



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

GULFPORT SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

GULFPORT SCHOOL DISTRICT

TABLE OF CONTENTS

| | |
|---|----|
| INDEPENDENT AUDITOR'S REPORT | 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 7 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Exhibit A – Statement of Net Position | 17 |
| Exhibit B – Statement of Activities | 18 |
| Governmental Funds Financial Statements | |
| Exhibit C – Balance Sheet | 19 |
| Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 20 |
| Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances | 21 |
| Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 22 |
| Fiduciary Funds Financial Statements | |
| Exhibit E – Statement of Fiduciary Net Position | 23 |
| Notes to the Financial Statements | 24 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule – General Fund | 45 |
| Budgetary Comparison Schedule – Title I-A Fund | 46 |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 48 |
| Schedule of District Contributions | 49 |
| Notes to the Required Supplementary Information | 47 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of Federal Awards | 51 |
| Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds | 52 |
| OTHER INFORMATION | |
| Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years | 54 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years | 55 |
| REPORTS ON INTERNAL CONTROL AND COMPLIANCE | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 58 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance | 60 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS | 64 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 67 |
| AUDITEE'S CORRECTIVE ACTION PLAN | 69 |

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Gulfport School District
Gulfport, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Gulfport School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information and the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District's Contributions on pages 7 to 15 and 45 to 49 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 Gulfport School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 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 accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the Gulfport School District'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulfport School District's internal control over financial reporting and compliance.

Culumber, Harvey + associates P.A.

Culumber, Harvey, and Associates, P.A.
Gulfport, Mississippi

November 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Gulfport School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$63,603,677, including a prior period adjustment of \$(68,357,951), which represents a 129% decrease from fiscal year 2014. Total net position for 2014 increased \$1,878,463, including a prior period adjustment of \$(334,143), which represents a 4% increase from fiscal year 2013.
- General revenues amounted to \$50,808,532 and \$47,758,055, or 82% and 82% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,200,512, or 18% of total revenues for 2015, and \$10,185,305, or 18 % of total revenues for 2014.
- The District had \$57,254,770 and \$55,730,754 in expenses for fiscal years 2015 and 2014; only \$11,200,512 for 2015 and \$10,185,305 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$50,808,532 for 2015 and \$47,758,053 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$48,531,431 in revenues and \$47,802,016 in expenditures for 2015, and \$45,757,183 in revenues and \$46,769,612 in expenditures in 2014. The General Fund's fund balance increased from 2014 to 2015 by \$176,179 including a prior period adjustment of \$367,976, and decreased by \$293,239 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$1,271,753 for 2015 and decreased by \$1,432,381 for 2014. The increase for 2015 was due to construction in progress on Gulfport High School coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$39,702,850 for 2015 and decreased by \$3,452,844 for 2014. This increase for 2015 was due primarily to the issuance of general obligation bonds. The liability for compensated absences decreased by \$23,504 for 2015 and decreased by \$7,487 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. 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.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, pension expense and interest on long-term liabilities.

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 District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District'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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. 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 all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds 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 immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions are presented in this section.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources did not exceed liabilities and deferred inflows of resources by \$(14,282,216) as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Percentage Change</u> |
|---|-------------------------------|-----------------------------|------------------------------|
| Current assets | \$ 9,740,928 | \$ 10,966,939 | (11.18) % |
| Restricted assets | 41,446,655 | 850,774 | 4,771.64 % |
| Capital assets, net | <u>58,297,738</u> | <u>57,025,985</u> | 2.23 % |
| Total assets | <u>109,485,321</u> | <u>68,843,698</u> | 59.03 % |
| Deferred outflows of resources | <u>5,887,656</u> | - | |
| Current liabilities | 2,228,488 | 3,028,776 | (26.42) % |
| Long-term debt outstanding | 56,196,311 | 16,493,461 | 240.72 % |
| Net pension liability | <u>58,445,284</u> | - | |
| Total liabilities | <u>116,870,083</u> | <u>19,522,237</u> | 498.65 % |
| Deferred inflows of resources | <u>12,785,110</u> | - | |
| Net position: | | | |
| Invested in capital assets, net of related debt | 3,049,495 | 42,816,181 | (92.88) % |
| Restricted | 43,061,430 | 4,174,280 | 931.57 % |
| Unrestricted | <u>(60,393,141)</u> | <u>2,331,000</u> | (2,690.87) % |
| Total net position | \$ <u>(14,282,216)</u> | \$ <u>49,321,461</u> | (128.96) % |

Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

| | |
|---|---------------------|
| Total unrestricted net position (deficit) | \$ (60,393,141) |
| Less unrestricted deficit in net position resulting from recognition of the net pension liability and related pension deferrals | <u>65,342,738</u> |
| Unrestricted net position, exclusive of the net pension liability effect | <u>\$ 4,949,597</u> |

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$1,271,753.
- Issuance of \$41,240,000 in general obligation bonds for the construction/renovation of Gulfport High School.
- The principal retirement of \$4,089,828 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$62,009,044 and \$57,943,360, respectively. The total cost of all programs and services was \$57,254,770 for 2015 and \$55,730,754 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

| | <u>Year Ended</u> <u>30-Jun-15</u> | <u>Year Ended</u> <u>30-Jun-14</u> | <u>Percentage</u> <u>Change</u> |
|---|---------------------------------------|---------------------------------------|------------------------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 1,733,272 | \$ 1,590,194 | 9.00 % |
| Operating grants and contributions | 9,467,240 | 8,595,111 | 10.15 % |
| General revenues: | | | |
| Property (and gaming) taxes | 22,884,217 | 21,856,349 | 4.70 % |
| Grants and contributions not restricted | 27,067,416 | 24,994,444 | 8.29 % |
| Investment earnings | 86,615 | 22,189 | 290.35 % |
| Sixteenth section sources | 618,559 | 798,720 | (22.56) % |
| Other | 151,725 | 86,353 | 75.70 % |
| Total revenues | 62,009,044 | 57,943,360 | 7.02 % |
| Expenses: | | | |
| Instruction | 28,398,925 | 30,878,412 | (8.03) % |
| Support services | 21,265,488 | 21,469,587 | (0.95) % |
| Non-instructional | 2,825,441 | 2,967,029 | (4.77) % |
| Pension expense | 2,406,281 | - | - |
| Interest on long-term liabilities and other debt service costs | 2,358,635 | 415,726 | 467.35 % |
| Total expenses | 57,254,770 | 55,730,754 | 2.73 % |
| Increase (Decrease) in net position | 4,754,274 | 2,212,606 | 114.87 % |
| Net Position, July 1 | 49,321,461 | 47,442,998 | 3.96 % |
| Prior Period Adjustment(s) | (68,357,951) | (334,143) | (20,357.69) % |
| Net Position Restated, July 1 | (19,036,490) | 47,108,855 | (140.41) % |
| Net Position, June 30 | \$ (14,282,216) | \$ 49,321,461 | (128.96) % |

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3
Net Cost of Governmental Activities**

| | <u>Total Expenses</u> | | <u>Percentage Change</u> |
|-----------------------------------|-----------------------|----------------------|------------------------------|
| | <u>2015</u> | <u>2014</u> | |
| Instruction | \$ 28,398,925 | \$ 30,878,412 | (8.03) % |
| Support services | 21,265,488 | 21,469,587 | (0.95) % |
| Non-instructional | 2,825,441 | 2,967,029 | (4.77) % |
| Pension Expense | 2,406,281 | - | - |
| Interest on long-term liabilities | 2,358,635 | 415,726 | 467.35 % |
| Net expenses | \$ 57,254,770 | \$ 55,730,754 | 2.73 % |

| | <u>Net (Expense) Revenue</u> | | <u>Percentage Change</u> |
|------------------------------------|------------------------------|------------------------|------------------------------|
| | <u>2015</u> | <u>2014</u> | |
| Instruction | \$ (23,956,727) | \$ (26,292,981) | (8.89) % |
| Support services | (17,818,664) | (19,148,505) | (6.94) % |
| Non-instructional | 486,049 | 311,763 | 55.90 % |
| Pension Expense | (2,406,281) | - | - |
| Interest on long-term liabilities | (2,358,635) | (415,726) | 467.35 % |
| Total net (expense) revenue | \$ (46,054,258) | \$ (45,545,449) | 1.12 % |

- Net cost of governmental activities (\$46,054,258 for 2015 and \$45,545,449 for 2014) was financed by general revenue, which is primarily made up of property and gaming taxes (\$22,884,217 for 2015 and \$21,856,349 for 2014) and state and federal revenues (\$27,067,416 for 2015 and \$24,994,444 for 2014). In addition, there was \$618,559 and \$798,720 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$86,615 for 2015 and \$22,189 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

GULFPORT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2015

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$48,757,898, an increase of \$40,580,115, which includes a prior period adjustment of \$(445,495) and an increase in inventory of \$24,293. \$3,238,892 or 7% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$45,519,006 or 93% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$176,179, which includes a prior period adjustment of (\$367,976). The fund balance of Other Governmental Funds showed an increase in the amount of \$1,345,702, which includes a prior period adjustment of (\$77,519) and an increase in reserve for inventory of \$24,293, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u> | <u>Increase (Decrease)</u> |
|-----------------------|----------------------------|
| Title I | No increase or decrease |
| GHS Construction Fund | \$ 39,058,234 |

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$88,746,621, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,417,223 from 2014. Total accumulated depreciation as of June 30, 2015, was \$30,448,883, and total depreciation expense for the year was \$1,734,672, resulting in total net capital assets of \$58,297,738.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 4
Capital Assets, Net of Accumulated Depreciation

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Percentage</u> <u>Change</u> |
|--------------------------------------|-----------------------------|-----------------------------|------------------------------------|
| Land | \$ 2,359,527 | \$ 2,359,527 | 0.00 % |
| Construction in Progress | 3,488,894 | 160,154 | 2,078.46 % |
| Buildings | 48,826,640 | 50,660,304 | (3.62) % |
| Building improvements | 662,885 | 701,878 | (5.56) % |
| Improvements other than buildings | 2,207,096 | 2,337,488 | (5.58) % |
| Mobile equipment | 282,304 | 298,635 | (5.47) % |
| Furniture and equipment | 271,970 | 305,067 | (10.85) % |
| Leased property under capital leases | 198,422 | 202,932 | (2.22) % |
| Total | \$ <u>58,297,738</u> | \$ <u>57,025,985</u> | 2.23 % |

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2015, the District had \$56,196,311 in outstanding long-term debt, of which \$4,426,502 is due within one year. The liability for compensated absences decreased \$23,504 from the prior year.

The District maintains an A2 bond rating.

Table 5
Outstanding Long-Term Debt

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Percentage</u> <u>Change</u> |
|---|-----------------------------|-----------------------------|------------------------------------|
| General obligation bonds payable | \$ 43,325,000 | \$ 4,125,000 | 950.30 % |
| Unamortized Premium | 2,576,180 | - | - % |
| Certificates of participation payable | 8,735,000 | 9,900,000 | (11.77) % |
| Three mill notes payable | 472,967 | 700,000 | (32.43) % |
| Shortfall notes payable | - | 29,984 | (100.00) % |
| Obligations under capital leases | 139,096 | 184,804 | (24.73) % |
| Obligations under energy efficiency lease | 606,025 | 1,188,126 | (48.99) % |
| Compensated absences payable | 342,043 | 365,547 | (6.43) % |
| Total | \$ <u>56,196,311</u> | \$ <u>16,493,461</u> | 240.72) % |

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Gulfport School District is financially stable. The District is proud of its community support of the public schools.

The strong community support was evident in the bond issue election on May 27, 2014 where the voters approved issuing \$41,240,000 in bonds to construct and renovate Gulfport High and other smaller projects. The bond issue passed with an 81% approval.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

To date the District has been committed to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact:

Superintendent's Office
Gulfport School District
2001 Pass Road
Gulfport, MS 39501.

FINANCIAL STATEMENTS

GULFPORT SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

| | | Governmental Activities |
|--|----|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ | 7,305,783 |
| Due from other governments | | 1,646,664 |
| Inventories | | 111,013 |
| Prepaid items | | 677,468 |
| Restricted assets | | 41,446,655 |
| Capital assets, non-depreciable: | | |
| Land | | 2,359,527 |
| Construction in progress | | 3,488,894 |
| Capital assets, net of accumulated depreciation: | | |
| Buildings | | 48,826,640 |
| Building improvements | | 662,885 |
| Improvements other than buildings | | 2,207,096 |
| Mobile equipment | | 282,304 |
| Furniture and equipment | | 271,970 |
| Leased property under capital leases | | 198,422 |
| Total Assets | | 109,485,321 |
| Deferred Outflows of Resources | | |
| Deferred Outflows of Resources-Pensions | | 5,887,656 |
| Total deferred outflows of resources | | 5,887,656 |
| Liabilities | | |
| Accounts payable and accrued liabilities | | 1,746,645 |
| Due to other governments | | 5,572 |
| Interest payable on long-term liabilities | | 476,271 |
| Long-term liabilities, due within one year: | | |
| Capital related liabilities | | 3,803,375 |
| Non-capital related liabilities | | 623,127 |
| Long-term liabilities, due beyond one year: | | |
| Capital related liabilities | | 51,444,868 |
| Non-capital related liabilities | | 324,941 |
| Net pension liability | | 58,445,284 |
| Total Liabilities | | 116,870,083 |
| Deferred Inflows of Resources | | |
| Deferred Inflows of Resources-Pensions | | 12,785,110 |
| Total deferred inflows of resources | | 12,785,110 |
| Net Position | | |
| Net investment in capital assets | | 3,049,495 |
| Restricted for: | | |
| Expendable: | | |
| School-based activities | | 1,068,881 |
| Debt service | | 1,209,447 |
| Capital improvements | | 40,543,026 |
| Unemployment benefits | | 129,063 |
| Non-expendable: | | |
| Other | | 111,013 |
| Unrestricted | | (60,393,141) |
| Total Net Position | | \$ (14,282,216) |

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

GULFPORT SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

| 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 |
| Governmental Activities: | | | | | |
| Instruction | \$ 28,398,925 | \$ 1,350,295 | \$ 3,091,903 | \$ - | \$ (23,956,727) |
| Support services | 21,265,488 | - | 3,446,824 | - | (17,818,664) |
| Non-instructional | 2,825,441 | 382,977 | 2,928,513 | - | 486,049 |
| Pension Expense | 2,406,281 | - | - | - | (2,406,281) |
| Interest on long-term liabilities | 2,358,635 | - | - | - | (2,358,635) |
| Total Governmental Activities | \$ 57,254,770 | \$ 1,733,272 | \$ 9,467,240 | \$ - | \$ (46,054,258) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| | | | | | 17,737,022 |
| | | | | | 3,554,856 |
| | | | | | 1,592,339 |
| Unrestricted grants and contributions: | | | | | |
| | | | | | 26,865,664 |
| | | | | | 201,752 |
| | | | | | 86,615 |
| | | | | | 618,559 |
| | | | | | 151,725 |
| | | | | | <u>50,808,532</u> |
| | | | | | Change in Net Position <u>4,754,274</u> |
| | | | | | Net Position - Beginning, as previously reported 49,321,461 |
| | | | | | Prior Period Adjustments <u>(68,357,951)</u> |
| | | | | | Net Position - Beginning, as restated <u>(19,036,490)</u> |
| | | | | | Net Position - Ending <u>\$ (14,282,216)</u> |

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

| | Major Funds | | | | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------|--------------------------------|--------------------------------|
| | General Fund | Title I Fund | GHS Construction Fund | Other Governmental Funds | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 3,785,652 | \$ 2,016 | \$ 39,853,460 | \$ 5,111,310 | \$ 48,752,438 |
| Due from other governments | 883,555 | 388,090 | - | 375,019 | 1,646,664 |
| Due from other funds | 263,831 | - | - | 560,172 | 824,003 |
| Inventories | - | - | - | 111,013 | 111,013 |
| Total assets | <u>\$ 4,933,038</u> | <u>\$ 390,106</u> | <u>\$ 39,853,460</u> | <u>\$ 6,157,514</u> | <u>\$ 51,334,118</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Claims Payable | \$ 623,686 | \$ 248,179 | \$ 795,226 | \$ 79,554 | \$ 1,746,645 |
| Due to other funds | 1,579 | 141,927 | - | 680,497 | 824,003 |
| Due to other Governments | - | - | - | 5,572 | 5,572 |
| Total Liabilities | <u>625,265</u> | <u>390,106</u> | <u>795,226</u> | <u>765,623</u> | <u>2,576,220</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | - | - | - | 111,013 | 111,013 |
| Restricted: | | | | | |
| Debt Service | - | - | - | 1,685,718 | 1,685,718 |
| Capital projects | - | - | 39,058,234 | 1,484,792 | 40,543,026 |
| Unemployment benefits | - | - | - | 129,063 | 129,063 |
| Assigned: | | | | | |
| School based activities | 1,068,881 | - | - | 1,981,305 | 3,050,186 |
| Unassigned | <u>3,238,892</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,238,892</u> |
| Total Fund Balances | <u>4,307,773</u> | <u>-</u> | <u>39,058,234</u> | <u>5,391,891</u> | <u>48,757,898</u> |
| Total Liabilities, deferred inflows of resources and Fund Balances | <u>\$ 4,933,038</u> | <u>\$ 390,106</u> | <u>\$ 39,853,460</u> | <u>\$ 6,157,514</u> | <u>\$ 51,334,118</u> |

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds **\$ 48,757,898**

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

| | | |
|--------------------------------------|---------------------|------------|
| Land | \$ 2,359,527 | |
| Construction in progress | 3,488,894 | |
| Buildings | 73,524,529 | |
| Building improvements | 974,829 | |
| Improvements other than buildings | 3,259,798 | |
| Mobile equipment | 851,404 | |
| Furniture and equipment | 4,062,160 | |
| Leased property under capital leases | 225,480 | |
| Accumulated depreciation | <u>(30,448,883)</u> | 58,297,738 |

2. Items that are normally expenses in the governmental funds are capitalized as prepaid expenses in the statement of net assets.

677,468

3. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

| | |
|-----------------------|--------------|
| Net pension liability | (58,445,284) |
|-----------------------|--------------|

Deferred outflows and inflows are applicable to future periods and, therefore, are not reported in the funds:

| | | |
|--|--------------|-------------|
| Deferred outflows of resources related to pensions | 5,887,656 | |
| Deferred inflows of resources related to pensions | (12,785,110) | (6,897,454) |

4. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|-------------------------------|------------------|--------------|
| General obligation bonds | (43,325,000) | |
| Three mill notes payable | (472,967) | |
| Certificates of participation | (8,735,000) | |
| Capital lease obligations | (139,096) | |
| Energy lease obligations | (606,025) | |
| Compensated absences | (342,043) | |
| Unamortized bond premium | (2,576,180) | |
| Accrued interest payable | <u>(476,271)</u> | (56,672,582) |

Net position of governmental activities **\$ (14,282,216)**

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015**

Exhibit D

| | Major Funds | | | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|--------------------------|--------------------------------|--------------------------------|
| | General Fund | Title I Fund | GHS Construction Fund | | |
| Revenues: | | | | | |
| Local sources | \$ 20,695,011 | \$ - | \$ 67,338 | \$ 4,093,481 | \$ 24,855,830 |
| State sources | 26,934,240 | - | - | 1,614,897 | 28,549,137 |
| Federal sources | 283,621 | 2,305,266 | - | 5,396,631 | 7,985,518 |
| Sixteenth section sources | 618,559 | - | - | - | 618,559 |
| Total Revenues | 48,531,431 | 2,305,266 | 67,338 | 11,105,009 | 62,009,044 |
| Expenditures: | | | | | |
| Instruction | 26,980,088 | 315,328 | - | 2,890,903 | 30,186,319 |
| Support services | 18,793,371 | 1,799,587 | - | 1,741,711 | 22,334,669 |
| Noninstructional services | - | 38,697 | - | 2,857,823 | 2,896,520 |
| Facilities acquisition and construction | - | - | 3,328,740 | - | 3,328,740 |
| Debt service: | | | | | |
| Principal | 1,792,130 | - | - | 2,297,698 | 4,089,828 |
| Interest | 233,892 | - | - | 1,040,810 | 1,274,702 |
| Bond Issue Costs | - | - | 821,409 | - | 821,409 |
| Other | 2,535 | - | - | 4,417 | 6,952 |
| Total Expenditures | 47,802,016 | 2,153,612 | 4,150,149 | 10,833,362 | 64,939,139 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 729,415 | 151,654 | (4,082,811) | 271,647 | (2,930,095) |
| Pensions | | | | | |
| Other Financing Sources (Uses): | | | | | |
| Bonds and notes issued | - | - | 41,240,000 | - | 41,240,000 |
| Insurance recovery | 3,224 | - | - | - | 3,224 |
| Operating transfers in | - | - | - | 1,506,605 | 1,506,605 |
| Premiums on bonds | - | - | 2,688,188 | - | 2,688,188 |
| Operating transfers out | (188,484) | (151,654) | (787,143) | (379,324) | (1,506,605) |
| Total Other Financing Sources (uses) | (185,260) | (151,654) | 43,141,045 | 1,127,281 | 43,931,412 |
| Net Change in Fund Balances | 544,155 | - | 39,058,234 | 1,398,928 | 41,001,317 |
| Fund Balances: | | | | | |
| July 1, 2014, as previously reported * | 4,131,594 | - | - | 4,046,189 | 8,177,783 |
| Prior period adjustments | (367,976) | - | - | (77,519) | (445,495) |
| July 1, 2014, as restated * | 3,763,618 | - | - | 3,968,670 | 7,732,288 |
| Increase (Decrease) in reserve for inventory | | | | 24,293 | 24,293 |
| June 30, 2015 | \$ 4,307,773 | \$ - | \$ 39,058,234 | \$ 5,391,891 | \$ 48,757,898 |

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 41,001,317

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|----------------------|--------------------|-----------|
| Capital outlay | \$ 3,445,740 | |
| Depreciation expense | <u>(1,734,672)</u> | 1,711,068 |

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (439,315)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

| | | |
|----------------------------|------------------|--------------|
| Bonds and notes issued | (41,240,000) | |
| Premiums on bonds issued | (2,688,188) | |
| Payments of debt principal | 4,089,828 | |
| Amortization of premium | 112,008 | |
| Accrued interest payable | <u>(374,532)</u> | (40,100,884) |

4. Deferred outflow of current year pension contributions 4,975,997
Pension Expense (2,406,281)

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

| | | |
|--------------------------------|---------------|--------|
| Change in compensated absences | 23,504 | |
| Change in prepaid items | (35,425) | |
| Change in inventory reserve | <u>24,293</u> | 12,372 |

Change in Net Position of governmental activities \$ 4,754,274

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

GULFPORT SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position (see note below)
June 30, 2015

Exhibit E

| | <u>Agency Funds</u> |
|--|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 2,471,484 |
| Total Assets | <u>\$ 2,471,484</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | \$ 2,313,214 |
| Due to student clubs | 158,270 |
| Total Liabilities | <u>\$ 2,471,484</u> |

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

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Gulfport since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Gulfport School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Blended component unit

The Gulfport Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (See Note 14).

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax 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 Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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 and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund - Federal funds allocated to schools that serve high poverty students to assist students that are at-risk or failing.

Miscellaneous Grant Fund - A fund used to account for various usually non-recurring resources received through grants, donations, etc.

GHS Construction Fund - A fund used to track construction and renovations of Gulfport High School. This project was funded through bond proceeds and a three mill note.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Fund Agency Funds - These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Measurable means knowing or being able to reasonably estimate the amount. 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 after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

2. Restricted Assets

Unspent proceeds from the issuance of long term debt reported as cash and cash equivalents are set aside for capital projects and are classified as restricted assets on the Statement of Net Position because their use is limited by specific purposes outlined in resolutions approved by the board, bond documentation, etc.

3. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

5. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

The following schedule details the capitalization thresholds:

| | Capitalization Policy | Estimated Useful Life |
|--------------------------------------|--------------------------|--------------------------|
| Land | \$ 0 | 0 |
| Buildings | 50,000 | 40 years |
| Building improvements | 25,000 | 20 years |
| Improvements other than buildings | 25,000 | 20 years |
| Mobile equipment | 5,000 | 5-10 years |
| Furniture and equipment | 5,000 | 3-7 years |
| Leased property under capital leases | * | * |

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Exhibit A includes one deferred outflow of resources related to the Pension Plan.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Exhibit A includes one deferred inflow of resources related to the Pension Plan.

See Note 9 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide, financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent pursuant to authorization established by DGA Fund Balance Policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

It is the goal of the District to maintain an unassigned fund balance in the general fund at fiscal year-end of 3% of District Maintenance expenditures while aspiring to achieve a 7% fund balance. If the unassigned fund balance at fiscal year-end falls below the goal of 3%, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$48,752,438 and \$2,471,484, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$7,305,783.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, \$51,457,832 of the District's bank balance of \$51,707,832 was exposed to custodial credit risk.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

The purpose of the inter-fund loans was to cover deficit cash of federal and state funds not received prior to year-end. Payments are made of amounts due between funds within three months.

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| General fund | Other governmental funds | \$ 262,253 |
| General fund | General fund | 1,579 |
| Other governmental funds | Other governmental funds | 418,244 |
| Other governmental funds | Title I | 141,927 |
| Total | | \$ <u>824,003</u> |

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

B. Inter-fund Transfers

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> |
|--------------------------|--------------------------|---------------------|
| Title I | Other governmental funds | 151,654 |
| Construction fund | Other governmental funds | 787,143 |
| General fund | Other governmental funds | 188,484 |
| Other governmental funds | Other governmental funds | 379,324 |
| Total | | \$ <u>1,506,605</u> |

The primary purpose of the inter-fund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance of various Capital Project Funds totaling \$41,446,655 resulting from unspent bond proceeds at fiscal year end.

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities:

| | Balance 7/1/2014 | Increases | Decreases | Adjustments | Balance 6/30/2015 |
|---|----------------------|---------------------|-------------------|------------------|----------------------|
| <u>Governmental Activities:</u> | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 2,359,527 | \$ - | \$ - | \$ - | \$ 2,359,527 |
| Construction-in-progress | 160,154 | 3,328,740 | - | - | 3,488,894 |
| Total non-depreciable capital assets | <u>2,519,681</u> | <u>3,328,740</u> | <u>-</u> | <u>-</u> | <u>5,848,421</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 74,407,598 | - | 883,069 | - | 73,524,529 |
| Building improvements | 974,829 | - | - | - | 974,829 |
| Improvements other than buildings | 3,259,798 | - | - | - | 3,259,798 |
| Mobile equipment | 848,283 | 25,600 | 22,479 | - | 851,404 |
| Furniture and equipment | 4,093,729 | 91,400 | 122,969 | - | 4,062,160 |
| Leased property under capital leases | 225,480 | - | - | - | 225,480 |
| Total depreciable capital assets | <u>83,809,717</u> | <u>117,000</u> | <u>1,028,517</u> | <u>-</u> | <u>82,898,200</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | 23,747,294 | 1,373,203 | 422,608 | - | 24,697,889 |
| Building improvements | 272,951 | 38,993 | - | - | 311,944 |
| Improvements other than buildings | 922,310 | 130,392 | - | - | 1,052,702 |
| Mobile equipment | 549,648 | 39,683 | 20,231 | - | 569,100 |
| Furniture and equipment | 3,788,662 | 143,382 | 121,739 | (20,115) | 3,790,190 |
| Leased property under capital leases | 22,548 | 9,019 | - | (4,509) | 27,058 |
| Total accumulated depreciation | <u>29,303,413</u> | <u>1,734,672</u> | <u>564,578</u> | <u>(24,624)</u> | <u>30,448,883</u> |
| Total depreciable capital assets, net | <u>54,506,304</u> | <u>(1,617,672)</u> | <u>463,939</u> | <u>24,624</u> | <u>52,449,317</u> |
| Governmental activities capital assets, net | <u>\$ 57,025,985</u> | <u>\$ 1,711,068</u> | <u>\$ 463,939</u> | <u>\$ 24,624</u> | <u>\$ 58,297,738</u> |

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Depreciation expense was charged to the following governmental functions:

| | Amount |
|---------------------------------|--------------|
| Governmental activities: | |
| Instruction | \$ 1,461,570 |
| Support services | 199,141 |
| Non-instructional | 73,961 |
| Total Depreciation Expense | \$ 1,734,672 |

Construction in progress is composed of:

| | Spent to June 30, 2015 | Remaining Commitment |
|--------------------------------|---------------------------|-------------------------|
| Governmental Activities | | |
| Admiral Galley | \$ 17,079 | \$ - |
| Gulfport High | 3,471,815 | 4,576,635 |
| Total | \$ 3,488,894 | \$ 4,576,635 |

Construction projects included in governmental activities are funded with Bond Issue Proceeds.

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

| | Balance 7/1/2014 | Additions | Reductions | Balance 6/30/2015 | Amounts due within one year |
|--|---------------------|---------------|--------------|----------------------|-----------------------------------|
| A. General obligation bonds payable | \$ 4,125,000 | \$ 41,240,000 | \$ 2,040,000 | \$ 43,325,000 | \$ 2,245,000 |
| Premiums on general obligation bonds | - | 2,688,188 | 112,008 | 2,576,180 | 134,409 |
| B. Certificates of participation payable | 9,900,000 | - | 1,165,000 | 8,735,000 | 1,145,000 |
| C. Three mill notes payable | 700,000 | - | 227,033 | 472,967 | 233,276 |
| D. Shortfall notes payable | 29,984 | - | 29,984 | - | - |
| E. Obligations under energy efficiency lease | 1,188,126 | - | 582,101 | 606,025 | 606,025 |
| F. Obligations under energy capital lease | 184,804 | - | 45,708 | 139,096 | 45,690 |
| G. Compensated absences payable | 365,547 | - | 23,504 | 342,043 | 17,102 |
| Total | \$ 16,493,461 | \$ 43,928,188 | \$ 4,225,338 | \$ 56,196,311 | \$ 4,426,502 |

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---------------------------------------|---------------|------------|---------------|----------------------|----------------------|
| General obligation bonds, Issue 2009A | 1-2.5% | 5/28/2009 | 10/1/2015 | \$ 4,020,000 | \$ 615,000 |
| General obligation bonds, Issue 2009B | 1-2.75% | 5/28/2009 | 4/1/2016 | 9,740,000 | 1,470,000 |
| General obligation bonds, Issue 2014 | 1-5% | 10/27/2014 | 4/1/2034 | 41,240,000 | 41,240,000 |
| Total | | | | <u>\$ 55,000,000</u> | <u>\$ 43,325,000</u> |

The following is a schedule by years of the total payments due on this debt:

1. General obligation bond issue of 2009A:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|-----------------|-------------------|
| 2016 | \$ 615,000 | \$ 7,688 | \$ 622,688 |
| Total | <u>\$ 615,000</u> | <u>\$ 7,688</u> | <u>\$ 622,688</u> |

This debt will be retired from the bond payable fund.

2. General obligation bond issue of 2009B:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|------------------|---------------------|
| 2016 | \$ 1,470,000 | \$ 40,425 | \$ 1,510,425 |
| Total | <u>\$ 1,470,000</u> | <u>\$ 40,425</u> | <u>\$ 1,510,425</u> |

This debt will be retired from the bonds payable fund.

3. General obligation bond issue of 2014:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|----------------------|----------------------|
| 2016 | \$ 160,000 | \$ 1,606,256 | \$ 1,766,256 |
| 2017 | 1,665,000 | 1,603,056 | 3,268,056 |
| 2018 | 1,700,000 | 1,569,756 | 3,269,756 |
| 2019 | 1,735,000 | 1,535,756 | 3,270,756 |
| 2020 | 1,770,000 | 1,501,056 | 3,271,056 |
| 2021 – 2025 | 9,855,000 | 6,606,830 | 16,461,830 |
| 2026 - 2030 | 12,345,000 | 4,197,180 | 16,542,180 |
| 2031 – 2034 | <u>12,010,000</u> | <u>1,258,940</u> | <u>13,268,940</u> |
| Total | <u>\$ 41,240,000</u> | <u>\$ 19,878,830</u> | <u>\$ 61,118,830</u> |

This debt will be retired from the bonds payable fund.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Total general obligation bond payments for all issues:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|----------------------|----------------------|
| 2016 | \$ 2,245,000 | \$ 1,654,369 | \$ 3,899,369 |
| 2017 | 1,665,000 | 1,603,056 | 3,268,056 |
| 2018 | 1,700,000 | 1,569,756 | 3,269,756 |
| 2019 | 1,735,000 | 1,535,756 | 3,270,756 |
| 2020 | 1,770,000 | 1,501,056 | 3,271,056 |
| 2021 – 2025 | 9,855,000 | 6,606,830 | 16,461,830 |
| 2026 - 2030 | 12,345,000 | 4,197,180 | 16,542,180 |
| 2031 – 2024 | 12,010,000 | 1,258,940 | 13,268,940 |
| Total | \$ <u>43,325,000</u> | \$ <u>19,926,943</u> | \$ <u>63,251,943</u> |

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 1, 2014.

B. Certificates of participation payable

Certificates of participation have been issued by the school district as described in more detail in Note 14. Certificates of participation currently outstanding are as follows:

| Description | Interest Rate(s) | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------|---------------------|---------------|------------------|----------------------|-----------------------|
| Revenue Refunding | 1.81% | 12/19/2012 | 3/1/2024 | \$ 12,275,000 | \$ 8,735,000 |
| Total | | | | \$ <u>12,275,000</u> | \$ <u>8,735,000</u> |

The following is a schedule by years of the total payments due on this debt:

Certificates of participation issue of refunding:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 1,145,000 | \$ 158,103 | \$ 1,303,103 |
| 2017 | 1,120,000 | 137,379 | 1,257,379 |
| 2018 | 1,100,000 | 117,107 | 1,217,107 |
| 2019 | 1,075,000 | 97,197 | 1,172,197 |
| 2020 | 1,050,000 | 77,740 | 1,127,740 |
| 2021-2024 | 3,245,000 | 125,432 | 3,370,432 |
| Total | \$ <u>8,735,000</u> | \$ <u>712,958</u> | \$ <u>9,447,958</u> |

This debt will be retired from the General Fund.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

C. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate(s) | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|------------------------|---------------------|---------------|------------------|-------------------|-----------------------|
| Three mill series 2014 | 1.29% | 5/20/2014 | 5/20/2017 | \$ 700,000 | \$ 472,967 |
| Total | | | | \$ <u>700,000</u> | \$ <u>472,967</u> |

The following is a schedule by years of the total payments due on this debt:

Three mill notes payable issue of 2014:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|-----------------|-------------------|
| 2016 | \$ 233,276 | \$ 6,101 | \$ 239,377 |
| 2017 | 239,691 | 3,092 | 242,783 |
| Total | \$ <u>472,967</u> | \$ <u>9,193</u> | \$ <u>491,353</u> |

This debt will be retired from the three mill debt service fund

D. Obligations under energy efficiency leases

An energy efficiency lease agreement dated May 15, 2006 was executed by and between The District, the lessee, and Hancock Bank, the lessor. The agreement authorized the borrowing of \$5,114,976 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items.

Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years. The District entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

| Description | Interest Rate(s) | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---------------------------|---------------------|---------------|------------------|---------------------|-----------------------|
| HVAC Equipment & Lighting | 4.11% | 5/15/2006 | 4/1/2016 | \$ 5,114,976 | \$ 606,025 |
| Total | | | | \$ <u>5,114,976</u> | \$ <u>606,025</u> |

The following is a schedule by years of the total payments due on this debt:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2016 | \$ 606,025 | \$ 24,908 | \$ 630,933 |
| Total | \$ <u>606,025</u> | \$ <u>24,908</u> | \$ <u>630,933</u> |

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

The District uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the General Fund.

E. Obligations under capital leases

The District has entered into a lease agreement as lessee for financing the acquisition of HVAC units at a cost of \$228,500. Debt issue costs in the amount of \$3,020 were not capitalized. This lease qualifies as a capital lease for accounting purposes.

Debt currently outstanding is as follows:

| <u>Description</u> | <u>Interest Rate(s)</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|-------------------------|-------------------------|-------------------|----------------------|----------------------|---------------------------|
| HVAC System Replacement | 1.47% | 5/16/2013 | 5/16/2018 | \$ 228,500 | \$ 139,096 |
| Total | | | | \$ <u>228,500</u> | \$ <u>139,096</u> |

The following is a schedule by years of the total payments due on this debt:

Obligations under capital leases issue of 2013:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------|-----------------|-------------------|
| 2016 | \$ 45,690 | \$ 2,045 | \$ 47,735 |
| 2017 | 46,362 | 1,373 | 47,735 |
| 2018 | 47,044 | 691 | 47,735 |
| Total | \$ <u>139,096</u> | \$ <u>4,109</u> | \$ <u>143,205</u> |

F. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Short-Term Financing

During the fiscal year ended June 30, 2015, the District participated in the following short-term financing(s) for the purpose of easing cash flow constraints.

A. Bank-financed short term debt.

The District issued a revenue anticipation note payable to Hancock Bank, and the proceeds from such issuance are accounted for in the General Fund of the District. Once the cash flow was available, the District made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the District's General Fund.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

- B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2015 are as follows:

| Description | Balance 7/1/2014 | Additions | Reductions | Balance 6/30/2015 |
|-----------------------|---------------------|--------------|------------|----------------------|
| Tax Anticipation Loan | \$ - | \$ 1,500,000 | 1,500,000 | \$ - |
| Total | \$ - | \$ 1,500,000 | 1,500,000 | \$ - |

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$4,975,997, \$4,886,087 and \$4,366,883, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$58,445,284 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The school district's proportion was 0.4815 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,406,281. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 911,659 | |
| Difference due to a change in proportionate share | | \$ 4,313,688 |
| Net difference between projected and actual earnings on pension plan investments | | 8,471,422 |
| District contributions subsequent to the measurement date | 4,975,997 | |
| Total | \$ <u>5,887,656</u> | \$ <u>12,785,110</u> |

\$4,975,997 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|---------------------|----|---------------------|
| Year ended June 30: | | |
| 2016 | \$ | (3,341,607) |
| 2017 | | (3,341,607) |
| 2018 | | (3,072,382) |
| 2019 | | <u>(2,117,856)</u> |
| Total | \$ | <u>(11,873,451)</u> |

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.5 percent |
| Salary increases | 4.25 – 19.50 percent, including inflation |
| Investment rate of return | 8.00 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| U.S. Broad | 34 % | 5.20 % |
| International Equity | 19 | 5.00 |
| Emerging Markets Equity | 8 | 5.45 |
| Fixed Income | 20 | 0.25 |
| Real Assets | 10 | 4.00 |
| Private Equity | 8 | 6.15 |
| Cash | 1 | (0.50) |
| Total | <u>100 %</u> | |

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

| | <u>1% Decrease (7.00%)</u> | <u>Current Discount Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 79,678,350 | \$ 58,445,284 | \$ 40,733,749 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.



GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

| Explanation | Amount |
|--|------------------------|
| 1 Implementation of GASB 68 and 71 | |
| Net pension liability (measurement date) | \$ (72,546,086) |
| Deferred outflows - contributions made during fiscal year 2014 | 4,633,630 |
| Total prior period adjustment related to GASB 68 and 71 | <u>(67,912,456)</u> |
| 2 Section 42 Housing correction | <u>(445,495)</u> |
| Total | <u>\$ (68,357,951)</u> |

Note 11 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Effective October 1, 2014 the Gulfport School District terminated participation with the Mississippi School Board Association Workers' Compensation Trust and joined the Mississippi Municipal Workers' Compensation Group. The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Trust Certificates

A trust agreement dated August 4, 2008, was executed by and between the school district and Gulfport School District Leasing Authority, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$16,000,000. Approximately \$16,000,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"). On December 19, 2012, the district issued \$12,275,000 in certificates of participation to current refund \$11,997,000 of the outstanding balances of the 2008 and 2009 series certificates of participation.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$60,393,141) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Gulfport School District evaluated the activity of the District through November 10, 2015, the date the financial statements were available to be issued), and determined that there were no subsequent events to report.

REQUIRED SUPPLEMENTARY INFORMATION

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|------------------|---------------|------------------------|----------------------|--------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local sources | \$ 21,142,361 | \$ 20,984,042 | \$ 20,695,011 | \$ (158,319) | \$ (289,031) |
| State sources | 26,568,845 | 26,678,845 | 26,934,240 | 110,000 | 255,395 |
| Federal sources | 284,981 | 342,535 | 283,621 | 57,554 | (58,914) |
| Sixteenth section sources | - | 620,000 | 618,559 | 620,000 | (1,441) |
| Total Revenues | 47,996,187 | 48,625,422 | 48,531,431 | 629,235 | (93,991) |
| Expenditures: | | | | | |
| Instruction | 27,169,425 | 27,495,237 | 26,980,088 | (325,812) | 515,149 |
| Support services | 19,283,482 | 19,374,343 | 18,793,371 | (90,861) | 580,972 |
| Debt service: | | | | | |
| Principal | 2,970,630 | 3,292,191 | 1,792,130 | (321,561) | 1,500,061 |
| Interest | 59,497 | 236,385 | 233,892 | (176,888) | 2,493 |
| Other | - | - | 2,535 | - | (2,535) |
| Total Expenditures | 49,483,034 | 50,398,156 | 47,802,016 | (915,122) | 2,596,140 |
| over (under) Expenditures | (1,486,847) | (1,772,734) | 729,415 | (285,887) | 2,502,149 |
| Other Financing Sources (Uses): | | | | | |
| Bonds and notes issued | - | 1,500,000 | - | 1,500,000 | (1,500,000) |
| Insurance recovery | - | 3,738 | 3,224 | 3,738 | (514) |
| Operating transfers in | 4,433,185 | 4,519,883 | - | 86,698 | (4,519,883) |
| Operating transfers out | (4,004,940) | (4,710,667) | (188,484) | (705,727) | 4,522,183 |
| Total Other Financing Sources (Uses) | 428,245 | 1,312,954 | (185,260) | 884,709 | (1,498,214) |
| Net Change in Fund Balances | (1,058,602) | (459,780) | 544,155 | 598,822 | 1,003,935 |
| Fund Balances: | | | | | |
| July 1, 2014, as previously reported * | 3,552,458 | 3,935,904 | 4,131,594 | 383,446 | 195,690 |
| Prior period adjustments | - | - | (367,976) | - | (367,976) |
| July 1, 2014, as restated * | 3,552,458 | 3,935,904 | 3,763,618 | 383,446 | (172,286) |
| Increase (Decrease) in reserve for inventory | - | - | - | - | - |
| June 30, 2015 | \$ 2,493,856 | \$ 3,476,124 | \$ 4,307,773 | \$ 982,268 | \$ 831,649 |

The notes to the required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|--|------------------|--------------|------------------------|----------------------|--------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Federal sources | \$ 2,115,647 | \$ 2,911,849 | \$ 2,305,266 | \$ 796,202 | \$ (606,583) |
| Total Revenues | 2,115,647 | 2,911,849 | 2,305,266 | 796,202 | (606,583) |
| Expenditures: | | | | | |
| Instruction | 559,533 | 431,598 | 315,328 | 127,935 | 116,270 |
| Support services | 1,334,770 | 2,234,019 | 1,799,587 | (899,249) | 434,432 |
| Noninstructional services | 38,169 | 56,928 | 38,697 | (18,759) | 18,231 |
| Total Expenditures | 1,932,472 | 2,722,545 | 2,153,612 | (790,073) | 568,933 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 183,175 | 189,304 | 151,654 | 6,129 | (37,650) |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers out | (183,175) | (189,304) | (151,654) | (6,129) | 37,650 |
| Total Other Financing Sources (Uses) | (183,175) | (189,304) | (151,654) | (6,129) | 37,650 |
| Net Change in Fund Balances | - | - | - | - | - |
| Fund Balances: | | | | | |
| July 1, 2014, as previously reported * | - | - | - | - | - |
| Prior period adjustments | - | - | - | - | - |
| July 1, 2014, as restated * | - | - | - | - | - |
| Increase (Decrease) in reserve for inventory | | | | - | - |
| June 30, 2015 | \$ - | \$ - | \$ - | \$ - | \$ - |

The notes to the required supplementary information are an integral part of this schedule.

GULFPORT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

| | <u>2015</u> |
|--|---------------|
| District's proportion of the net pension liability (asset) | 0.4815% |
| District's proportionate share of the net pension liability (asset) | \$ 58,445,284 |
| District's covered-employee payroll | 29,419,871 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 198.66% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.21% |

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

GULFPORT SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

| | <u>2015</u> |
|--|--------------------|
| Contractually Required Contribution | \$ 4,975,997 |
| Contributions in relation to the contractually required contribution | <u>4,975,997</u> |
| Contribution deficiency (excess) | \$ <u><u>-</u></u> |
| District's covered-employee payroll | 31,593,632 |
| Contributions as a percentage of covered-employee payroll | 15.75% |

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

SUPPLEMENTARY INFORMATION

GULFPORT SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

| Federal Grantor/ Pass-through Grantor/ Program Title | Catalog of Federal Domestic Assistance No. | Federal Expenditures |
|---|--|-------------------------|
| <u>U.S. Department of Agriculture</u> | | |
| Passed-through Mississippi Department of Education | | |
| Child nutrition cluster | | |
| School breakfast program | 10.553 | \$ 700,004 |
| National school lunch program | 10.555 | 2,218,481 |
| Summer food service program for children | 10.559 | 81,910 |
| Total child nutrition cluster | | <u>3,000,395</u> |
| Fresh fruit and vegetable program | 10.582 | 76,827 |
| Total passed-through Mississippi Department of Education | | <u>3,077,222</u> |
| Total U.S. Department of Agriculture | | <u>3,077,222</u> |
| <u>U.S. Department of Defense</u> | | |
| Direct Program | | |
| Reserve Officers' Training Corps | 12.xxx | 65,537 |
| Total U.S. Department of Defense | | <u>65,537</u> |
| <u>Federal Communications Commission</u> | | |
| Administered through the Universal Service Administrative Company | | |
| The schools and libraries program of the universal service fund | 32.xxx | 157,554 |
| Total Federal Communications Commission | | <u>157,554</u> |
| <u>U.S. Department of Education</u> | | |
| Direct program | | |
| Impact Aid | 84.041 | 41,678 |
| Total | | <u>41,678</u> |
| Passed-through Mississippi Department of Education | | |
| Career and technical education - basic grants to states | 84.048 | 76,869 |
| English language acquisition state grants | 84.365 | 28,691 |
| Improving teacher quality-State Grants | 84.367 | 545,851 |
| Subtotal | | <u>651,411</u> |
| Title I Part A | | |
| Title I grants to local educational agencies | 84.010 | 2,305,266 |
| Total Title I Part A | | <u>2,305,266</u> |
| Special education cluster | | |
| Special education - grants to states | 84.027 | 1,601,164 |
| Special education preschool grants | 84.173 | 51,912 |
| Total special education cluster | | <u>1,653,076</u> |
| Total passed-through Mississippi Department of Education | | <u>4,609,753</u> |
| Total U.S. Department of Education | | <u>4,651,431</u> |
| <u>U.S. Department of Health and Human Services</u> | | |
| Passed-through Mississippi Department of Health | | |
| Medicaid Medical assistance program | 93.778 | 25,686 |
| Total passed-through Mississippi Department of Health | | <u>25,686</u> |
| Total U.S. Department of Health and Human Services | | <u>25,686</u> |
| <u>U.S. Department of Homeland Security</u> | | |
| Disaster Grants - Public Assistance (Presidentially declared disasters) | 97.036 | 8,088 |
| Total passed-through Mississippi Emergency Management Agency | | <u>8,088</u> |
| Total Department of Homeland Security | | <u>8,088</u> |
| Total for All Federal Awards | | <u>\$ 7,985,518</u> |

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

GULFPORT SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2015

| <u>Expenditures</u> | <u>Total</u> | <u>Instruction and Other Student Instructional Expenditures</u> | <u>General Administration</u> | <u>School Administration</u> | <u>Other</u> |
|------------------------------|----------------------|---|-----------------------------------|----------------------------------|----------------------|
| Salaries and fringe benefits | \$ 42,605,189 | \$ 33,208,291 | \$ 1,388,842 | \$ 3,306,418 | \$ 4,701,638 |
| Other | 22,333,950 | 4,418,812 | 343,948 | 185,403 | 17,385,787 |
| Total | \$ 64,939,139 | \$ 37,627,103 | \$ 1,732,790 | \$ 3,491,821 | \$ 22,087,425 |
| Total number of students * | 5,876 | | | | |
| Cost per student | \$ 11,052 | \$ 6,404 | \$ 295 | \$ 594 | \$ 3,759 |

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

GULFPORT SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

| | 2015 | 2014* | 2013* | 2012* |
|---|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Local sources | \$ 20,695,011 | \$ 20,675,160 | \$ 20,765,978 | \$ 21,109,636 |
| State sources | 26,934,240 | 24,801,828 | 23,785,096 | 23,408,560 |
| Federal sources | 283,621 | 280,195 | 231,037 | 164,791 |
| Sixteenth section sources | 618,559 | - | - | - |
| Total Revenues | 48,531,431 | 45,757,183 | 44,782,111 | 44,682,987 |
| Expenditures: | | | | |
| Instruction | 26,980,088 | 25,597,417 | 24,714,444 | 23,728,749 |
| Support services | 18,793,371 | 19,102,306 | 18,221,279 | 17,313,679 |
| Debt service: | | | | |
| Principal | 1,792,130 | 1,787,818 | 2,009,724 | 1,679,226 |
| Interest | 233,892 | 279,571 | 529,536 | 691,831 |
| Other | 2,535 | 2,500 | 144,546 | 5,500 |
| Total Expenditures | 47,802,016 | 46,769,612 | 45,619,529 | 43,418,985 |
| Excess (Deficiency) of Revenues | | | | |
| Pensions | 729,415 | (1,012,429) | (837,418) | 1,264,002 |
| Other Financing Sources (Uses): | | | | |
| Insurance recovery | 3,224 | - | - | - |
| Refunding bonds issued | - | - | 12,275,000 | - |
| Payment to escrow agent | - | - | (11,997,000) | - |
| Operating transfers in | - | 1,355,753 | 856,351 | 825,574 |
| Operating transfers out | (188,484) | (636,563) | (651,488) | (1,208,148) |
| Total Other Financing Source (Uses) | (185,260) | 719,190 | 482,863 | (382,574) |
| Net Change in Fund Balances | 544,155 | (293,239) | (354,555) | 881,428 |
| Fund Balances: | | | | |
| Beginning of period, as previously reported | 4,131,594 | 4,424,833 | 4,779,388 | 3,897,960 |
| Prior period adjustments | (367,976) | - | - | - |
| Beginning of period, as restated | 3,763,618 | 4,424,833 | 4,779,388 | 3,897,960 |
| End of Period | \$ 4,307,773 | \$ 4,131,594 | \$ 4,424,833 | \$ 4,779,388 |

*SOURCE - PRIOR YEAR AUDIT REPORTS

GULFPORT SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

| | 2015 | 2014* | 2013* | 2012* |
|---|----------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Local sources | \$ 24,855,830 | \$ 23,555,082 | \$ 23,591,309 | \$ 24,172,879 |
| State sources | 28,549,137 | 26,272,520 | 25,258,527 | 24,736,132 |
| Federal sources | 7,985,518 | 7,317,038 | 7,441,824 | 8,074,955 |
| Sixteenth section sources | 618,559 | 798,720 | 454,182 | 581,593 |
| Total Revenues | 62,009,044 | 57,943,360 | 56,745,842 | 57,565,559 |
| Expenditures: | | | | |
| Instruction | 30,186,319 | 29,355,265 | 28,815,989 | 28,302,201 |
| Support services | 22,334,669 | 21,371,479 | 20,682,512 | 19,889,352 |
| Noninstructional services | 2,896,520 | 2,929,717 | 2,764,552 | 2,714,691 |
| Facilities acquisition and construction | 3,328,740 | 143,075 | - | 287,544 |
| Debt service: | | | | |
| Principal | 4,089,828 | 4,166,032 | 4,437,469 | 4,914,044 |
| Interest | 1,274,702 | 436,743 | 741,827 | 952,762 |
| Other | 828,361 | 4,000 | 146,046 | 7,000 |
| Total Expenditures | 64,939,139 | 58,406,311 | 57,588,395 | 57,067,594 |
| Excess (Deficiency) of Revenues | | | | |
| Pensions | (2,930,095) | (462,951) | (842,553) | 497,965 |
| Other Financing Sources (Uses): | | | | |
| Bonds and notes issued | 41,240,000 | 700,000 | - | - |
| Capital leases issued | - | - | 228,500 | - |
| Insurance recovery | 3,224 | - | - | - |
| Refunding bonds issued | - | - | 12,275,000 | - |
| Payment to escrow agent | - | - | (11,997,000) | - |
| Premiums on bonds and refunding bonds issued | 2,688,188 | - | - | - |
| Operating transfers in | 1,506,605 | 2,526,479 | 1,652,150 | 2,221,513 |
| Operating transfers out | (1,506,605) | (2,526,479) | (1,652,150) | (2,221,513) |
| Total Other Financing Sources (Uses) | 43,931,412 | 700,000 | 506,500 | - |
| Net Change in Fund Balances | 41,001,317 | 237,049 | (336,053) | 497,965 |
| Fund Balances: | | | | |
| Beginning of period, as previously reported | 8,177,783 | 8,269,686 | 8,602,375 | 8,107,015 |
| Prior period adjustments | (445,495) | (334,143) | - | - |
| Beginning of period, as restated | <u>7,732,288</u> | <u>7,935,543</u> | <u>8,602,375</u> | <u>8,107,015</u> |
| Increase (Decrease) in reserve for inventory | 24,293 | 5,191 | 3,364 | (2,605) |
| End of Period | \$ 48,757,898 | \$ 8,177,783 | \$ 8,269,686 | \$ 8,602,375 |

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITOR'S 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***

Superintendent and School Board
Gulfport School District

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, each major fund, and the aggregate remaining fund information of the Gulfport School District ("the District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free 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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
Certified Public Accountants
Gulfport, MS

November 10, 2015

(This page left blank intentionally)

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board
Gulfport School District

Report on Compliance for Each Major Federal Program

We have audited the Gulfport School District (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Gulfport School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule

of findings and questioned costs as item [2015-1]. Our opinion on each major federal program is not modified with respect to this matter. The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-1, that we consider to be a significant deficiency.

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

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
Certified Public Accountants
Gulfport, MS

November 10, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Gulfport School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District (the District) as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2015. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported no classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P. A.
Certified Public Accountants

Gulfport, Mississippi
November 10, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GULFPORT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |

7. Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------------------|---|
| A. U.S. Department of Agriculture: | |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |
| B. U.S. Department of Education: | |
| 84.027, 84.173 | Special Education Cluster |

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

GULFPORT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding related to federal awards.

2015-01 Special Education Cluster – CFDA No. 84.027 and 84.173

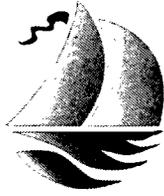
Criteria: Expenditure report is due to Mississippi Department of Education by 9/30/15.

Condition: Expenditure report was due to the Mississippi Department of Education on September 30, 2015, but was filed 13 days late on October 13, 2015.

Cause: No internal controls are designed to ensure timely filing of required reports.

Recommendation: File reports timely.

AUDITEE'S CORRECTIVE ACTION PLAN
AND / OR
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



Gulfport School District
Finance Department

December 15, 2015

As required by Section 315(c) of OMB Circular A-133, the Gulfport School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2015.

Finding

2015-1

Corrective Action Plan

- a. Contact person responsible for corrective action

Cimmie Switzer, Special Education Director

- b. Description of correction action to be taken

The Director of Special Education will submit evidence of the timely submission of the Annual Expenditure Report to the Chief Financial Officer by September 30 of each year.

Corrective action will be implemented beginning with the report due September 30, 2016.

Sincerely,

Superintendent