraph, any such adjustments would not be significant.

C. Leases

The County is the lessee of heavy construction equipment used at the landfill, and other office equipment. Lease payments are generally due for 60 months. Lease provisions require that the County return the heavy equipment at the earlier of the 60-month period or when the equipment has reached the allotted maximum usage (in hours), or purchase the equipment at that time for a specified amount.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Concluded)

Note 14 - Other Commitments and Contingencies (Concluded)

C. Leases (Concluded)

The leases meet the criteria for classification as operating leases for financial reporting. Equipment lease expense was \$23,399 for 2018. Remaining minimum operating lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Minimum Lease Total</u>
2019	\$ 23,399
2020	19,499
Total	<u>\$ 42,898</u>

D. Hurricanes

In September 2017, most of the state of Florida was affected by Hurricane Irma, including the County. The President of the United States and the Governor of Florida declared most of the State a designated disaster area and issued relief to the State through public assistance grants, coordinated by FEMA. Expenses were incurred by the County for hurricane preparedness, debris removal, repairs, and other hurricane-related costs; most of which occurred in fiscal year 2018. The County is working with state and federal liaisons to recover these costs. No estimate for the anticipated revenues is known as of the date of this report.

Note 15 - Restatement

For the fiscal year ended September 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, beginning net position was restated to reflect the change in accounting principles by decreasing the previously reported net position to reflect the increase in the OPEB obligation as calculated under GASB Statement No. 75 as follows:

	<u>Net Position, September 30, 2017 as Previously Reported</u>	<u>Restatement</u>	<u>Net Position, September 30, 2017 as Restated</u>
Governmental Activities	\$ 19,623,175	\$ (4,057,942)	\$ 15,565,233
Business-Type Activities			
Landfill	\$ (1,100,782)	\$ (113,246)	\$ (1,214,028)
Water & Sewer	22,630,700	(145,771)	22,484,929
Total Business-Type Activities	<u>\$ 21,529,918</u>	<u>\$ (259,017)</u>	<u>\$ 21,270,901</u>

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BOARD ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 18,624,436	\$ 18,589,619	\$ 18,637,429	\$ 47,810
Permits and Fees	1,299,989	1,411,603	1,395,292	(16,311)
Intergovernmental Revenues	5,429,413	5,457,150	5,461,050	3,900
Charges for Services	612,942	496,088	496,515	427
Fines and Forfeitures	47,980	44,073	44,105	32
Miscellaneous Revenues	417,034	390,224	314,567	(75,657)
(Less: 5% Reduction)	(617,444)	0	0	0
Total Revenues	25,814,350	26,388,757	26,348,958	(39,799)
Expenditures				
Current:				
General Government	6,130,196	6,079,930	6,634,482	(554,552)
Public Safety	827,145	538,295	521,792	16,503
Physical Environment	141,217	389,737	353,540	36,197
Economic Environment	98,710	328,948	301,463	27,485
Human Services	1,587,048	1,667,361	1,498,934	168,427
Culture and Recreation	1,286,583	1,293,847	1,197,417	96,430
Debt Service:				
Principal Retirement	13,614	13,614	13,614	0
Interest and Fiscal Charges	2,523	2,523	2,523	0
Reserves	5,176,723	5,405,939	0	5,405,939
(Total Expenditures)	(15,263,759)	(15,720,194)	(10,523,765)	5,196,429
Excess of Revenues Over				
Expenditures	10,550,591	10,668,563	15,825,193	5,156,630
Other Financing Sources (Uses)				
Transfers in	559,296	1,491,377	1,563,276	71,899
Transfers (out)	(16,338,064)	(17,720,450)	(17,119,996)	600,454
Installment Lease Proceeds	0	0	0	0
Insurance Proceeds	0	23,968	23,968	0
Total Other Financing				
Sources (Uses)	(15,778,768)	(16,205,105)	(15,532,752)	672,353
Net Change in Fund Balances	(5,228,177)	(5,536,542)	292,441	5,828,983
Fund Balances, Beginning of Year	5,228,177	5,536,542	5,546,999	10,457
Fund Balances, End of Year	\$ 0	\$ 0	\$ 5,839,440	\$ 5,839,440

Note: During 2018, a Radio Communications System was purchased by the Board for the Sheriff's Office in the amount of \$600,455, of which the Sheriff's Office contributed \$75,000. \$600,455 was budgeted as a Transfer out, but later reclassified to General Government Expenditures as shown above. \$75,000 contribution from the Sheriff's Office was budgeted as Miscellaneous Revenue, but later reclassified to Transfers in. These reclassifications were made to reconcile transactions between the two entities.

DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
COUNTY TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 1,278,558	\$ 2,513,746	\$ 2,522,656	\$ 8,910
Permits and Fees	14,700	9,150	9,150	0
Intergovernmental Revenues	14,697,322	13,644,216	3,626,921	(10,017,295)
Charges for Services	60,767	63,483	64,260	777
Miscellaneous Revenues	13,250	101,092	101,092	0
Total Revenues	16,064,597	16,331,687	6,324,079	(10,007,608)
Expenditures				
Current:				
Transportation	16,880,381	17,484,484	7,854,534	9,629,950
Debt Service:				
Principal Retirement	69,946	126,888	126,888	0
Interest and Fiscal Charges	8,695	8,487	8,487	0
Reserves	0	54,710	0	54,710
(Total Expenditures)	(16,959,022)	(17,674,569)	(7,989,909)	9,684,660
(Deficiency) of Revenues				
(Under) Expenditures	(894,425)	(1,342,882)	(1,665,830)	(322,948)
Other Financing Sources (Uses)				
Transfers in	2,107,583	2,221,566	2,221,566	0
Transfers (out)	(1,676,232)	(1,683,396)	(1,683,396)	0
Installment Lease Proceeds	0	421,821	421,821	0
Insurance Proceeds	0	716	716	0
Total Other Financing Sources (Uses)	431,351	960,707	960,707	0
Net Change in Fund Balances	(463,074)	(382,175)	(705,123)	(322,948)
Fund Balances, Beginning of Year	463,074	382,175	477,677	95,502
Fund Balances (Deficits), End of Year	\$ 0	\$ 0	\$ (227,446)	\$ (227,446)

DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
FIRE AND EMS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Special Assessments	\$ 2,318,068	\$ 2,232,470	\$ 2,232,470	\$ 0
Permits and Fees	0	8,920	8,920	0
Intergovernmental Revenues	141,230	125,584	126,245	661
Charges for Services	922,900	910,000	758,373	(151,627)
Miscellaneous Revenues	8,618	79,498	79,957	459
Less: 4% Reduction	(91,983)	0	0	0
Total Revenues	3,298,833	3,356,472	3,205,965	(150,507)
Expenditures				
Current:				
General Government	86,042	67,000	66,200	800
Public Safety	5,418,359	6,031,738	5,426,708	605,030
Culture and Recreation	0	10,422	0	10,422
Debt Service:				
Principal Retirement	7,162	0	0	0
Interest and Fiscal Charges	77	0	0	0
Reserve	0	82,415	0	82,415
(Total Expenditures)	(5,511,640)	(6,191,575)	(5,492,908)	698,667
(Deficiency) of Revenues				
(Under) Expenditures	(2,212,807)	(2,835,103)	(2,286,943)	548,160
Other Financing Sources (Uses)				
Transfers in	2,298,408	2,442,585	2,442,585	0
Transfers (out)	(259,745)	(259,745)	(259,745)	0
Installment Lease Proceeds	0	405,000	405,000	0
Insurance Proceeds	0	7,075	7,075	0
Total Other Financing Sources (Uses)	2,038,663	2,594,915	2,594,915	0
Net Change in Fund Balance	(174,144)	(240,188)	307,972	548,160
Fund Balances, Beginning of Year	174,144	240,188	240,188	0
Fund Balances, End of Year	\$ 0	\$ 0	\$ 548,160	\$ 548,160

DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
HURRICANE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current:				
Public Safety	0	115,501	75,833	39,668
Culture and Recreation	0	1,917,334	1,957,002	(39,668)
Reserve	0	(1,968,311)	0	(1,968,311)
(Total Expenditures)	<u>0</u>	<u>(64,524)</u>	<u>(2,032,835)</u>	<u>(1,968,311)</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>0</u>	<u>(64,524)</u>	<u>(2,032,835)</u>	<u>(1,968,311)</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	50,001	0	(50,001)
Insurance Proceeds	0	14,523	14,523	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>64,524</u>	<u>14,523</u>	<u>(50,001)</u>
Net Change in Fund Balance	0	0	(2,018,312)	(2,018,312)
Fund Balances (Deficits), Beginning of Year	<u>0</u>	<u>0</u>	<u>(173,794)</u>	<u>(173,794)</u>
Fund Balances (Deficits), End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,192,106)</u>	<u>\$ (2,192,106)</u>

Note: The Hurricane Fund does not have an original budget in 2018. As further discussed in Note 14, the increased activity in this fund occurred as a result of Hurricane Irma, which impacted DeSoto County in September 2017. At that time, the 2018 original budget had already been adopted, and the financial impact was not anticipated.

DESOTO COUNTY, FLORIDA
SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OTHER
POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2018

Total OPEB Liability	2018
Service Cost	\$ 275,269
Interest	403,256
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes of Assumptions or other Inputs	(760,615)
Benefit Payments	(432,554)
Net Change in Total OPEB Liability	(514,644)
Total OPEB - Liability Beginning, as Restated	11,017,526
Total OPEB Liability - Ending	\$ 10,502,882
Covered-employee Payroll	\$ 13,287,982
Total OPEB Liability as a Percentage of Covered-employee Payroll	79.04%

Notes to the Schedule:

Note 1: The amounts presented for each fiscal year were determined as of September 30. The County implemented GASB Statement No.75 for the fiscal year ended September 30, 2018. As a result, this schedule will present 10 years as information is available.

Note 2: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

DESOTO COUNTY, FLORIDA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

NOTE I – CHANGES OF ASSUMPTIONS

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

- **2018:** 4.18%
- **2017:** 3.64%

DESOTO COUNTY, FLORIDA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
LAST 10 FISCAL YEARS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended June 30,	County's Proportion of the FRS Net Pension Plan	County's Proportion Share of the FRS Net Pension Plan Liability	County's Covered Payroll (FYE June 30)	County's Proportionate Share of the FRS Net Pension Liability as a Percentage of of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.065823097%	\$ 4,016,178	\$ 12,370,252	32.47%	96.09%
2015	0.068445798%	8,840,692	13,896,326	63.62%	92.00%
2016	0.072780821%	18,377,214	13,755,262	133.60%	84.88%
2017	0.068892068%	20,377,811	13,792,933	147.74%	83.89%
2018	0.068222159%	20,548,868	13,702,518	149.96%	84.26%

HEALTH INSURANCE SUBSIDY PENSION PLAN

Year Ended June 30,	County's Proportion of the HIS Net Pension Plan	County's Proportion Share of the HIS Net Pension Plan Liability	County's Covered Payroll (FYE June 30)	County's Proportionate Share of the HIS Net Pension Liability as a Percentage of of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.045499267%	\$ 4,254,293	\$ 12,370,252	34.39%	0.99%
2015	0.045689870%	4,659,647	13,896,326	33.53%	0.50%
2016	0.044548858%	5,191,985	13,755,262	37.75%	0.97%
2017	0.042596933%	4,554,661	13,792,933	33.02%	1.64%
2018	0.042844910%	4,534,709	13,702,518	33.09%	2.15%

Note: Additional information will be provided annually until ten years' data is presented.

DESOTO COUNTY, FLORIDA
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
LAST 10 FISCAL YEARS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	FRS Contribution in Relation to the Contractually Required Contributions	FRS Contribution Deficiency (Excess)	County's Covered Payroll (FYE September 30)	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 1,668,767	\$ (1,668,767)	\$ 0	\$ 12,370,252	13.49%
2015	1,698,148	(1,698,148)	0	13,924,080	12.20%
2016	1,872,281	(1,872,281)	0	14,062,496	13.31%
2017	1,739,517	(1,739,517)	0	13,585,897	12.80%
2018	2,042,211	(2,042,211)	0	14,070,350	14.51%

Year Ended September 30,	Contractually Required Contribution	HIS Contribution in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	County's Covered Payroll (FYE September 30)	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 137,075	\$ (137,075)	\$ 0	\$ 12,370,252	1.11%
2015	188,729	(188,729)	0	13,924,080	1.36%
2016	233,588	(233,588)	0	14,062,496	1.66%
2017	221,018	(221,018)	0	13,585,897	1.63%
2018	237,438	(237,438)	0	14,070,350	1.69%

Note: Additional information will be provided annually until ten years' data is presented.

DESOTO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

NOTE I - CHANGES IN BENEFITS AND ASSUMPTIONS - FLORIDA RETIREMENT SYSTEM (FRS) AND HEALTH INSURANCE SUBSIDY (HIS) PENSION PLANS - 2018

Changes in benefit terms from the year ended June 30, 2017 to June 30, 2018:

- **FRS:** No significant changes.
- **HIS:** No significant changes.

Changes in assumptions from the year ended June 30, 2017 to June 30, 2018:

- **FRS:** The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.
- **HIS:** The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

NOTE II - CHANGES IN BENEFITS AND ASSUMPTIONS - FLORIDA RETIREMENT SYSTEM (FRS) AND HEALTH INSURANCE SUBSIDY (HIS) PENSION PLANS - 2017

Changes in benefit terms from the year ended June 30, 2016 to June 30, 2017:

- **FRS:** No significant changes.
- **HIS:** No significant changes.

Changes in assumptions from the year ended June 30, 2016 to June 30, 2017:

- **FRS:** The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- **HIS:** The municipal rate used to determine total pension liability increased from 2.85% to 3.58%.

OTHER SUPPLEMENTARY INFORMATION

**DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
GENERAL FUND BY CATEGORY
SEPTEMBER 30, 2018**

	Board of County Commissioners	Clerk of the Courts	Property Appraiser
Assets			
Cash and Cash Equivalents	\$ 1,369,938	\$ 59,727	\$ 196,743
Restricted Cash and Cash Equivalents	606,704	0	0
Accounts Receivable, Net	443,225	0	227
Due from Other Funds	3,425,130	0	0
Due from Other Governments	952,609	9,622	0
Inventories	12,051	0	0
Prepays	15,783	0	0
Deposits	65,000	0	0
Advances to Other Funds	273,839	0	0
Total Assets	<u>7,164,279</u>	<u>69,349</u>	<u>196,970</u>
Liabilities			
Vouchers Payable	604,981	0	7,921
Accrued Liabilities	61,666	1,062	0
Due to Other Funds	0	9,505	185,635
Due to Other Governments	827	51,864	3,414
Deposits	612,185	0	0
Unearned Revenue	13,939	0	0
Total Liabilities	<u>1,293,598</u>	<u>62,431</u>	<u>196,970</u>
Deferred Inflows			
Unavailable Revenues	<u>31,241</u>	<u>6,918</u>	<u>0</u>
Fund Balances			
Nonspendable:			
Prepays and Inventories	27,834	0	0
Advances	273,839	0	0
Assigned for Budget Carryforward	210,789	0	0
Unassigned	5,326,978	0	0
Total Fund Balances	<u>5,839,440</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 7,164,279</u>	<u>\$ 69,349</u>	<u>\$ 196,970</u>

Sheriff	Supervisor of Elections	Tax Collector	Eliminating Entries	Total General Fund
\$ 920,360	\$ 18,784	\$ 213,988	\$ 0	\$ 2,779,540
0	0	0	0	606,704
51,918	0	0	0	495,370
0	0	0	(1,026,106)	2,399,024
5,326	0	16,799	0	984,356
0	0	0	0	12,051
0	15,203	0	0	30,986
0	0	0	0	65,000
0	0	0	0	273,839
<u>977,604</u>	<u>33,987</u>	<u>230,787</u>	<u>(1,026,106)</u>	<u>7,646,870</u>
167,579	0	0	0	780,481
130,149	553	0	0	193,430
672,845	2,666	194,013	(1,026,106)	38,558
0	11,293	7,424	0	74,822
0	0	0	0	612,185
0	4,272	12,551	0	30,762
<u>970,573</u>	<u>18,784</u>	<u>213,988</u>	<u>(1,026,106)</u>	<u>1,730,238</u>
7,031	0	16,799	0	61,989
0	15,203	0	0	43,037
0	0	0	0	273,839
0	0	0	0	210,789
0	0	0	0	5,326,978
<u>0</u>	<u>15,203</u>	<u>0</u>	<u>0</u>	<u>5,854,643</u>
<u>\$ 977,604</u>	<u>\$ 33,987</u>	<u>\$ 230,787</u>	<u>\$ (1,026,106)</u>	<u>\$ 7,646,870</u>

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Board of County Commissioners	Clerk of the Courts	Property Appraiser
Revenues			
Taxes	\$ 18,637,429	\$ 0	\$ 0
Permits and Fees	1,395,292	0	0
Intergovernmental Revenues	5,461,050	203,004	0
Charges for Services	496,515	705,503	1,062,070
Fines and Forfeitures	44,105	0	0
Miscellaneous Revenues	314,567	525	1,840
Total Revenues	26,348,958	909,032	1,063,910
Expenditures			
Current:			
General Government	6,634,482	217,078	874,861
Public Safety	521,792	0	0
Physical Environment	353,540	0	0
Economic Environment	301,463	0	0
Human Services	1,498,934	0	0
Culture and Recreation	1,197,417	0	0
Court-related	0	697,449	0
Debt Service:			
Principal Retirement	13,614	0	0
Interest and Fiscal Charges	2,523	0	0
(Total Expenditures)	(10,523,765)	(914,527)	(874,861)
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,825,193	(5,495)	189,049
Other Financing Sources (Uses)			
Transfers in	1,563,276	15,000	0
Transfers (out)	(17,119,996)	(9,505)	(185,635)
Distributions of Excess Commissions	0	0	(3,414)
Installment Proceeds	0	0	0
Insurance Proceeds	23,968	0	0
Total Other Financing Sources (Uses)	(15,532,752)	5,495	(189,049)
Net Change in Fund Balances	292,441	0	0
Fund Balances, Beginning of Year	5,546,999	0	0
Fund Balances, End of Year	\$ 5,839,440	\$ 0	\$ 0

Sheriff	Supervisor of Elections	Tax Collector	Eliminating Entries	Total General Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,637,429
0	0	0	0	1,395,292
135,928	15,412	0	0	5,815,394
28,500	3,284	1,077,192	0	3,373,064
0	0	0	0	44,105
34,902	71	603	0	352,508
199,330	18,767	1,077,795	0	29,617,792
0	389,771	876,358	0	8,992,550
9,770,075	0	0	0	10,291,867
0	0	0	0	353,540
0	0	0	0	301,463
0	0	0	0	1,498,934
0	0	0	0	1,197,417
366,641	0	0	0	1,064,090
0	0	0	0	13,614
0	0	0	0	2,523
(10,136,716)	(389,771)	(876,358)	0	(23,715,998)
(9,937,386)	(371,004)	201,437	0	5,901,794
10,685,231	390,327	0	(12,116,664)	537,170
(747,845)	(4,120)	(194,013)	12,116,664	(6,144,450)
0	0	(7,424)	0	(10,838)
0	0	0	0	0
0	0	0	0	23,968
9,937,386	386,207	(201,437)	0	(5,594,150)
0	15,203	0	0	307,644
0	0	0	0	5,546,999
\$ 0	\$ 15,203	\$ 0	\$ 0	\$ 5,854,643

**DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue			
	LIHEAP	Kings Crossing Lighting	Peace River Lighting	Ogden Acres Lighting
Assets				
Cash and Cash Equivalents	\$ 0	\$ 173	\$ 1,060	\$ 448
Restricted Cash and Cash Equivalents	0	0	0	0
Accounts Receivable	329	0	0	0
Special Assessments Receivable	0	0	0	0
Notes Receivable	0	0	0	0
Due from Other Funds	0	212	15	17
Due from Other Governments	16,228	0	0	0
Prepays	0	0	0	0
Advances to Other Funds	0	0	0	0
Total Assets	16,557	385	1,075	465
Liabilities				
Vouchers Payable	6,737	0	0	0
Accrued Liabilities	0	0	0	0
Due to Other Funds	2,662	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	9,399	0	0	0
Deferred Inflows				
Unavailable Revenues	0	0	0	0
Fund Balances (Deficits)				
Nonspendable:				
Prepays	0	0	0	0
Advance to Other Funds	0	0	0	0
Restricted for:				
Transportation	0	0	0	0
Economic Development	0	0	0	0
Public Assistance Programs	7,158	0	0	0
Streetlighting	0	385	1,075	465
Public Safety	0	0	0	0
Court-related Services	0	0	0	0
Building Code Enforcements	0	0	0	0
Assigned for:				
Mosquito Control	0	0	0	0
Unassigned (Deficit)	0	0	0	0
Total Fund Balances (Deficits)	7,158	385	1,075	465
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	\$ 16,557	\$ 385	\$ 1,075	\$ 465

Special Revenue					
Golden Melody Lighting	Harlem Heights Lighting	Lake Suzy Lighting	Spring Lakes Lighting	E-911 Services	Emergency Management
\$ 0	\$ 2,116	\$ 0	\$ 142	\$ 395,760	\$ 16,246
0	0	0	0	0	0
0	0	0	0	0	0
1,938	196	0	64	0	0
0	0	0	0	0	0
53	23	77	32	0	0
0	0	0	0	34,835	29,850
0	0	0	0	5,154	0
0	0	0	0	0	0
<u>1,991</u>	<u>2,335</u>	<u>77</u>	<u>238</u>	<u>435,749</u>	<u>46,096</u>
0	0	0	0	27	387
0	0	0	0	0	2,073
0	0	758	0	0	0
8,092	0	0	0	0	0
<u>8,092</u>	<u>0</u>	<u>758</u>	<u>0</u>	<u>27</u>	<u>2,460</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	5,154	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	2,335	0	238	0	0
0	0	0	0	430,568	43,636
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(6,101)	0	(681)	0	0	0
<u>(6,101)</u>	<u>2,335</u>	<u>(681)</u>	<u>238</u>	<u>435,722</u>	<u>43,636</u>
<u>\$ 1,991</u>	<u>\$ 2,335</u>	<u>\$ 77</u>	<u>\$ 238</u>	<u>\$ 435,749</u>	<u>\$ 46,096</u>

DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(Continued)

	Special Revenue			
	Tourist Development Tax	CDBG Housing Rehab	Mosquito Control	Curbside Solid Waste Collection
Assets				
Cash and Cash Equivalents	\$ 131,766	\$ 0	\$ 19,524	\$ 0
Restricted Cash and Cash Equivalents	0	0	0	0
Accounts Receivable	0	0	0	0
Special Assessments Receivable	0	0	0	5,263
Notes Receivable	0	0	0	0
Due from Other Funds	0	0	0	14,413
Due from Other Governments	8,895	0	0	0
Prepays	0	0	0	0
Advances to Other Funds	0	0	0	0
Total Assets	<u>140,661</u>	<u>0</u>	<u>19,524</u>	<u>19,676</u>
Liabilities				
Vouchers Payable	42	0	0	17,153
Accrued Liabilities	262	0	0	0
Due to Other Funds	0	0	0	2,523
Advances from Other Funds	0	0	0	0
Total Liabilities	<u>304</u>	<u>0</u>	<u>0</u>	<u>19,676</u>
Deferred Inflows				
Unavailable Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficits)				
Nonspendable:				
Prepays	0	0	0	0
Advance to Other Funds	0	0	0	0
Restricted for:				
Transportation	0	0	0	0
Economic Development	140,357	0	0	0
Public Assistance Programs	0	0	0	0
Streetlighting	0	0	0	0
Public Safety	0	0	0	0
Court-related Services	0	0	0	0
Building Code Enforcements	0	0	0	0
Assigned for:				
Mosquito Control	0	0	19,524	0
Unassigned (Deficit)	0	0	0	0
Total Fund Balances (Deficits)	<u>140,357</u>	<u>0</u>	<u>19,524</u>	<u>0</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 140,661</u>	<u>\$ 0</u>	<u>\$ 19,524</u>	<u>\$ 19,676</u>

Building Fund	Dart Trust	SHIP	Court Fees Fund	Law Enforcement Trust	Sheriff Communication
\$ 401,213	\$ 7,285	\$ 704,175	\$ 0	\$ 113,188	\$ 93,492
0	0	0	77,375	0	0
0	593	0	0	0	882
0	0	0	0	0	0
0	0	1,375,000	0	0	0
0	0	0	0	0	0
0	18,048	0	15,654	1,319	0
11,700	0	0	0	0	0
0	0	0	0	0	0
<u>412,913</u>	<u>25,926</u>	<u>2,079,175</u>	<u>93,029</u>	<u>114,507</u>	<u>94,374</u>
14,431	630	6,940	11,584	0	11,444
4,410	1,408	0	659	0	12,253
0	0	379	0	0	70,677
0	0	0	0	0	0
<u>18,841</u>	<u>2,038</u>	<u>7,319</u>	<u>12,243</u>	<u>0</u>	<u>94,374</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
11,700	0	0	0	0	0
0	0	0	0	0	0
0	23,888	0	0	0	0
0	0	2,071,856	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	114,507	0
0	0	0	80,786	0	0
382,372	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>394,072</u>	<u>23,888</u>	<u>2,071,856</u>	<u>80,786</u>	<u>114,507</u>	<u>0</u>
<u>\$ 412,913</u>	<u>\$ 25,926</u>	<u>\$ 2,079,175</u>	<u>\$ 93,029</u>	<u>\$ 114,507</u>	<u>\$ 94,374</u>

DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(Concluded)

	Special Revenue			
	Sheriff Inmate Welfare	Sheriff Voluntary Extra Duty	Sheriff Education	Sheriff Victim Advocate
Assets				
Cash and Cash Equivalents	\$ 173,866	\$ 5,488	\$ 10,331	\$ 1,471
Restricted Cash and Cash Equivalents	0	0	0	0
Accounts Receivable	12,752	1,575	178	0
Special Assessments Receivable	0	0	0	0
Notes Receivable	0	0	0	0
Due from Other Funds	0	0	0	0
Due from Other Governments	0	0	0	0
Prepays	0	0	0	0
Advances to Other Funds	0	0	0	0
Total Assets	186,618	7,063	10,509	1,471
Liabilities				
Vouchers Payable	425	0	0	0
Accrued Liabilities	0	241	0	0
Due to Other Funds	0	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	425	241	0	0
Deferred Inflows				
Unavailable Revenues	4,619	1,120	0	0
Fund Balances (Deficits)				
Nonspendable:				
Prepays	0	0	0	0
Advance to Other Funds	0	0	0	0
Restricted for:				
Transportation	0	0	0	0
Economic Development	0	0	0	0
Public Assistance Programs	0	0	0	0
Streetlighting	0	0	0	0
Public Safety	181,574	5,702	10,509	1,471
Court-related Services	0	0	0	0
Building Code Enforcements	0	0	0	0
Assigned for:				
Mosquito Control	0	0	0	0
Unassigned (Deficit)	0	0	0	0
Total Fund Balances (Deficits)	181,574	5,702	10,509	1,471
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	\$ 186,618	\$ 7,063	\$ 10,509	\$ 1,471

Special Revenue	Debt Service	Capital Projects			Total Nonmajor
Clerk of Court	Debt		Special	Turner	Governmental
Records	Service		Projects	Reconstruction	Funds
Modernization	Fund	Construction			
\$ 168,936	\$ 0	\$ 0	\$ 803	\$ 0	\$ 2,247,483
0	0	0	0	0	77,375
0	0	0	0	0	16,309
0	0	0	0	0	7,461
0	0	0	0	0	1,375,000
0	0	0	0	0	14,842
0	0	0	34,309	0	159,138
0	0	0	0	0	16,854
0	220,223	0	0	0	220,223
<u>168,936</u>	<u>220,223</u>	<u>0</u>	<u>35,112</u>	<u>0</u>	<u>4,134,685</u>
0	0	0	803	0	70,603
0	0	0	0	0	21,306
0	0	0	0	0	76,999
0	265,747	0	0	0	273,839
<u>0</u>	<u>265,747</u>	<u>0</u>	<u>803</u>	<u>0</u>	<u>442,747</u>
0	0	0	34,309	0	40,048
0	0	0	0	0	16,854
0	220,223	0	0	0	220,223
0	0	0	0	0	23,888
0	0	0	0	0	2,212,213
0	0	0	0	0	7,158
0	0	0	0	0	4,498
0	0	0	0	0	787,967
168,936	0	0	0	0	249,722
0	0	0	0	0	382,372
0	0	0	0	0	19,524
0	(265,747)	0	0	0	(272,529)
<u>168,936</u>	<u>(45,524)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,651,890</u>
<u>\$ 168,936</u>	<u>\$ 220,223</u>	<u>\$ 0</u>	<u>\$ 35,112</u>	<u>\$ 0</u>	<u>\$ 4,134,685</u>

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			
	LIHEAP	Kings Crossing Lighting	Peace River Lighting	Ogden Acres Lighting
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Special Assessments	0	25,425	1,797	2,009
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	230,246	0	0	0
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	754	11	47	2
Total Revenues	<u>231,000</u>	<u>25,436</u>	<u>1,844</u>	<u>2,011</u>
Expenditures				
Current:				
General Government	0	763	54	81
Public Safety	0	0	0	0
Physical Environment	0	22,777	1,390	62
Transportation	0	0	0	0
Economic Environment	0	0	0	1,420
Human Services	184,380	0	0	0
Culture and Recreation	0	0	0	0
Court-related	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
(Total Expenditures)	<u>(184,380)</u>	<u>(23,540)</u>	<u>(1,444)</u>	<u>(1,563)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>46,620</u>	<u>1,896</u>	<u>400</u>	<u>448</u>
Other Financing Sources (Uses)				
Transfers in	0	212	15	17
Transfers (out)	(45,361)	0	0	0
Total Other Financing Sources (Uses)	<u>(45,361)</u>	<u>212</u>	<u>15</u>	<u>17</u>
Net Change in Fund Balances	1,259	2,108	415	465
Fund Balances (Deficits), Beginning of Year	<u>5,899</u>	<u>(1,723)</u>	<u>660</u>	<u>0</u>
Fund Balances (Deficits) End of Year	<u>\$ 7,158</u>	<u>\$ 385</u>	<u>\$ 1,075</u>	<u>\$ 465</u>

Special Revenue					
Golden Melody Lighting	Harlem Heights Lighting	Lake Suzy Lighting	Spring Lakes Lighting	E-911 Services	Emergency Management
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
10,018	3,331	9,209	3,894	0	0
0	0	0	0	0	0
0	0	0	0	91,000	196,934
0	0	0	0	72,046	0
0	0	0	0	0	0
3	4	3	2	1,617	0
10,021	3,335	9,212	3,896	164,663	196,934
192	83	276	114	0	0
0	0	0	0	145,333	217,302
6,985	2,245	8,972	3,788	0	0
0	0	0	0	0	0
0	0	0	0	0	8,936
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(7,177)	(2,328)	(9,248)	(3,902)	(145,333)	(226,238)
2,844	1,007	(36)	(6)	19,330	(29,304)
53	23	77	32	0	105,806
0	0	0	0	0	(3,536)
53	23	77	32	0	102,270
2,897	1,030	41	26	19,330	72,966
(8,998)	1,305	(722)	212	416,392	(29,330)
\$ (6,101)	\$ 2,335	\$ (681)	\$ 238	\$ 435,722	\$ 43,636

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Continued)

	Special Revenue			
	Tourist Development Tax	CDBG Housing Rehab	Mosquito Control	Curbside Solid Waste Collection
Revenues				
Taxes	\$ 79,133	\$ 0	\$ 0	\$ 0
Special Assessments	0	0	0	0
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	0	49,242	32,468	0
Charges for Services	0	0	0	1,745,058
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	213	0	0	654
Total Revenues	<u>79,346</u>	<u>49,242</u>	<u>32,468</u>	<u>1,745,712</u>
Expenditures				
Current:				
General Government	0	0	0	51,744
Public Safety	20	0	0	0
Physical Environment	0	0	0	1,805,968
Transportation	0	0	0	0
Economic Environment	91,184	48,479	0	0
Human Services	0	0	39,069	0
Culture and Recreation	0	0	0	0
Court-related	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
(Total Expenditures)	<u>(91,204)</u>	<u>(48,479)</u>	<u>(39,069)</u>	<u>(1,857,712)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,858)</u>	<u>763</u>	<u>(6,601)</u>	<u>(112,000)</u>
Other Financing Sources (Uses)				
Transfers in	0	0	7,885	73,757
Transfers (out)	0	(763)	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(763)</u>	<u>7,885</u>	<u>73,757</u>
Net Change in Fund Balances	(11,858)	0	1,284	(38,243)
Fund Balances (Deficits), Beginning of Year	<u>152,215</u>	<u>0</u>	<u>18,240</u>	<u>38,243</u>
Fund Balances (Deficits) End of Year	<u>\$ 140,357</u>	<u>\$ 0</u>	<u>\$ 19,524</u>	<u>\$ 0</u>

Special Revenue					
Building Fund	Dart Trust	SHIP	Court Fees Fund	Law Enforcement Trust	Sheriff Communication
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
456,322	0	0	0	0	0
0	112,342	350,000	0	6,662	10,586
5,725	5,815	0	125,278	0	0
0	0	0	53,489	19,093	0
17,442	0	188,209	0	391	134
479,489	118,157	538,209	178,767	26,146	10,720
0	0	0	5,000	0	0
441,355	149	379	0	0	878,625
0	0	0	0	0	0
0	93,414	0	0	0	0
21,353	0	756,929	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	147,086	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(462,708)	(93,563)	(757,308)	(152,086)	0	(878,625)
16,781	24,594	(219,099)	26,681	26,146	(867,905)
417	0	0	0	0	938,582
(7,164)	(34,618)	(36,182)	(20,126)	(233,154)	(70,677)
(6,747)	(34,618)	(36,182)	(20,126)	(233,154)	867,905
10,034	(10,024)	(255,281)	6,555	(207,008)	0
384,038	33,912	2,327,137	74,231	321,515	0
\$ 394,072	\$ 23,888	\$ 2,071,856	\$ 80,786	\$ 114,507	\$ 0

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Concluded)

	Sheriff Inmate Welfare	Sheriff Voluntary Extra Duty	Sheriff Education	Sheriff Victim Advocate
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Special Assessments	0	0	0	0
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	0	0	0	0
Charges for Services	115,149	28,094	2,014	168
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	9,600	0	10	0
Total Revenues	124,749	28,094	2,024	168
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	102,124	27,420	1,274	215
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Human Services	0	0	0	0
Culture and Recreation	0	0	0	0
Court-related	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
(Total Expenditures)	(102,124)	(27,420)	(1,274)	(215)
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,625	674	750	(47)
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	22,625	674	750	(47)
Fund Balances (Deficits), Beginning of Year	158,949	5,028	9,759	1,518
Fund Balances (Deficits) End of Year	\$ 181,574	\$ 5,702	\$ 10,509	\$ 1,471

Special Revenue	Debt Service	Capital Projects			Total Nonmajor
Clerk of Court	Debt		Special	Turner	Governmental
Records	Service		Projects	Reconstruction	Funds
Modernization	Fund	Construction			
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,133
0	0	0	0	0	55,683
0	0	0	0	0	456,322
0	0	0	0	0	1,079,480
42,165	0	0	0	0	2,141,512
0	0	0	0	0	72,582
209	0	440	0	0	219,745
42,374	0	440	0	0	4,104,457
47,352	0	0	0	0	105,659
0	0	900,071	0	0	2,714,267
0	0	0	100	0	1,852,287
0	0	0	0	0	93,414
0	0	0	0	0	928,301
0	0	0	0	0	223,449
0	0	0	31,841	0	31,841
0	0	0	0	0	147,086
0	1,832,492	0	0	0	1,832,492
0	343,717	0	0	0	343,717
(47,352)	(2,176,209)	(900,071)	(31,941)	0	(8,272,513)
(4,978)	(2,176,209)	(899,631)	(31,941)	0	(4,168,056)
0	2,177,448	0	31,941	0	3,336,265
0	0	(1,302)	0	0	(452,883)
0	2,177,448	(1,302)	31,941	0	2,883,382
(4,978)	1,239	(900,933)	0	0	(1,284,674)
173,914	(46,763)	900,933	0	0	4,936,564
\$ 168,936	\$ (45,524)	\$ 0	\$ 0	\$ 0	\$ 3,651,890

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2018

	Board		Sheriff	
	Indigent		Individual	Other
	Health	Cash Bond	Depositors	Suspense
	Trust	Fund	Fund	Fund
Assets				
Cash and Cash Equivalents	\$ 80,958	\$ 4	\$ 2,459	\$ 804
Accounts Receivable	0	0	0	0
Due from Other Governments	253,027	0	2,970	1,722
Total Assets	333,985	4	5,429	2,526
Liabilities				
Due to Other Governments	0	4	5,429	2,526
Due to Individuals and Businesses	333,985	0	0	0
Escrow Deposits	0	0	0	0
Total Liabilities	\$ 333,985	\$ 4	\$ 5,429	\$ 2,526

Sheriff	Clerk of the Courts			Tax Collector	Totals
Inmate Trust Fund	Registry of Court Funds	Special Trust Fund	Child Support Fund	Tax Collector Fund	
\$ 46,573	\$ 405,640	\$ 265,570	\$ 2,349	\$ 621,124	\$ 1,425,481
0	0	0	0	11,486	11,486
0	0	0	0	0	257,719
46,573	405,640	265,570	2,349	632,610	1,694,686
0	0	535	2,349	488,985	499,828
46,573	0	265,035	0	0	645,593
0	405,640	0	0	143,625	549,265
\$ 46,573	\$ 405,640	\$ 265,570	\$ 2,349	\$ 632,610	\$ 1,694,686

COMPLIANCE SECTION

DESOTO COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Grantor/Pass-Through Agency	CFDA/ Number	Contract/ Grant Number	Award Amount	Grant Expenditures
Federal Awards				
U.S. Department of Agriculture				
Natural Resources Conservation Service				
Debris Removal and Bank Stabilization	10.923	NR184209XXXXC011	\$ 1,484,695	\$ 34,309
Total U.S. Department of Housing and Urban Development				<u>34,309</u>
U.S. Department of Housing and Urban Development				
Passed Through Florida Department of Economic Opportunity:				
Florida Small Cities CDBG	14.228	15DB-OJ-07-24-01-H05	750,000	49,242
Total U.S. Department of Housing and Urban Development				<u>49,242</u>
U.S. Department of Justice				
Passed Through Florida Department of Law Enforcement:				
State Criminal Alien Assistance Program (SCAAP)	16.606	2017	19,867	19,897
Bulletproof Vest Partnership Program	16.607	2017	6,662	6,662
Total U.S. Department of Justice				<u>26,559</u>
U.S. Department of Transportation, Federal Transit Administration				
Passed Through Florida Department of Transportation:				
Highway Planning and Construction	20.205	FPN 435014-1-68-01	1,055,780	140,397
Formula Grants for Other Than Urbanized Areas	20.509	FPN 410121-1-84-32 G0843	288,817	37,341
Formula Grants for Other Than Urbanized Areas	20.509	FPN 431581-1-84-01 AQH81	563,300	55,307
				<u>92,648</u>
Total U.S. Department of Transportation, Federal Transit Administration				<u>233,045</u>
U.S. Environmental Protection Agency				
Passed Through Florida Department of Environmental Protection:				
Capitalization Grants for Drinking Water	66.468	DW140230	3,009,946	43,621
Total U.S. Environmental Protection Agency				<u>43,621</u>
U.S. Election Assistance Commission				
Passed Through Florida Department of State:				
Help America Vote Act (HAVA) Elections Security Grant	90.401	19.e.es.000.102	16,622	1,069
Help America Vote Act (HAVA) Albert Server Grant	90.401	19.e.an.000.139	14,343	14,343
Total U.S. Election Assistance Commission				<u>15,412</u>
U.S. Department of Health and Human Services				
Passed Through Florida Department of Revenue				
Child Support Enforcement - Reimbursement	93.563	COC14	N/A	64,303
Passed Through Florida Department of Economic Opportunity:				
Low Income Home Energy Assistance Program*	93.568	17-EA-0F-07-24-01-010	105,846	230,246
Total U.S. Department of Health and Human Services				<u>294,549</u>
U.S. Department of Homeland Security,				
Federal Emergency Management Agency (FEMA)				
Passed Through Florida Department of Community Affairs:				
Emergency Management Performance Grants	97.042	19-FG-AF-07-24-01-092	57,447	16,647
Emergency Management Performance Grants	97.042	18-FG-7A-07-24-01-154	57,364	39,529
				<u>56,176</u>
Passed Through Florida Department of Community Affairs:				
Homeland Security Grants	97.067	18-DS-X1-07-24-01-333	14,936	8,936
Total U.S. Department of Homeland Security, FEMA				<u>65,112</u>
Total Federal Awards				<u>\$ 761,849</u>

* Denotes major federal awards program.

DESOTO COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Concluded)

Grantor/Pass-Through Agency	CSFA/ Number	Contract/ Grant Number	Award Amount	Expenditures
State Financial Assistance				
Florida Department of Community Affairs				
Emergency Management Program	31.063	19-BG-21-07-24-01-049	105,806	\$ 13,203
Emergency Management Program	31.063	18-BG-W9-07-24-01-155	105,806	75,864
Total Florida Department of Community Affairs				<u>89,067</u>
Florida Department of Environmental Protection				
Small County Consolidated Grant	37.012	SC705	90,909	90,909
Statewide Surface Water Restoration and Wastewater Projects**	37.039	LP14026	950,000	366,907
Wastewater Treatment Facility Construction	37.077	DP140420	2,371,756	46,401
Total Florida Department of Environmental Protection				<u>504,217</u>
Florida Department of Economic Opportunity				
Growth Management Implementation Technical Assistance	40.024	P0228	35,000	33,500
Total Florida Department of Economic Opportunity				<u>33,500</u>
Florida Housing Finance Corporation				
State Housing Initiatives Partnership	40.901	Not Stated	350,000	793,489
Total Florida Housing Finance Corporation				<u>793,489</u>
Florida Department of Agriculture and Consumer Services				
Mosquito Control Program	42.003	24780	32,468	32,468
Total Florida Department of Agriculture and Consumer Services				<u>32,468</u>
Florida Department of State, Division of Library and Information Services				
State Aid to Libraries	45.030	18-ST-13	101,170	101,170
Total Florida Department of State, Division of Library and Information Services				<u>101,170</u>
Florida Department of Transportation				
Public Transit Service Development Program	55.012	437507-1-84-01 ARU32	162,016	36,491
Small County Outreach Program - C.R 763**	55.009	431892 1 54 01 G0E71	723,914	247,694
Small County Outreach Program - SW Shores**	55.009	436648 1 54 01 G0E74	1,666,717	1,330,445
Small County Outreach Program - SW Fletcher**	55.009	435060 1 54 01 G0E75	885,172	792,192
Small County Outreach Program - C.R 661**	55.009	431884 1 54 01 G0E73	4,048,269	245,571
				<u>2,615,902</u>
Small County Road Assistance Program - NW Windy Pine	55.016	436649 1 54 01 G0O25	627,724	605,035
Small County Road Assistance Program - NE Masters Ave	55.016	431889 1 54 01 G0806	1,187,984	972,171
				<u>1,577,206</u>
Total Florida Department of Transportation				<u>4,229,599</u>
Florida Department of Health				
Emergency Medical Services County Grant	64.005	C5014	25,722	1,930
Total Florida Department of Health				<u>1,930</u>
Total State Financial Assistance				<u>\$ 5,785,440</u>

** Denotes major state financial assistance project.

DESOTO COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Note 1 - General

The accounting policies and presentation of the accompanying schedule of expenditures of federal awards and state financial assistance of DeSoto County, Florida (the County) have been designed to conform with generally accepted accounting principles applicable to governmental units, including the reporting and compliance requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (federal awards); and Chapter 10.550, *Rules of the Auditor General* of the State of Florida.

The County reporting entity is defined in Note 1 to the County's basic financial statements for the year ended September 30, 2018. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note A to the County's financial statements.

Note 3 - Loans Outstanding

The County has the following loan balances outstanding at September 30, 2018:

<u>Program</u>	<u>Number</u>	<u>CSFA Loan Outstanding</u>
State Housing Initiatives Partnership	40.901	\$ 1,375,000

Only current year loans issued to eligible recipients are included as expenditures on the accompanying schedule.

Note 4 - Contingencies

Grant monies received and disbursed by the County are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to the disallowance of expenditures. Based upon prior experience, the County does not believe that such disallowances, if any, would have a material effect on the financial position of the County.

DESOTO COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Concluded)

Note 5 - Expenditures and Program Income

The amounts shown as current year expenditures on the accompanying schedule represent only the grant portion of the program/project costs. The total expenditures of the program/project may be more than shown. Program income generated by and expended on a federal or state award during the period of performance is included on this schedule if the program income is added to the award amount or if specifically directed by the awarding agency and/or required by program guidance. Program income that reduces the total allowable expenditures (deduction method) is not included.

Note 6 - Indirect Costs

DeSoto County Board of County Commissioners did not elect to use the 10% de minimis cost rate in 2018 as covered in 2 CFR 200.414.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of DeSoto County, Florida (the County), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Report on Compliance for Each Major Federal Program/State Project

We have audited the DeSoto County, Florida (the County)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2018. The County's major federal programs and state projects are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal Statutes, regulations, and the terms and condition of its federal awards applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and state projects 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, rules, and the Uniform Guidance 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 or state project occurred. An audit includes examining, on a test basis, evidence about the County'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 and state project. However, our audit does not provide a legal determination of the County's compliance.

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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Opinion on Each Major Federal Program and State Project

In our opinion, the County 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 and state projects for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project 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 state project, and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, 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 County'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 or state project 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 or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project 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.

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 the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Purvis, Gray, and Company, LLP

May 21, 2019
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Part A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' 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 and State Financial Assistance Projects

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of Auditors' Report Issued on Compliance for Major Programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.557 for local government entities?	No

Identification of Major Programs/Projects:

Federal Program or Cluster

Department of Health and Human Services

Passed through

Florida Department of Economic Opportunity: Low-income Home Energy Assistance Program	CFDA No. 93.568
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State Financial Assistance Projects

Florida Department of Environmental Protection

Statewide Surface Water Restoration and Wastewater Projects	CSFA No. 37.039
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Florida Department of Transportation

Small County Outreach Program (SCOP)	CSFA No. 55.009
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DESOTO COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Concluded)

Part A - SUMMARY OF AUDITORS' RESULTS *(Concluded)*

Identification of Major Programs/Projects: *(Concluded)*

Dollar threshold used to distinguish between Type A and Type B programs - Federal Programs:	\$750,000
Dollar threshold used to distinguish between Type A and Type B programs-State Programs:	\$300,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	Yes

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

None

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

None

PART E - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.

No corrective action plan is required because there were no current year findings required to be reported under the *Federal or Florida Single Audit Acts*.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENT OF PUBLIC FUNDS**

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

We have examined DeSoto County, Florida (the County)'s compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, the County complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Florida Auditor General, DeSoto County Board of County Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
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**INDEPENDENT ACCOUNTANTS' REPORT ON
COMPLIANCE WITH SECTION 365.172(10)
AND SECTION 365.173(2)(d), FLORIDA STATUTES**

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

We have examined DeSoto County, Florida (the County)'s compliance with Section 365.172(10), Florida Statutes, Authorized Expenditures of E911 Fee and Section 365.173(2)(d), Florida Statutes, Distribution and Use of (E911) Funds, during the fiscal year ended September 30, 2018. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, the County complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, DeSoto County Board of County Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
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MANAGEMENT LETTER

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Report on the Financial Statements

We have audited the basic financial statements of DeSoto County, Florida (the County), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 21, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and Independent Accountants' Reports on an examination conducted in accordance with American Institute of Public Accountants *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated May 21, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address some findings and recommendations made in the preceding financial audit report. Uncorrected findings are noted below:

Current Year Finding No.	2017 Fiscal Year Finding No.
2018-1	2017-1

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The County has disclosed this information in Note 1 of the financial statements and there are no component units.

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
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MANAGEMENT LETTER
(Continued)

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.557(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the County has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the County. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we would like to make the following recommendation:

■ **2018-1—Information Technology (IT) Controls**

During our review of the County's use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality and integrity of information generated by the IT systems. We recommend that the County review each item below and consider ways to improve their IT environment, and determine a plan to implement the recommendations below:

- **Business Continuity (BCP) and Disaster Recovery Plans (DRP)**—The County has not developed a BCP or a DRP. The development of a BCP helps an organization be better prepared to act when a disaster occurs. A DRP addresses the recovery of the County's information systems in the event the information systems become unavailable due to a disaster. We recommend the County develop a BCP and a DRP. The plans should be tested and updated at least annually, and application and data file server recovery testing should be performed at the same time.
- **Third-Party IT Service Providers**—The County is utilizing a third-party service provider, eFolder, to host its offsite backups. As part of its third-party due diligence, we recommend that Management obtain a SSAE-18 Type 2 attestation report on an annual basis in order to monitor the effectiveness of the vendor's security and availability controls.
- **Third-Party External Vulnerability Assessment**—An annual third-party external vulnerability assessment is not being performed. Such an assessment provides an independent third-party assessment of vulnerabilities and the effectiveness of existing IT controls to protect against threats to the County's security posture. We recommend that Management review the feasibility (cost effectiveness) of having an annual third-party external vulnerability assessment performed in order to identify any possible configuration deficiencies.

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Additional Matters (Concluded)

■ **2018-1—Information Technology (IT) Controls (Concluded)**

- **Security Awareness Training**—User security awareness training is not being performed. We recommend that the County consider implementing user security awareness training on an annual basis for users who have access to the network, including the new hire process. A record of training should be maintained including the user's acknowledgment that they understand their responsibility regarding security.
- **User Access**—As recommended by the Florida Auditor General, a periodic review of user privileges should be performed to ensure an appropriate segregation of duties is maintained and the user's access is necessary. This process should also be reviewed when employees with user access have been terminated.
- **Network Password Configuration**—The current network password security configuration is not enforcing complexity. This is a security concern because it allows the user to create an easy to guess or hack password. For many years, an 8-character password was considered a best practice, however in recent years, security experts are recommending that a minimum password length of no less than ten characters be enforced, and in fact, Microsoft recommends a length of fourteen characters. We recommend that the network password minimum length be increased to at least 10 characters, password complexity setting be enabled, and passwords' remembered value set to a value greater than 1.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Honorable Members of the DeSoto County Board of County Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

DeSoto County

Board of County Commissioners Administrative Services Department

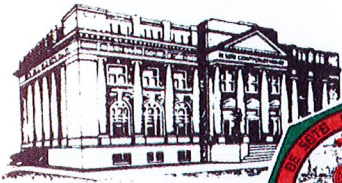
201 East Oak Street, Suite 205

Arcadia, Florida 34266

(863) 993-4587

(863) 993-4643 fax

www.desotobocc.com



May 20, 2019

Purvis, Gray and Company
Certified Public Accountants
5001 Lakewood Ranch Boulevard, N., Suite 101
Sarasota, FL 34240

Re: 2018 Audit – Management Response Letter

Our response to Management Letter Comment is as follows:

2018-1-- Information Technology (IT) Controls

- Business Continuity (BCP) and Disaster Recovery Plans (DRP) – The County's Emergency Management dept. has a BCP and DRP already in place and has a portion that addresses Information Systems. The County will review these document plans and amend them if needed.
- Third-Party IT Service Providers – The County is working on obtaining the SSAE-18 Type 2 attestation report from the third-party service provider. The County will review and evaluate the security and availability controls of the service provider.
- Third-Party External Vulnerability Assessment – The County discussed this issue with vTech (County's I.T. consultant) and they recommended a third-party (Secureworks) to do the external vulnerability testing. Currently the County is writing a scope of work to obtain a quote from Secureworks.
- Security Awareness Training – The County's Human Resources dept. and Information Systems dept. is working on putting together security awareness training classes for current users (employees) and for new hires during their employee orientation.
- User Access – The County's Information Systems dept. is now consistently communicating with Human Resources dept. on current employee's status. Also, Human Resources dept. now notifies Information Systems dept. when an employee is terminated or if there is a new hired employee.
- Network Password Configuration – The County's Information Systems dept. is working with vTech (I.T. consultant) in updating the County's Password Policy. The County will amend the policy to increase the network password minimum length to 10 characters and enable a setting for password complexity.

Sincerely,

DESOTO COUNTY, FLORIDA

Peter Danao, Interim Finance Director

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CLERK OF THE CIRCUIT AND COUNTY COURTS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CLERK OF THE CIRCUIT AND COUNTY COURTS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk) as of and for the year ended September 30, 2018, and the related notes to the 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.

Auditors' Responsibility

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 from 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of each major fund, and the aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information of DeSoto County, Florida that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. 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 the information listed as required supplementary information in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk's financial statements. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the financial statements as a whole.

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Clerk's 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 Clerk's internal control over financial reporting and compliance.



February 6, 2019
Sarasota, Florida

FINANCIAL STATEMENTS

**DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Major Funds		Total
	General Fund	Public Records Trust Fund	Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 59,727	\$ 168,936	\$ 228,663
Due from Other Governments	9,622	0	9,622
Total Assets	<u>69,349</u>	<u>168,936</u>	<u>238,285</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Payroll and Payroll Taxes	1,062	0	1,062
Due to Board of County Commissioners	9,505	0	9,505
Due to Other Governments	51,864	0	51,864
Total Liabilities	<u>62,431</u>	<u>0</u>	<u>62,431</u>
Deferred Inflows			
Unavailable Revenues	<u>6,918</u>	<u>0</u>	<u>6,918</u>
Fund Balances			
Restricted for:			
Records Modernization	0	168,936	168,936
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>0</u>	<u>168,936</u>	<u>168,936</u>
Total Liabilities and Fund Balances	<u>\$ 69,349</u>	<u>\$ 168,936</u>	<u>\$ 238,285</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Major Funds		Total
	General Fund	Public Records Trust Fund	Governmental Funds
Revenues			
Intergovernmental Revenues	\$ 203,004	\$ 0	\$ 203,004
Charges for Services	705,503	42,165	747,668
Interest	525	209	734
Total Revenues	<u>909,032</u>	<u>42,374</u>	<u>951,406</u>
Expenditures			
Current:			
General Government:			
Personnel Services	186,281	0	186,281
Operating Expenditures	30,797	46,023	76,820
Capital Outlay	0	1,329	1,329
Court-related Services:			
Personnel Services	636,099	0	636,099
Operating Expenditures	89,800	0	89,800
Intergovernmental Expenditures	(28,450)	0	(28,450)
(Total Expenditures)	<u>(914,527)</u>	<u>(47,352)</u>	<u>(961,879)</u>
(Deficiency) of Revenues			
(Under) Expenditures	<u>(5,495)</u>	<u>(4,978)</u>	<u>(10,473)</u>
Other Financing Sources			
Transfers in from DeSoto County			
Board of County Commissioners	15,000	0	15,000
Transfers (out) to DeSoto County			
Board of County Commissioners	(9,505)	0	(9,505)
Total Other Financing Sources	<u>5,495</u>	<u>0</u>	<u>5,495</u>
Net Change in Fund Balances	0	(4,978)	(4,978)
Fund Balance, Beginning of Year	<u>0</u>	<u>173,914</u>	<u>173,914</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 168,936</u>	<u>\$ 168,936</u>

See accompanying notes.

**DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2018**

Assets

Cash	\$ 673,559
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Liabilities

Due to Other Governments	2,884
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Due to Individuals	265,035
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Escrow Deposits	405,640
-----------------	---------

Total Liabilities	\$ 673,559
--------------------------	-------------------

See accompanying notes.

**DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk) is an elected constitutional officer of the County as provided by the Constitution of the State of Florida. The Clerk is responsible for the administration and operation of the Clerk's office, including the Circuit and County court systems.

Certain costs of the court systems (communications services; existing radio systems; existing multiagency criminal justice information systems; and the cost of construction or lease, maintenance, utilities, and security of facilities for the trial courts, public defenders' offices, and state attorneys' offices) are required by Article V, *Florida Constitution*, to be funded by the Board. Such costs are not included herein.

For financial statement reporting purposes, the Clerk is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Clerk's office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General - Local Governmental Entity Audits*.

The financial transactions of the Clerk are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Clerk.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Clerk reports the following major governmental funds:

■ **Governmental Funds**

- **General Fund**—is a governmental fund used to account for all revenues and expenditures applicable to the general operations of the Clerk that are not accounted for in another fund.
- **Public Records Trust Fund**—is a special revenue fund used to account for recording fees and licenses and investment income on the money restricted for record modernization.

In addition, the Clerk also reports the following other fund type:

■ **Fiduciary Funds**

- **Agency Funds**—are fiduciary funds and are used to account for assets received and held by the Clerk in the capacity of an agent for the Board, other governmental agencies, or individuals. Agency funds are custodial in nature and do not involve measurement of changes in financial position. The Clerk has several agency funds for varying purposes.

Funding of Clerk Activities

With the implementation of Revision 7 to Article V on July 1, 2004, the Clerk's activities are now classified as either court or non-court. Both the court and non-court activities are reported within the Clerk's general fund.

The non-court activities are funded through service charges for recording instruments and documents into the official records, and through transfers in from the Board.

The court activities are funded by fines, fees, service charges, and court cost collections, plus a monthly state appropriation for the projected deficiency. Beginning in 2014, the state appropriation represented an allocation from the Clerks of Court Operations Corporation (CCOC), pursuant to a contract between the CCOC and the Chief Financial Officer of the State of Florida.

The Public Records Trust Fund is funded by a portion of recording fees, 10% of the collections of court-related fines, fees, service charges, and court cost collections.

Basis of Accounting

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

**DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Concluded)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. The Clerk considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Agency funds are accounted for using the accrual basis of accounting.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirement

The budget for the Clerk’s general fund consists of two parts: a budget for non-court activities approved by the Board (the Board Budget); and a budget for court activities approved by the CCOC (the State Budget). Both budgets are on a basis consistent with GAAP. The budget adopted for the Public Records Trust Fund is an internally developed and approved budget, with no legal level of budgetary control.

Budgetary control in the Board Budget is generally at the total appropriations level (before transfers out). Budgetary changes within the total Board Budget are made at the discretion of the Clerk. Amendments that increase total appropriations (before transfers out) must be submitted to the Board. In the case of the State Budget, budgetary control is also at the total appropriations level (including reserves but excluding intergovernmental expenditures). Amendments must be approved by the CCOC.

Included in the required supplementary information section of the accompanying financial statements, is a budget to actual comparison for the general fund and the Public Records Trust Fund. Expenditures for the General Fund are segregated between the State and the Board Budgets to illustrate budgetary compliance.

Supplemental Funding and Return of “Excess Fees”

The operations of the Clerk are approved and primarily funded from fees and charges authorized under Florida Statutes, and supplemental appropriations from the CCOC or the Board.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Supplemental Funding and Return of “Excess Fees” (Concluded)

For non-court activities, the supplemental funding from the Board is recorded as transfers in on the accompanying statement of revenues, expenditures, and changes in fund balance. Any excess of revenues and transfers in over expenditures for non-court activities (including child support activities) for the year ended September 30, are reported as transfers out and due to the Board, and are payable by October 31.

For court activities, the supplemental funding from the CCOC is recorded as intergovernmental revenue on the accompanying statement of revenues, expenditures, and changes in fund balance. The amount returned, if any, is recorded as intergovernmental expenditures. For the period October 1, 2017 through September 30, 2018, the amount recorded as Due to Other Governments includes \$54,564 of September 2018 revenues, that can be retained to fund 2019 expenditures, less \$2,700 which is due from the state.

The Clerk’s revenues for the period October 1, 2017 through September 30, 2018, fell short of budgeted revenues by \$28,450. The Clerk hopes to receive additional funding from the state to cover the revenue shortfall. This is shown as an offset to intergovernmental expenditures on the financial statements.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows/Unavailable Revenues

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end).

Fund Balances

Fund balance classifications comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Clerk does not have any nonspendable fund balances.
- **Restricted**—This component of fund balance consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balances (Concluded)

- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the organization's governing authority. By statute, the Clerk herself is the governing authority. These committed amounts cannot be used for any other purpose unless the Clerk removes or changes the specified use by taking the same type of action (e.g., policy) she employed to constrain those amounts. The Clerk does not have any committed fund balances.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Clerk has not delegated the responsibility to assign fund balances to any individual or body.
- **Unassigned**—This classification is used for: (a) negative unrestricted fund balances in any governmental fund; or (b) fund balances within the general fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Clerk's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned), as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Clerk's policy to use committed resources first, then assigned, and then unassigned, as needed.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements and notes. Actual results could differ from estimates.

Note 2 - Cash and Investments

At year-end, the carrying amount of the Clerk's deposits was \$900,972 (\$227,413 in governmental funds and \$673,559 in agency funds) and the bank balance was \$1,126,499. All of the Clerk's public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

In addition to cash deposits, the Clerk maintains cash on hand for the purpose of making change on transactions. At September 30, 2018, the Clerk held \$1,250 in cash on hand.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 2 - Cash and Investments (Concluded)

Investments

The Clerk has not adopted an investment policy and so, by statute, follows the State's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the State policy in Section 218.415(17), Florida Statutes. That section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in QPDs.
- Direct obligations of the U.S. Treasury.

The Clerk does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Clerk had no investments at year-end, or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Clerk in its governmental fund operations, is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the governmental fund types of the Clerk and capitalized at cost in the capital asset accounts of the County. The Clerk maintains custodial responsibility for the capital assets used by her office.

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Clerk's leave policy is reported as a liability in the statement of net position in the County's basic financial statements. That liability is based on earned but unused leave time (vacation and sick) at current pay rates, plus FICA taxes related thereto. Leave time is accrued per the policy based on length of employment, and is payable at 100% upon retirement in good standing. Leave time earned after December 31, 2013, is capped at 500 hours depending on years of service.

The policy explains that payouts for unused leave time are subject to funding availability. Nonvested amounts are not accrued and not considered to be significant.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Concluded)

Note 4 - Accumulated Compensated Absences (Concluded)

The change in accumulated compensated absences during the year is as follows:

	<u>Balance</u> <u>October 1,</u> <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Accrued Compensated Absences	\$ 26,205	\$ 29,350	\$ (24,602)	\$ 30,953	\$ 3,095

These liabilities are not reported in the financial statements of the Clerk but rather are reported in the basic financial statements of the County.

Note 5 - Florida Retirement System (FRS) Pension Benefits

The Clerk participates in the Florida Retirement System for Pension Benefits. A detailed plan description and any liability for employees of the Clerk are included in the financial statements of the County.

Note 6 - Postemployment Benefits Other than Pensions

The Clerk participates in the plan established by the Board of County Commissioners to provide other post-employment benefits to retirees of the Board and Constitutional Officers. A detailed plan description and any liability for employees of the Clerk are included in the financial statements of the County.

Note 7 - Risk Management

The Clerk's office is covered for employee medical, workers' compensation, liability, and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Clerk is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Clerk involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. During the year ended September 30, 2018, the Clerk paid \$153,134 to the Board for insurance coverage (medical and life insurance).

Note 8 - Litigation and Contingencies

From time-to-time, the office of the Clerk is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities will not materially affect the operations of the Clerk's office or the financial position of the County, which would be required to fund any claim payments.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Intergovernmental Revenues	\$ 204,881	\$ 204,881	\$ 203,004	\$ (1,877)
Charges for Services:				
Court Activities	531,525	531,525	493,920	(37,605)
Non-court Activities	165,000	210,000	211,583	1,583
Interest	0	0	525	525
Total Revenues	<u>901,406</u>	<u>946,406</u>	<u>909,032</u>	<u>(37,374)</u>
Expenditures				
Board Budget:				
General Government:				
Personnel Services	162,000	193,000	186,281	6,719
Operating Expenditures	21,000	32,000	30,797	1,203
State Budget:				
Court-related Services:				
Personnel Services	676,300	676,300	636,099	40,201
Operating Expenditures	90,700	69,900	89,800	(19,900)
Capital Outlay	26,400	0	0	0
Intergovernmental Expenditures	0	0	(28,450)	28,450
(Total Expenditures)	<u>(976,400)</u>	<u>(971,200)</u>	<u>(914,527)</u>	<u>56,673</u>
Excess of Revenues Over				
 Expenditures	<u>(74,994)</u>	<u>(24,794)</u>	<u>(5,495)</u>	<u>19,299</u>
Other Financing Sources (Uses)				
Transfers in from DeSoto County				
Board of County Commissioners	15,000	15,000	15,000	0
Transfers (out) to DeSoto County				
Board of County Commissioners	0	0	(9,505)	(9,505)
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>5,495</u>	<u>(9,505)</u>
Net Change in Fund Balance	<u>\$ (59,994)</u>	<u>\$ (9,794)</u>	<u>\$ 0</u>	<u>\$ 9,794</u>

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - PUBLIC RECORDS TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Charges for Services	\$ 80,000	\$ 80,000	\$ 42,165	\$ (37,835)
Interest	0	0	209	209
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>42,374</u>	<u>(37,626)</u>
Expenditures				
General Government:				
Operating Expenditures	<u>80,000</u>	<u>80,000</u>	<u>47,352</u>	<u>32,648</u>
(Total Expenditures)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(47,352)</u>	<u>32,648</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,978)</u>	<u>\$ (4,978)</u>

OTHER FINANCIAL INFORMATION

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2018

	<u>Registry of Court Fund</u>	<u>Special Trust Fund</u>	<u>Child Support Fund</u>	<u>Total Agency Funds</u>
Assets				
Cash	<u>\$ 405,640</u>	<u>\$ 265,570</u>	<u>\$ 2,349</u>	<u>\$ 673,559</u>
Liabilities				
Due to Other Governments	0	535	2,349	2,884
Due to Individuals	0	265,035	0	265,035
Escrow Deposits	<u>405,640</u>	<u>0</u>	<u>0</u>	<u>405,640</u>
Total Liabilities	<u>\$ 405,640</u>	<u>\$ 265,570</u>	<u>\$ 2,349</u>	<u>\$ 673,559</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have audited, in accordance with the 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 each major fund and the aggregate remaining fund information of the DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clerk's internal control over financial reporting (internal control) to determine the 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 Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk'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 the timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free from 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 no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clerk'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 Clerk's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 6, 2019
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have examined the DeSoto County, Florida Clerk of the Circuit and County Courts' (the Clerk) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

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

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

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Clerk and management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

February 6, 2019
Sarasota, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTIONS 28.35 AND 28.36, FLORIDA STATUTES**

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have examined the DeSoto County, Florida Clerk of the Circuit and County Courts' (the Clerk) compliance with Sections 28.35 and 28.36, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

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

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

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Clerk and management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

February 6, 2019
Sarasota, Florida

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 61.181, FLORIDA STATUTES**

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have examined the DeSoto County, Florida Clerk of the Circuit and County Courts' (the Clerk) compliance with Section 61.181, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

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

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

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Clerk and management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

February 6, 2019
Sarasota, Florida

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P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
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MANAGEMENT LETTER

Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated February 6, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Reports on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated February 6, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Clerk was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Clerk does not have any component units.

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we would like to draw your attention to the following matter:

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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Honorable Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Financial Management (Concluded)

■ **2018-1 Properly Accounting for Jury-related Expenditures**

Previously, the Clerk was required to document all court and jury-related expenditures on the “Clerk of Court Expenditure and Collections Report”. Beginning in July 2017, Jury related expenditures were reported separately. As a result of this new documentation requirement, the Clerk incorrectly recognized Jury operating expenditures totaling \$8,630 as both court and jury-related expenditures. Based on our recommendation, the Clerk has subsequently amended the “Clerk of Court Expenditure and Collections Report” to properly adjust for these over-expenditures. Our opinion is not modified as a result of this matter.

Additional Matters

Section 10.554(1)(i)3., *Rules of Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Clerk and management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

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



February 6, 2019
Sarasota, Florida



Nadia K. Daughtrey

DeSOTO COUNTY CLERK OF THE CIRCUIT COURT

115 EAST OAK STREET - ARCADIA, FLORIDA 34266

PHONE (863) 993-4876 / FAX (863) 993-4669

February 6, 2019

Purvis, Gray and Company, LLP
5001 Lakewood Ranch Blvd. N., Suite #101
Sarasota, FL 34240

RE: Financial Statements and Independent Auditor's Report FY 2017-2018

To Whom It May Concern:

Regarding your recommendations from the Financial Statements and Independent Auditor's Report FY 2017-2018, please note the following response:

2018-1 Properly Accounting for Jury-related Expenditures - The Clerk's Office has implemented the recommended procedure. Going forward all jury expenditures will be recognized separately from both court and non-court expenditures. Adjustments will be made monthly to reflect this change.

Respectfully submitted,

Nadia K. Daughtrey
DeSoto County Clerk of Courts

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SHERIFF
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SHERIFF
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable James Potter
Sheriff
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Sheriff (the Sheriff) as of and for the year ended September 30, 2018, and the related notes to the 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.

Auditors' Responsibility

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 from 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable James Potter
Sheriff
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Emphasis of Matter - Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position, and budgetary comparisons of each major fund and the aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information of DeSoto County, Florida that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. 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 the information listed as required supplementary information in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's financial statements. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.


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

Honorable James Potter
Sheriff
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Sheriff's 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 Sheriff's internal control over financial reporting and compliance.


January 24, 2019
Sarasota, Florida

DESOTO COUNTY, FLORIDA
SHERIFF
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Major Funds			Nonmajor	Total
	General	Communications	Inmate	Governmental	Governmental
	Fund	Fund	Welfare	Funds	Funds
			Fund		
Assets					
Cash	\$ 920,360	\$ 93,492	\$ 173,866	\$ 17,290	\$ 1,205,008
Due from Other Governments	5,326	0	0	0	5,326
Due from Individuals and Businesses	51,918	882	12,752	1,753	67,305
Total Assets	<u>977,604</u>	<u>94,374</u>	<u>186,618</u>	<u>19,043</u>	<u>1,277,639</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Vouchers Payable	167,579	11,444	425	0	179,448
Accrued Liabilities	130,149	12,253	0	241	142,643
Due to Board of County Commissioners	672,845	70,677	0	0	743,522
Total Liabilities	<u>970,573</u>	<u>94,374</u>	<u>425</u>	<u>241</u>	<u>1,065,613</u>
Deferred Inflows of Resources					
Unavailable Grant Revenue	<u>7,031</u>	<u>0</u>	<u>4,619</u>	<u>1,120</u>	<u>12,770</u>
Fund Balances					
Restricted for:					
Inmate Benefits	0	0	181,574	0	181,574
Voluntary Extra Duty	0	0	0	5,702	5,702
Education and Training	0	0	0	10,509	10,509
Victim Advocate	0	0	0	1,471	1,471
Total Fund Balances	<u>0</u>	<u>0</u>	<u>181,574</u>	<u>17,682</u>	<u>199,256</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 977,604</u>	<u>\$ 94,374</u>	<u>\$ 186,618</u>	<u>\$ 19,043</u>	<u>\$ 1,277,639</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Major Funds			Nonmajor	Total
	General	Communications	Inmate	Governmental	Governmental
	Fund	Fund	Welfare	Funds	Funds
			Fund		
Revenues					
Intergovernmental	\$ 135,928	\$ 10,586	\$ 0	\$ 0	\$ 146,514
Charges for Service	28,500	0	115,149	30,276	173,925
Interest Income	1,515	134	0	10	1,659
Miscellaneous Income	33,387	0	9,600	0	42,987
Total Revenues	199,330	10,720	124,749	30,286	365,085
Expenditures					
Current:					
Public Safety - Law Enforcement:					
Personnel Services	4,666,650	0	0	27,420	4,694,070
Operating Expenditures	1,104,148	0	0	1,489	1,105,637
Capital Outlay	449,045	0	0	0	449,045
Public Safety - Corrections:					
Personnel Services	2,182,722	0	0	0	2,182,722
Operating Expenditures	1,337,393	0	56,369	0	1,393,762
Capital Outlay	30,117	0	45,755	0	75,872
Public Safety - Communications:					
Personnel Services	0	742,790	0	0	742,790
Operating Expenditures	0	135,835	0	0	135,835
Court Services -					
Courthouse Security:					
Personnel Services	366,641	0	0	0	366,641
(Total Expenditures)	(10,136,716)	(878,625)	(102,124)	(28,909)	(11,146,374)
(Deficiency) Excess of Revenues					
(Under) Over Expenditures	(9,937,386)	(867,905)	22,625	1,377	(10,781,289)
Other Financing Sources (Uses)					
Transfers from Board of					
County Commissioners:					
Primary Allocation	10,614,264	938,582	0	0	11,552,846
Supplemental Funding	70,967	0	0	0	70,967
Transfers to Board of					
County Commissioners	(747,845)	(70,677)	0	0	(818,522)
Total Other Financing Sources (Uses)	9,937,386	867,905	0	0	10,805,291
Net Change in Fund Balances	0	0	22,625	1,377	24,002
Fund Balances, Beginning of Year	0	0	158,949	16,305	175,254
Fund Balances, End of Year	\$ 0	\$ 0	\$ 181,574	\$ 17,682	\$ 199,256

See accompanying notes.

DESOTO COUNTY, FLORIDA
SHERIFF
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2018

	Total Agency Funds
Assets	
Cash	\$ 49,840
Due from Others	4,692
Total Assets	<u>54,532</u>
Liabilities	
Due to Others	54,532
Total Liabilities	<u>\$ 54,532</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Sheriff (the Sheriff) is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to Chapter 129, Florida Statutes, the Sheriff's budget is submitted to the Board for approval. The Board appropriates and distributes to the Sheriff on a monthly basis funds necessary to operate the Sheriff's office. Any excess of appropriations received from the Board over actual expenditures for the fiscal year is required to be returned to the Board within 31 days after the close of the fiscal year.

For financial statement purposes, the Sheriff is deemed to be part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Sheriff's office, but are not intended to be a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

The financial transactions of the Sheriff are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, deferred inflows, fund balance, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Sheriff.

The Sheriff reports the following major governmental funds:

■ **Governmental Fund Types**

- **General Fund**—a governmental fund—is used to account for all general operations of the Sheriff and all transactions that are not accounted for in another fund.
- **Communications Fund**—a special revenue fund—is used to account for County-wide dispatch and the proceeds of telephone charges collected for the installation and operation of an Emergency 911 System. The Board receives the charges and transfers them to the Sheriff's Communications Fund.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

■ **Governmental Fund Types (Concluded)**

- **Inmate Welfare Fund**—a special revenue fund—is used to account for the proceeds from the commissary and pay phone sources that are restricted for inmate benefits.

In addition, the Sheriff also reports the following other fund types:

■ **Governmental Fund Types**

- **Special Revenue Funds**—special revenue funds account for the proceeds of specific revenue sources that are restricted for specified purposes.

■ **Fiduciary Fund Types**

- **Agency Funds**—agency funds are fiduciary funds, which are used to account for assets received and held by the Sheriff in the capacity of a trustee or as an agent for individuals, governmental agencies, and other public organizations. Agency funds are custodial in nature and do not involve measurement of changes in financial position.

Basis of Accounting

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

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Grants are the primary revenue source considered to be susceptible to accrual. Expenditures are recognized when the related fund liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Agency funds are accounted for using the accrual basis of accounting.

The Sheriff considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

On or before June 1 of each year, the Sheriff submits a tentative budget for the ensuing fiscal year to the Board. The budgets of the general fund and communications fund are then adopted in the same manner as the budget of the Board.

Budgets are legally adopted for the general fund and communications fund, and are on a basis consistent with GAAP. Budgetary control is exercised at the fund level; net expenditures cannot exceed the budgeted appropriation from the Board, as amended. Budgetary changes within each fund can be made at the discretion of the Sheriff. Amendments to increase appropriations must be submitted to the Board. Budgets were not adopted for the remaining special revenue funds.

Capital Assets

Capital assets, which include vehicles and equipment, are recorded as capital outlay expenditures in the governmental funds at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the County-wide statement of net position as part of the basic financial statements of the County. Capital assets acquired under capital leases are capitalized at cost in the County's statement of net position at the time the assets are received. Donated and confiscated capital assets are recorded in the County's statement of net position at fair value at the time received. Capital assets are depreciated using the straight-line method over three to twenty-five years. The depreciation expense is recorded in the County-wide statement of activities as part of the basic financial statements of the County.

Compensated Absences

All full-time employees of the Sheriff are entitled to annual vacation and sick leave with pay. The employees may accumulate unused vacation leave up to a maximum of 240 hours and can accumulate sick leave with no limit. Accrued vacation leave is paid at termination, while accrued sick leave is only paid to employees who retire. Accrued sick leave is paid at a rate of 25% of the hours accrued, up to a maximum of 480 hours. Vacation and sick leave payments are included in operating costs when payments are made to the employees. The Sheriff does not, nor is he legally required to accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds, but rather is reported in the basic financial statements of the County.

Appropriations from the Board of County Commissioners and Refund of "Excess Fees"

The County funds the majority of the operating budget of the Sheriff. The payments by the County to fund the operations of the Sheriff are recorded as other financing uses (transfers out) in the basic financial statements of the County, and as other financing sources (transfers in) in the financial statements of the Sheriff.

The Board requires that the excess of the County's appropriations (and other revenues) over expenditures be returned to the Board at the end of the fiscal year in both the general fund and the communications fund. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Sheriff and as other financing sources (transfers in) in the basic financial statements of the County. The amount of undistributed excess appropriations at the end of the fiscal year is reported as amounts due the Board.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end).

Fund Balances

Fund balance classifications comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash, or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Sheriff does not have any nonspendable fund balances.
- **Restricted**—This component of fund balances consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the Sheriff. These committed amounts cannot be used for any other purpose unless the Sheriff removes or changes the specified use by taking the same type of action (e.g., policy) he employed to constrain those amounts. The Sheriff does not have any committed fund balances.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Sheriff has not delegated the responsibility to assign fund balances to any individual or body.
- **Unassigned**—This classification is used for: (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Sheriff's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Sheriff's policy to use committed resources first, then assigned, and then unassigned as needed.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements and notes. Actual results could differ from estimates.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 2 - Cash and Cash Equivalents

Deposits

At year-end, the carrying amount of the Sheriff's deposits was \$1,254,848, (\$1,205,008 in governmental funds and \$49,840 in agency funds), and the bank balance was \$1,354,091. The Sheriff's bank deposits are held in qualified public depositories (QPDs) pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

Investments

The Sheriff has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including county officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act of 1969*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the U.S. Treasury.

The Sheriff does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Sheriff had no investments at year-end, or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Sheriff in its governmental fund operations, is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the governmental fund types of the Sheriff. Those assets are capitalized at cost in the capital asset accounts of the County. The Sheriff maintains recordkeeping and custodial responsibility for certain tangible capital assets used by his office.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 3 - Capital Assets (Concluded)

Information on vehicles and equipment used in the operations of the Sheriff's office are presented below:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Capital Asset, Net</u>
Beginning Balance	\$ 5,773,061	\$ (4,251,355)	\$ 1,521,706
Capital Additions	1,139,650	(11,031)	1,128,619
Depreciation	0	(641,915)	(641,915)
(Disposals)	(190,674)	190,674	0
Ending Balance	<u>\$ 6,722,037</u>	<u>\$ (4,713,627)</u>	<u>\$ 2,008,410</u>

The Sheriff routinely trades in assets when purchasing new assets. The remaining book value of the assets traded in is added to the value of the new asset. Also, some additions were donated from other entities. Following is a reconciliation of 2018 capital asset additions above to capital outlay on the accompanying statement of revenues, expenditures, and changes in fund balance:

	<u>2018</u>
Capital Outlay	\$ 524,917
Donated Assets	3,247
Assets Paid for by the County	600,455
Total Capital Additions (Above)	<u>\$ 1,128,619</u>

Note 4 - Vouchers Payable

Vouchers Payable balances in the general and special revenue funds are primarily payable to third party vendors for goods received and services rendered.

Note 5 - Accumulated Compensated Absences

Note 1 describes the policy for accrual and payment of vacation and sick leave. Following is a summary of changes in the compensated absences liability during fiscal year 2018:

Beginning Balance	\$ 319,671
Net Increase	60,224
Ending Balance	<u>\$ 379,895</u>

The portion of the above compensated absences liability estimated to be paid during the next year (current portion) is \$37,989.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Concluded)

Note 6 - Florida Retirement System (FRS) Pension Benefits

The Sheriff participates in the Florida Retirement System for Pension Benefits. A detailed plan description and any liability for employees of the Sheriff are included in the financial statements of the County.

Note 7 - Postemployment Benefits Other than Pensions

The Sheriff participates in the plan established by the Board to provide other post-employment benefits to retirees of the Board and Constitutional Officers. A detailed plan description and any liability for employees of the Sheriff are included in the financial statements of the County.

Note 8 - Risk Management

The Sheriff's office is covered for workers' compensation and employee medical risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Sheriff also participates in the Florida Sheriff's Self-Insurance Program for risks related to professional liability and automobile risks. The funding agreements provide that each fund will be self-sustaining through member premiums and that the Sheriff's liability will reimburse through commercial companies. Aggregate coverage provided by the liability fund is \$10,000,000 for professional liability and \$10,000,000 for public official's liability. Coverage limits for automobile risks are \$300,000 per accident for bodily injury and \$300,000 per accident for property damage. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature.

Additionally, the Sheriff has obtained coverage for inmate medical claims up to \$250,000.

During the year ended September 30, 2018, the Sheriff paid \$1,238,827 to the Board for employee medical coverage and \$118,907 for workers' compensation.

Note 9 - Litigation

The Sheriff is periodically involved as a defendant or plaintiff in certain litigation and claims arising from the ordinary course of operations. It is at least possible that the ultimate liability for known and unknown claims existing at the balance sheet date may be material. However, it is presumed any significant judgments against the Sheriff would be settled by the Board. Accordingly, no contingent liabilities have been accrued in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 96,665	\$ 96,665	\$ 135,928	\$ 39,263
Charges for Services	28,500	28,500	28,500	0
Interest Income	0	0	1,515	1,515
Miscellaneous Income	0	0	33,387	33,387
Total Revenues	<u>125,165</u>	<u>125,165</u>	<u>199,330</u>	<u>74,165</u>
Expenditures				
Current:				
Personnel Services	7,547,749	7,547,749	7,216,013	331,736
Operating Expenditures	2,864,680	2,929,011	2,441,541	487,470
Capital Outlay	317,000	323,636	479,162	(155,526)
Reserves	10,000	10,000	0	10,000
(Total Expenditures)	<u>(10,739,429)</u>	<u>(10,810,396)</u>	<u>(10,136,716)</u>	<u>673,680</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(10,614,264)</u>	<u>(10,685,231)</u>	<u>(9,937,386)</u>	<u>747,845</u>
Other Financing Sources (Uses)				
Transfers from Board of				
County Commissioners:				
Primary Allocation	10,614,264	10,614,264	10,614,264	0
Supplemental Funding	0	70,967	70,967	0
Transfers to Board of				
County Commissioners	0	0	(747,845)	(747,845)
Total Other Financing Sources (Uses)	<u>10,614,264</u>	<u>10,685,231</u>	<u>9,937,386</u>	<u>(747,845)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

DESOTO COUNTY, FLORIDA
SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNICATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 0	\$ 0	\$ 10,586	\$ 10,586
Interest Income	0	0	134	134
Total Revenues	<u>0</u>	<u>0</u>	<u>10,720</u>	<u>10,720</u>
Expenditures				
Current:				
Public Safety - Communications:				
Personnel Services	810,991	810,991	742,790	68,201
Operating Expenditures	97,591	97,591	135,835	(38,244)
Capital Outlay	30,000	30,000	0	30,000
(Total Expenditures)	<u>(938,582)</u>	<u>(938,582)</u>	<u>(878,625)</u>	<u>59,957</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(938,582)</u>	<u>(938,582)</u>	<u>(867,905)</u>	<u>70,677</u>
Other Financing Sources (Uses)				
Transfers from Board of				
County Commissioners	938,582	0	938,582	938,582
Transfers to Board of				
County Commissioners	0	938,582	(70,677)	(1,009,259)
Total Other Financing Sources (Uses)	<u>938,582</u>	<u>938,582</u>	<u>867,905</u>	<u>(70,677)</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

DESOTO COUNTY, FLORIDA
SHERIFF
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

Note 1 - Budgetary Information

Budgets are legally adopted for the general fund and communications fund, and are on a basis consistent with GAAP. Budgetary control is exercised at the fund level; net expenditures cannot exceed the budgeted appropriation from the Board of County Commissioners, as amended. Budgetary changes within each fund can be made at the discretion of the Sheriff. Amendments to increase appropriations must be submitted to the Board.

The General fund and Communications fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. The Inmate Welfare fund and all other special revenue fund expenditures are restricted by statute; therefore, these budgets are not approved by the Board.

OTHER FINANCIAL INFORMATION

DESOTO COUNTY, FLORIDA
SHERIFF
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Volunteer Extra Duty Fund	Education Fund	Victim Advocate Fund	Total Nonmajor Governmental Funds
Assets				
Cash	\$ 5,488	\$ 10,331	\$ 1,471	\$ 17,290
Due from Individuals and Businesses	1,575	178	0	1,753
Total Assets	<u>7,063</u>	<u>10,509</u>	<u>1,471</u>	<u>19,043</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accrued Liabilities	241	0	0	241
Total Liabilities	<u>241</u>	<u>0</u>	<u>0</u>	<u>241</u>
Deferred Inflows of Resources				
Unavailable Grant Revenue	1,120	0	0	1,120
Total Deferred Inflows of Resources	<u>1,120</u>	<u>0</u>	<u>0</u>	<u>1,120</u>
Fund Balances				
Restricted for:				
Voluntary Extra Duty	5,702	0	0	5,702
Education and Training	0	10,509	0	10,509
Victim Advocate	0	0	1,471	1,471
Total Fund Balances	<u>5,702</u>	<u>10,509</u>	<u>1,471</u>	<u>17,682</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,063</u>	<u>\$ 10,509</u>	<u>\$ 1,471</u>	<u>\$ 19,043</u>

DESOTO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Volunteer Extra Duty Fund	Education Fund	Victim Advocate Fund	Total Nonmajor Governmental Funds
Revenues				
Charges for Service	\$ 28,094	\$ 2,014	\$ 168	\$ 30,276
Interest Income	0	10	0	10
Total Revenues	<u>28,094</u>	<u>2,024</u>	<u>168</u>	<u>30,286</u>
Expenditures				
Current:				
Public Safety - Law Enforcement:				
Personnel Services	27,420	0	0	27,420
Operating Expenditures	0	1,274	215	1,489
(Total Expenditures)	<u>(27,420)</u>	<u>(1,274)</u>	<u>(215)</u>	<u>(28,909)</u>
Net Change in Fund Balances	674	750	(47)	1,377
Fund Balances, Beginning of Year	<u>5,028</u>	<u>9,759</u>	<u>1,518</u>	<u>16,305</u>
Fund Balances, End of Year	<u><u>\$ 5,702</u></u>	<u><u>\$ 10,509</u></u>	<u><u>\$ 1,471</u></u>	<u><u>\$ 17,682</u></u>

**DESOTO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF
FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2018**

	Cash Bond Fund	Individual Depositors Fund	Other Suspense Fund	Inmate Trust Fund	Total Agency Funds
Assets					
Cash	\$ 4	\$ 2,459	\$ 804	\$ 46,573	\$ 49,840
Due from Others	0	2,970	1,722	0	4,692
Total Assets	<u>4</u>	<u>5,429</u>	<u>2,526</u>	<u>46,573</u>	<u>54,532</u>
Liabilities					
Due to Others	4	5,429	2,526	46,573	54,532
Total Liabilities	<u>\$ 4</u>	<u>\$ 5,429</u>	<u>\$ 2,526</u>	<u>\$ 46,573</u>	<u>\$ 54,532</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable James Potter
Sheriff
DeSoto County, Florida

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 each major fund and the aggregate remaining fund information of the DeSoto County, Florida Sheriff (the Sheriff) as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheriff's internal control over financial reporting (internal control) to determine the 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 Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control.

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Honorable James Potter
Sheriff
DeSoto County, Florida


**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sheriff'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 Sheriff's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


January 24, 2019
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE, SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable James Potter
Sheriff
DeSoto County, Florida

We have examined the DeSoto County, Florida Sheriff's (the Sheriff) compliance with Florida Statute, Section 218.415 during the fiscal year ended September 30, 2018. Management is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

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

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

In our opinion, the Sheriff complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Sheriff, its management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

January 24, 2019
Sarasota, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
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MANAGEMENT LETTER

Honorable James Potter
Sheriff
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Sheriff (the Sheriff) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated January 24, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 24, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Sheriff does not have any component units.

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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Honorable James Potter
Sheriff
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Additional Matters

Section 10.554(1)(i)3., *Rules of Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of the Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Sheriff, its management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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



January 24, 2019
Sarasota, Florida

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TAX COLLECTOR
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TAX COLLECTOR
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund (major fund) and the aggregate remaining fund information of the DeSoto County, Florida Tax Collector (the Tax Collector), as of and for the year ended September 30, 2018, and the related notes to the 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.

Auditors' Responsibility

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 from 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund (major fund) and the aggregate remaining fund information of the Tax Collector, as of September 30, 2018, and the changes in financial position of the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
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Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter - Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of each major fund, and the aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of DeSoto County, Florida that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. 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 the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Tax Collector's 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 Tax Collector's internal control over financial reporting and compliance.


January 11, 2019
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
BALANCE SHEET
GENERAL FUND (MAJOR FUND)
SEPTEMBER 30, 2018**

Assets

Cash and Cash Equivalents	\$ 213,988
Due from Other Taxing Districts	16,799
Total Assets	<u>230,787</u>

Liabilities, Deferred Inflows, and Fund Balance

Liabilities

Due to Board of County Commissioners	194,013
Due to Other Taxing Agencies	7,424
Unearned Revenue	12,551
Total Liabilities	<u>213,988</u>

Deferred Inflows of Resources

Unavailable Revenue	<u>16,799</u>
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Fund Balance	<u>0</u>
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Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 230,787</u>
--	-------------------

See accompanying notes.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Revenues

Commissions and Fees:	
Board of County Commissioners	\$ 696,509
Other Governmental Units	273,496
Delinquent Tax Fees	80,536
Other Taxing Districts	26,651
Interest	241
Miscellaneous	362
Total Revenues	<u>1,077,795</u>

Expenditures

Current:	
General Government:	
Personnel Services	737,650
Operating Expenditures	99,208
Capital Outlay	39,500
(Total Expenditures)	<u>(876,358)</u>

Excess of Revenues Over Expenditures	<u>201,437</u>
---	----------------

Other Financing (Uses) Sources

Distribution of Excess Commissions to DeSoto County, Florida, Board of County Commissioners	(194,013)
Distribution of Excess Commissions to Other Taxing Districts	(7,424)
Total Other Financing (Uses) Sources	<u>(201,437)</u>

Net Change in Fund Balance	0
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Fund Balance, Beginning of Year	<u>0</u>
--	----------

Fund Balance, End of Year	<u><u>\$ 0</u></u>
----------------------------------	--------------------

See accompanying notes.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2018

Assets

Cash and Cash Equivalents	\$ 621,124
Accounts Receivable	<u>11,486</u>
Total Assets	<u><u>632,610</u></u>

Liabilities

Due to Other Governments	488,985
Escrow Deposits	<u>143,625</u>
Total Liabilities	<u><u>\$ 632,610</u></u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Tax Collector (the Tax Collector) is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to Chapter 195.087, Florida Statutes, the Tax Collector's budget is submitted annually to the Florida Department of Revenue for approval and a copy is forwarded to the Board for coordination with the Board's budget. Any excess revenues received over expenditures made are remitted at year-end to the taxing districts.

As provided in Florida Statutes, the Tax Collector periodically notifies the Board and other governmental agencies of the commissions and fees due to the Tax Collector. By statute, commissions and fees attributable to the school board are paid by the Board.

For financial reporting purposes, the Tax Collector is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Tax Collector's office, but are not intended to be a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

The financial transactions of the Tax Collector are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, fund balance, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Tax Collector reports the following major governmental fund:

- **The General Fund**—a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Tax Collector that are not required either legally or by GAAP to be accounted for in another fund.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

In addition, the Tax Collector also reports the following other fund type:

- **The Agency Fund**—fiduciary funds, are custodial in nature and do not involve measurement of changes in financial position (assets equal liabilities). The agency fund is used primarily for the following:
 - To account for the collection of certain state taxes and fees, including motor vehicle registration fees and the subsequent remittance of those fees (less commission) to the State of Florida.
 - To account for the collection and distribution of local taxes and licenses, including real and personal property taxes.

Basis of Accounting

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

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Agency funds are accounted for using the accrual basis of accounting.

Charges for services on the collection of property taxes are recognized as revenue in the fiscal year for which taxes are levied, provided they are collected within 30 days after the end of the fiscal year (if not, they are deferred). Certain other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Investment revenues are recorded as earned.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Requirement

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the Florida Statutes.

A budget is legally adopted for the general fund and is on a basis consistent with GAAP. Budgetary control is at the expenditure classification level (personnel services, operating expenditures, and capital outlay). Budgetary changes within expenditure classification are made at the discretion of the Tax Collector. Amendments between expenditure classifications must be notified to the State of Florida Department of Revenue.

Property Tax Collections

Chapter 197, Florida Statutes, governs property tax collection.

Current Taxes

All property taxes become due and payable on November 1, and are delinquent on April 1 of the following year. Discounts of 4%, 3%, 2%, and 1% are allowed for early payment in November through February, respectively.

Unpaid Taxes—Sale of Tax Certificates

The Tax Collector advertises, as required by Florida Statutes, then sells tax certificates on all real property for unpaid taxes. Certificates not purchased are issued to the County. Any person owning real property upon which a tax certificate has been sold may reacquire the real property by paying the Tax Collector the face amount of the tax certificate plus interest and other costs.

Tax Deeds

The owner of a tax certificate may, after two years when the taxes have been delinquent (after April 1), file an application for tax deed sale. The County, as a certificate owner, may exercise similar procedures two years after taxes have been delinquent (after April 1). Tax deeds are issued to the highest bidder for the property, which is sold at public auction. The Clerk of the Circuit Court administers these sales.

Refund of “Excess Fees”

Florida Statutes provide that the excess of the Tax Collector’s fee revenue over expenditures is to be distributed to each governmental agency in the same proportion as the fees paid by each governmental agency bear to total fee income of the office. The amount of undistributed excess fees at the end of the fiscal year is reported as amounts due to Board of County Commissioners and due to other taxing agencies.

The County pays a major portion of the fees collected by the Tax Collector. The payments by the County are recorded as operating expenditures in the basic financial statements of the County, and as charges for services revenue in the financial statements of the Tax Collector. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Tax Collector and as other financing sources (transfers in) in the basic financial statements of the County.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Concluded)

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows and Unearned Revenue

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end). Unearned revenue represents the portion of biennial service fees attributable to future years.

Use of Estimates

The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements. Actual results could differ from estimates.

Note 2 - Cash and Investments

Cash

At year-end, the carrying amount of the Tax Collector's deposits was \$830,912 (\$209,788 in governmental funds and \$621,124 in agency funds) and the bank balance was \$929,993. All of the Tax Collector's public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

In addition to cash deposits, the Tax Collector maintains cash on hand for the purpose of making change on transactions. At September 30, 2018, the Tax Collector held \$4,200 in cash on hand.

Investments

The Tax Collector has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act of 1969*, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 2 - Cash and Investments (Concluded)

Investments (Concluded)

d. Direct obligations of the United States Treasury.

The Tax Collector does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Tax Collector had no investments at year-end or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Tax Collector in its governmental fund operations is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the general fund of the Tax Collector and capitalized at cost in the capital asset accounts of the County. The Tax Collector maintains custodial responsibility for the capital assets used by her office.

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Tax Collector's vacation policy, is reported as a liability in the statement of net position in the County's basic financial statements. That liability includes earned but unused vacation, as well as FICA taxes related thereto. Vacation time is accrued based on length of employment. After six months of service, vacation time is paid out hour for hour upon separation from employment. Nonvested amounts are not considered to be significant.

The change in accumulated compensated absences during the year is as follows:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	\$ 6,433	\$ 21,741	\$ (20,438)	\$ 7,736	\$ 4,072

These liabilities are not reported on the fund statements for the Tax Collector but rather on the basic financial statements of the County.

Note 5 - Florida Retirement System (FRS) Pension Benefits

The Tax Collector participates in the Florida Retirement System for Pension Benefits. A detailed plan description and any liability for employees of the Tax Collector are included in the financial statements of the County.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Concluded)

Note 6 - Postemployment Benefits Other Than Pensions

The Tax Collector participates in the plan established by the Board of County Commissioners to provide other post-employment benefits to retirees of the Board and Constitutional Officers. A detailed plan description and any liability for employees of the Tax Collector are included in the financial statements of the County.

Note 7 - Risk Management

The Tax Collector's office is covered for employee medical, workers' compensation, and liability and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Tax Collector is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Tax Collector involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. During the year ended September 30, 2018, the Tax Collector paid \$132,412 to the Board for insurance coverage (medical and life insurance).

Note 8 - Litigation

From time-to-time, the office of the Tax Collector is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities will not materially affect the operations of the Tax Collector's office or the combined financial position of the County, which would be required to fund any claim payments.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
Revenues				
Commissions and Fees:				
Board of County Commissioners	\$ 755,000	\$ 755,000	\$ 696,509	\$ (58,491)
Other Governmental Units	283,560	283,560	273,496	(10,064)
Delinquent Tax Fees	80,000	80,000	80,536	536
Other Taxing Districts	26,306	26,306	26,651	345
Interest	250	250	241	(9)
Miscellaneous	900	900	362	(538)
Total Revenues	<u>1,146,016</u>	<u>1,146,016</u>	<u>1,077,795</u>	<u>(68,221)</u>
Expenditures				
Current:				
General Government:				
Personnel Services	781,798	781,798	737,650	44,148
Operating Expenditures	167,585	128,085	99,208	28,877
Capital Outlay	0	39,500	39,500	0
(Total Expenditures)	<u>(949,383)</u>	<u>(949,383)</u>	<u>(876,358)</u>	<u>73,025</u>
Excess of Revenues Over Expenditures	<u>196,633</u>	<u>196,633</u>	<u>201,437</u>	<u>4,804</u>
Other Financing Sources (Uses)				
Distribution of Excess Commissions to DeSoto County, Florida, Board of County Commissioners	(196,633)	(196,633)	(194,013)	2,620
Distribution of Excess Commissions to Other Taxing Districts	0	0	(7,424)	(7,424)
Total Other Financing Sources (Uses)	<u>(196,633)</u>	<u>(196,633)</u>	<u>(201,437)</u>	<u>(4,804)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

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 general fund and the aggregate remaining fund information of the DeSoto County, Florida Tax Collector (the Tax Collector), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tax Collector's internal control over financial reporting (internal control) to determine the 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 Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 Tax Collector's financial statements are free from 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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters (Concluded)

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



January 11, 2019
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

We have examined the DeSoto County, Florida Tax Collector's (the Tax Collector), compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the Tax Collector's compliance with those requirements. Our responsibility is to express an opinion on the Tax Collector's compliance based on our examination.

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

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

In our opinion, the Tax Collector complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Tax Collector, its management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

January 11, 2019
Sarasota, Florida

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P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
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MANAGEMENT LETTER

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund and the aggregate remaining fund information of the DeSoto County, Florida Tax Collector (the Tax Collector), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated January 11, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 11, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendation made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Tax Collector does not have any component units.

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)


Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Tax Collector, her management team, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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


January 11, 2019
Sarasota, Florida

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PROPERTY APPRAISER
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PROPERTY APPRAISER
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund (major fund) of the DeSoto County, Florida Property Appraiser (the Property Appraiser), as of and for the year ended September 30, 2018, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund (major fund) of the Property Appraiser as of September 30, 2018, and the changes in financial position thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
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Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter – Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of the general fund (major fund), only for that portion of the general fund (major fund) of DeSoto County, Florida that is attributable to the Property Appraiser. They do not purport to, and do not present fairly the financial position of DeSoto County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. 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 the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Property Appraiser's 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 Property Appraiser's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

May 20, 2019
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
BALANCE SHEET
GENERAL FUND (MAJOR FUND)
SEPTEMBER 30, 2018**

Assets

Cash	\$ 196,743
Accounts Receivable	227
Total Assets	<u>196,970</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable and Accrued Expenses	7,921
Due to DeSoto County Board of County Commissioners	185,635
Due to Other Governments	3,414
Total Liabilities	<u>196,970</u>

Fund Balance	<u>0</u>
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Total Liabilities and Fund Balance	<u>\$ 196,970</u>
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See accompanying notes.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Revenues

Charges for Services:	
DeSoto County Board of County Commissioners	\$ 1,042,890
Other Taxing Agencies	19,180
Interest	214
Miscellaneous	1,626
Total Revenues	<u>1,063,910</u>

Expenditures

Current:	
General Government:	
Personnel Services	683,965
Operating Expenditures	187,244
Capital Outlay	3,652
(Total Expenditures)	<u>(874,861)</u>

Excess of Revenues Over Expenditures	<u>189,049</u>
---	----------------

Other Financing Sources (Uses)

Distribution of Excess Appropriations to DeSoto County	
Board of County Commissioners	(185,635)
Distribution of Excess Appropriations to Other Taxing	
Districts	(3,414)
Total Other Financing Sources (Uses)	<u>(189,049)</u>

Net Change in Fund Balance	0
-----------------------------------	---

Fund Balance, Beginning of Year	<u>0</u>
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Fund Balance, End of Year	<u><u>\$ 0</u></u>
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See accompanying notes.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and managed by an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of the State of Florida.

The DeSoto County, Florida Property Appraiser (the Property Appraiser), is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to the Florida Statutes, the Property Appraiser's budget is submitted annually to the Florida Department of Revenue, Division of Ad Valorem Tax, for approval, and a copy is forwarded to the Board.

Fees earned by the Property Appraiser (equal to the amount of the amended budget) are billed quarterly to the Board and other governmental agencies in proportion to prior year taxes levied, or in the case of non-ad valorem districts, by other reasonable methods. By statute, fees attributable to municipalities and school boards are paid by the Board.

For financial statement reporting purposes, the Property Appraiser is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Property Appraiser's office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General - Local Governmental Entity Audits*.

The financial transactions of the Property Appraiser are recorded in one individual fund. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The Property Appraiser reports the following fund type:

■ **Governmental Fund**

● **Major Fund**

- **General Fund**—The General Fund is the general operating fund of the Property Appraiser. It is used to account for all financial resources, except for those required to be accounted for in another fund.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid.

Charges for services on the assessment of property are recognized as revenue in the fiscal year earned, provided they are collected within 30 days after the end of the fiscal year (if not, they are deferred). Certain other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Interest income is recorded as earned.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirement

On or before June 1 of each year, the Property Appraiser submits a tentative budget for the ensuing fiscal year to the Florida Department of Revenue, and a copy is forwarded to the Board.

A budget is legally adopted only for the general fund and is on a basis consistent with GAAP. Budgetary control is at the expenditure classification level (personnel services, operating expenditures, and capital outlay).

Budgetary changes within expenditure classification are made at the discretion of the Property Appraiser. Amendments between expenditure classifications must be submitted to the State of Florida Department of Revenue.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Refund of “Excess Fees”

Florida Statutes provide that the excess of the Property Appraiser’s fee revenue over expenditures is to be distributed to each governmental agency in the same proportion as the fees paid by each governmental agency. The amount of undistributed excess fees at the end of the fiscal year is reported as amounts due to the Board and other governmental agencies.

The County pays a major portion of the fees collected by the Property Appraiser. The payments by the County are recorded as operating expenditures in the basic financial statements of the County, and as charges for services revenues in the financial statements of the Constitutional Officer. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Constitutional Officer and as other financing sources (transfers in) in the basic financial statements of the County.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Use of Estimates

The preparation of financial statements in conformity with GAAP, requires management to make a number of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

Note 2 - Cash and Investments

Cash

At year-end, the carrying amount of the Property Appraiser’s deposits was \$196,643 and the bank balance was \$210,022. All of the Property Appraiser’s public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

In addition to cash deposits, the Property Appraiser maintains cash on hand for the purpose of making change on transactions. At September 30, 2018, the Property Appraiser held \$100 in cash on hand.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)

Note 2 - Cash and Investments (Concluded)

Investments

The Property Appraiser has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That Section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the United States Treasury.

The Property Appraiser does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Property Appraiser had no investments at year-end, or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Property Appraiser is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the general fund of the Property Appraiser and capitalized at cost in the capital asset accounts of the County. The Property Appraiser maintains custodial responsibility for the capital assets used by his office.

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Property Appraiser's annual leave and sick leave policy is reported as a liability in the statement of net position in the County's basic financial statements. That liability includes earned but unused vacation, as well as payroll taxes related thereto. Annual vacation is accrued based on length of employment. After six months of service, annual vacation is paid out hour for hour upon separation from employment.

The change in accumulated compensated absences during the year is as follows:

	<u>Balance</u> <u>October 1,</u> <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Accrued Compensated Absences	\$ 20,728	\$ 15,340	\$ (14,565)	\$ 21,503	\$ 2,150

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Concluded)

Note 5 - Florida Retirement System (FRS) Pension Benefits

The Property Appraiser participates in the Florida Retirement System for Pension Benefits. A detailed plan description and any liability for employees of the Property Appraiser are included in the financial statements of the County.

Note 6 - Postemployment Benefits Other than Pensions

The Property Appraiser participates in the plan established by the Board of County Commissioners to provide other post-employment benefits to retirees of the Board and Constitutional Officers. A detailed plan description and any liability for employees of the Property Appraiser are included in the financial statements of the County.

Note 7 - Risk Management

The Property Appraiser's Office is covered for employee medical, workers' compensation, liability, and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Property Appraiser is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Property Appraiser involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature.

Note 8 - Litigation

From time-to-time, there are lawsuits pending against the Property Appraiser. These usually deal with the valuation and assessment of real properties in the County and the denial of exemptions. The Property Appraiser and legal counsel are of the opinion that the outcome of these lawsuits will not have a material adverse effect on the financial position of the Property Appraiser.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
Revenues				
Charges for Services:				
DeSoto County Board of County				
Commissioners	\$ 1,012,422	\$ 1,042,890	\$ 1,042,890	\$ 0
Other Taxing Agencies	19,180	19,180	19,180	0
Interest Income	0	0	214	214
Miscellaneous	0	0	1,626	1,626
Total Revenues	<u>1,031,602</u>	<u>1,062,070</u>	<u>1,063,910</u>	<u>1,840</u>
Expenditures				
Current:				
General Government:				
Personnel Services	788,326	797,132	683,965	113,167
Operating Expenditures	168,888	204,888	187,244	17,644
Capital Outlay	0	5,300	3,652	1,648
Reserve	74,388	54,750	0	54,750
(Total Expenditures)	<u>(1,031,602)</u>	<u>(1,062,070)</u>	<u>(874,861)</u>	<u>187,209</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>189,049</u>	<u>189,049</u>
Other Financing Sources (Uses)				
Distribution of Excess Appropriations to				
DeSoto County Board of County				
Commissioners	0	0	(185,635)	(185,635)
Distribution of Excess Appropriations to				
Other Taxing Districts	0	0	(3,414)	(3,414)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(189,049)</u>	<u>(189,049)</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

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 general fund (major fund) of the DeSoto County, Florida Property Appraiser (the Property Appraiser), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019.

Internal Control over Financial Reporting

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Property Appraiser'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 Property Appraiser's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

May 20, 2019
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

We have examined the DeSoto County, Florida Property Appraiser's (the Property Appraiser) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the Property Appraiser's compliance with those requirements. Our responsibility is to express an opinion on the Property Appraiser's compliance based on our examination.

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

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

In our opinion, the Property Appraiser complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray, and Company, LLP

May 20, 2019
Sarasota, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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MANAGEMENT LETTER

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund (major fund) of the DeSoto County, Florida Property Appraiser (the Property Appraiser), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 20, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 20, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Property Appraiser does not have any component units.

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Property Appraiser, its management team, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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



May 20, 2019
Sarasota, Florida

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SUPERVISOR OF ELECTIONS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SUPERVISOR OF ELECTIONS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund (major fund) of the DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections) as of and for the year ended September 30, 2018, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from 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 opinion.

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
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Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund (major fund) of the Supervisor of Elections as of September 30, 2018, and the changes in financial position of the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of the general fund (major fund), only for that portion of the general fund of DeSoto County, Florida that is attributable to the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida as of September 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2019, on our consideration of the Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Supervisor of Elections' 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 Supervisor of Elections' internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

May 16, 2019
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
BALANCE SHEET
GENERAL FUND (MAJOR FUND)
SEPTEMBER 30, 2018**

Assets	
Cash	\$ 18,784
Prepaid Items	15,203
Total Assets	<u>33,987</u>
 Liabilities and Fund Balance	
 Liabilities	
Accrued Expenses	553
Unearned Revenue	4,272
Due to DeSoto County Board of County Commissioners	2,666
Due to Others	11,293
Total Liabilities	<u>18,784</u>
 Fund Balance	
Nonspendable	<u>15,203</u>
 Total Liabilities and Fund Balance	<u>\$ 33,987</u>

See accompanying notes.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Revenues

Charges for Services	\$ 3,284
Intergovernmental Revenues	15,412
Interest Income	71
Total Revenues	<u>18,767</u>

Expenditures

Current:	
General Government:	
Personnel Services	276,257
Operating Expenditures	100,208
Capital Outlay	13,306
(Total Expenditures)	<u>(389,771)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(371,004)</u>

Other Financing Sources (Uses)

Transfers in from DeSoto County, Board of County Commissioners	390,327
Transfers (out) to DeSoto County Board of County Commissioners	(4,120)
Total Other Financing Sources (Uses)	<u>386,207</u>

Net Change in Fund Balance	15,203
Fund Balance, Beginning of Year	<u>0</u>
Fund Balance, End of Year	<u>\$ 15,203</u>

See accompanying notes.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements:

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections) is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to Chapter 129, Florida Statutes, the Supervisor of Elections' budget is submitted annually to the Board for approval. The Board distributes the funds necessary to operate the Supervisor of Elections' office on a monthly basis. Any excess of appropriations received from the Board over actual expenditures for the fiscal year is required to be returned to the Board within 31 days after the close of the fiscal year.

For financial statement reporting purposes, the Supervisor of Elections is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Supervisor of Elections' office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

The financial transactions of the Supervisor of Elections are recorded in one individual fund. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Supervisor of Elections reports the following fund type:

■ **Governmental Fund**

● **Major Fund**

- ▶ **General Fund**—The General Fund is the general operating fund of the Supervisor of Elections. It is used to account for all financial resources, except for those required to be accounted for in another fund.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which is not recorded until paid.

The Supervisor of Elections considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirement

On or before June 1 of each year, the Supervisor of Elections submits a tentative budget for the ensuing fiscal year to the Board. The budget is adopted in the same manner as the budget of the Board.

A budget is legally adopted only for the general fund and is on a basis consistent with GAAP. Budgetary control is exercised at the fund level; net expenditures cannot exceed the budgeted appropriation from the Board, as amended. Budgetary changes within the fund can be made at the discretion of the Supervisor of Elections. Amendments to increase the Board appropriation must be submitted to the Board.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year the service is rendered.

Unearned Revenue

Unearned revenue represents revenue attributable to future years.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Concluded)

Return of “Excess Fees”

The County funds a major portion of the operating budget of the Supervisor of Elections (net of grants and miscellaneous receipts). The payments by the County to fund the operations of the Supervisor of Elections are recorded as transfers out in the basic financial statements of the County, and as other financing sources in the financial statements of the Constitutional Officer. The Board requires that the excess of the County’s appropriations (and other revenues) over expenditures be returned to the Board at the end of the fiscal year. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Supervisor of Elections and as other financing sources (transfers in) in the basic financial statements of the County. The amount of undistributed excess appropriations at the end of the fiscal year, if any, is reported as amounts due to the Board.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make a number of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

Note 2 - Cash and Investments

At year-end, the carrying amount of the Supervisor of Elections’ deposits was \$18,784 and the bank balance was \$41,791. All of the Supervisor of Elections’ public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type of depositor in default.

Investments

The Supervisor of Elections has not adopted an investment policy and so, by statute, follows the state’s guidance set forth in Section 219.075, Florida Statutes regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the United States Treasury.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Continued)**

Note 2 - Cash and Investments (Concluded)

Investments (Concluded)

The Supervisor of Elections does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Supervisor of Elections had no investments at year-end or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Supervisor of Elections is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the general fund of the Supervisor of Elections and capitalized at cost in the capital asset accounts of the County. The Supervisor of Elections maintains custodial responsibility for the capital assets used by his office.

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Supervisor of Elections' annual leave policy is reported as a liability in the statement of net position in the County's basic financial statements. That liability includes earned but unused vacation, as well as payroll taxes related thereto. The change in accumulated compensated absences during the year is as follows:

Beginning Balance	\$ 8,000
Net Increase	<u>200</u>
Ending Balance	<u><u>\$ 8,200</u></u>

Upon termination of employment, employees with more than ten years of service can receive payment for half their accumulated sick leave. Nonvested amounts are not considered to be significant. The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$820.

Note 5 - Florida Retirement System Pension Benefits

The Supervisor of Elections participates in the Florida Retirement System (FRS) for pension benefits. A detailed plan description and any liability for employees of the Supervisor of Elections are included in the financial statements of the County.

Note 6 - Postemployment Benefits Other than Pensions

The Supervisor of Elections participates in the plan established by the Board to provide other postemployment benefits to retirees of the Board and Constitutional Officers. A detailed plan description and any liability for employees of the Supervisor of Elections are included in the financial statements of the County.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Concluded)**

Note 7 - Risk Management

The Supervisor of Elections' office is covered for employee medical, workers' compensation, liability, and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Supervisor of Elections is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Supervisor of Elections involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature.

Note 8 - Litigation

From time-to-time, the office of the Supervisor of Elections is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities will not materially affect the operations of the Supervisor of Elections' office or the financial position of the County, which would be required to fund any claims payments.

REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 0	\$ 0	\$ 3,284	\$ 3,284
Intergovernmental Revenues	0	0	15,412	15,412
Interest Income	0	0	71	71
Total Revenues	<u>0</u>	<u>0</u>	<u>18,767</u>	<u>18,767</u>
Expenditures				
Current:				
General Government:				
Personnel Services	270,541	270,541	276,257	(5,716)
Operating Expenditures	116,427	116,427	100,208	16,219
Capital Outlay	3,359	3,359	13,306	(9,947)
(Total Expenditures)	<u>(390,327)</u>	<u>(390,327)</u>	<u>(389,771)</u>	<u>556</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(390,327)</u>	<u>(390,327)</u>	<u>(371,004)</u>	<u>19,323</u>
Other Financing Sources				
Transfers in from DeSoto County, Board of County Commissioners	390,327	390,327	390,327	0
Transfers (out) to DeSoto County Board of County Commissioners	0	0	(4,120)	(4,120)
Total Other Financing Sources	<u>390,327</u>	<u>390,327</u>	<u>386,207</u>	<u>(4,120)</u>
Net Change in Fund Balance	0	0	15,203	15,203
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,203</u>	<u>\$ 15,203</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

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 general fund of the DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections), as of and for the year ended September 30, 2018, and the related notes to the financial statements and have issued our report thereon dated May 16, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described below, that we consider to be a material weakness (Finding 2018-1).

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
(Concluded)**

Internal Control Over Financial Reporting (Concluded)

■ **2018-1 Segregation of Duties**

Condition—One of the basic tenets of a sound system of internal controls is the segregation of incompatible duties among employees. The premise is that to minimize control issues, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit, we identified instances where one individual receives the mail, enters invoices, writes checks, signs checks, and reconciles the bank statements. That same individual authorizes purchases and payroll, and records and reconciles all transactions. This condition is common across small organizations with limited personnel.

Effect—Lack of segregation of incompatible duties can result in errors or irregularities that will not be prevented, or detected and corrected, on a timely basis.

Recommendation—We recommend that the Supervisor of Elections review his internal control policies and procedures to limit the risks resulting from a lack of segregation of duties. Such mitigating controls could include additional involvement from the outsourced CPA or assistance from the DeSoto County Board of County Commissioners' finance department.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Elections' financial statements are free from 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The Supervisor's Response to Findings

The Supervisor's response to the findings identified in our audit is included in the accompanying management letter. The Supervisor's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Purvis, Gray and Company, LLP

May 16, 2019
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

We have examined DeSoto County, Florida Supervisor of Elections' (the Supervisor of Elections) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. The Supervisor of Elections' management is responsible for the Supervisor of Elections' compliance with those requirements. Our responsibility is to express an opinion on the Supervisor of Elections' compliance based on our examination.

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

Our examination does not provide a legal determination on the Supervisor of Elections' compliance with specified requirements.

In our opinion, the Supervisor of Elections complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Supervisor of Elections, its management, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

May 16, 2019
Sarasota, Florida

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P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789

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MANAGEMENT LETTER

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund of the DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 16, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 16, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below:

Current Year Finding No.	2017 Fiscal Year Finding No.	2016 Fiscal Year Finding No.
2018-1	2017-1	2016-1
2018-2	2017-2	N/A
2018-3	N/A	N/A

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Supervisor of Elections.

Certified Public Accountants

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Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we would like to draw your attention to the following findings:

■ **2018-2 Credit Card Use and Documentation**

During our audit, we noted that the Supervisor of Elections used a personal credit card to make business-related expenditures, which were subsequently properly paid for by the Supervisor of Elections. All expenditures in the current year included adequate documentation to support the amount and business-purpose. However, the use of personal credit cards increases the risk that personal and business expenses will be comingled and potentially result in personal expenditures being paid from the business-related accounts. We recommend only a business card be used for Supervisor of Elections business.

■ **2018-3 Vacation Accrual**

During our audit, we noted that the Supervisor of Election's accounting records do not accurately reflect the accrued compensated absences hours for its employees. We recommend management review and correct the records to reduce the risk of overpayment of compensated leave balances upon termination.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Supervisor of Elections, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

May 16, 2019
Sarasota, Florida



MARK F. NEGLEY

SUPERVISOR OF ELECTIONS

DeSoto County, Florida

May 17, 2019

Purvis, Gray & Company, LLP
5001 Lakewood Ranch Blvd. N., Suite #101
Sarasota, FL 34240

Dear Sirs,

We have received and reviewed your audit of the financial statements of the DeSoto County Supervisor of Elections for the year ended September 30, 2018.

Current Year Findings:

- 2018-1 Segregation of Duties
- 2018-2 Credit Card Use and Documentation
- 2018-3 Vacation Accrual

Supervisor of Elections Response:

We do acknowledge the matters disclosed on page twelve, and page fifteen of your management letter and agree with the recommendations of the auditors.

- 2018-1 In 2019 we will include additional involvement from an outsourced CPA to monitor fiscal activity on a quarterly basis and limit the risks resulting from a lack of segregation of duties.
- 2018-2 In 2018, a Business Debit card was obtained for the operating account of the Supervisor of Election's office, solely for official business and eliminating any need for any credit card transactions.
- 2018-3 The Supervisor of Elections has corrected the overstated employee vacation accrual balance. An oversight by the Supervisor of Elections, using the accounting software allowed this issue to occur, and has been corrected.

Sincerely,

Mark F. Negley
Supervisor of Elections