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GULFPORT SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2013

GULFPORT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Gulfport School District

**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, 2013, 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, 2013, 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 on pages 6-14 and 42-43 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 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 information 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 12, 2013, 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.

Cunningham CPAs

Cunningham CPAs, PLLC  
Belzoni, Mississippi

November 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

## GULFPORT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 2013 increased \$2,130,780, including prior period adjustments of (\$83,269), which represents a 5% increase from fiscal year 2012. Total net position for 2012 increased \$4,094,810, which represents a 10% increase from fiscal year 2011.
- General revenues amounted to \$46,643,898 and \$46,875,960, or 82% and 81% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,101,944, or 18% of total revenues for 2013, and \$10,689,599, or 19% of total revenues for 2012.
- The District had \$54,531,793 and \$53,470,749 in expenses for fiscal years 2013 and 2012; only \$10,101,944 for 2013 and \$10,689,599 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$46,643,898 for 2013 were adequate to provide for these programs and \$46,875,960 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$44,782,111 in revenues and \$45,619,529 in expenditures for 2013, and \$44,682,987 in revenues and \$43,418,985 in expenditures in 2012. The General Fund's fund balance decreased by \$354,555 from 2012 to 2013, and increased by \$881,428 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$1,604,251, including a prior period adjustment of (\$83,269) for 2013 and decreased by \$1,433,721 for 2012. The decrease for 2013 was primarily due to current additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$3,934,061 for 2013 and decreased by \$4,895,639 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$11,492 for 2013 and increased by \$10,005 for 2012.

#### 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

## GULFPORT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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, sixteenth section 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

GULFPORT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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.

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.

**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 exceeded liabilities by \$47,442,998 as of June 30, 2013.

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, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 9,302,135	\$ 10,962,881	-15.15 %
Restricted assets	978,524	1,269,682	-22.93 %
Capital assets, net	58,458,366	60,062,617	-2.67 %
<b>Total assets</b>	<b>68,739,025</b>	<b>72,295,180</b>	<b>-4.92 %</b>
Current liabilities	1,349,722	3,102,596	-56.50 %
Long-term debt outstanding	19,946,305	23,880,366	-16.47 %
<b>Total liabilities</b>	<b>21,296,027</b>	<b>26,982,962</b>	<b>-21.08 %</b>
<b>Net position:</b>			
Net investment in capital assets	40,771,701	39,489,116	3.25 %
Restricted	4,560,393	3,037,141	50.15 %
Unrestricted	2,110,904	2,785,961	-24.23 %
<b>Total net position</b>	<b>\$ 47,442,998</b>	<b>\$ 45,312,218</b>	<b>4.70 %</b>

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

- Decrease in net capital assets in the amount of \$1,604,251.
- The principal retirement of \$4,437,469 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$56,745,842 and \$57,565,559, respectively. The total cost of all programs and services was \$54,531,793 for 2013 and \$53,470,749 for 2012.

GULFPORT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,532,776	\$ 1,684,795	(9.02) %
Operating grants and contributions	8,569,168	9,004,804	(4.84) %
General revenues:			
Property and gaming taxes	21,967,115	22,157,365	(0.86) %
Grants and contributions not restricted	24,129,039	23,806,283	1.36 %
Investment earnings	14,450	28,099	(48.57) %
Sixteenth section sources	456,327	581,593	(21.54) %
Other	76,967	302,620	(74.57) %
<b>Total revenues</b>	<b>56,745,842</b>	<b>57,565,559</b>	<b>(1.42) %</b>
<b>Expenses:</b>			
Instruction	30,428,406	29,872,469	1.86 %
Support services	20,451,849	19,816,543	3.21 %
Non-instructional	2,832,281	2,794,404	1.36 %
Interest on long-term liabilities	819,257	987,333	(17.02) %
<b>Total expenses</b>	<b>54,531,793</b>	<b>53,470,749</b>	<b>1.98 %</b>
<b>Increase (Decrease) in net position</b>	<b>2,214,049</b>	<b>4,094,810</b>	<b>(45.93) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>45,312,218</b>	<b>41,217,408</b>	9.93 %
<b>Prior Period Adjustment</b>	<b>(83,269)</b>	-	N/A %
<b>Net Position, July 1, as restated</b>	<b>45,228,949</b>	<b>41,217,408</b>	9.73 %
<b>Net Position, June 30</b>	<b>\$ 47,442,998</b>	<b>\$ 45,312,218</b>	<b>4.70 %</b>

**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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.

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 30,428,406	\$ 29,872,469	1.86 %
Support services	20,451,849	19,816,543	3.21 %
Non-instructional	2,832,281	2,794,404	1.36 %
Interest on long-term liabilities	819,257	987,333	(17.02) %
<b>Total expenses</b>	<b>\$ 54,531,793</b>	<b>\$ 53,470,749</b>	<b>1.98 %</b>
	<u>Net (Expense) Revenue</u>		
	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instruction	\$ (25,559,403)	\$ (24,817,974)	2.99 %
Support services	(18,265,724)	(17,200,921)	6.19 %
Non-instructional	214,535	217,716	(1.46) %
Interest on long-term liabilities	(819,257)	(979,971)	(16.40) %
<b>Total net (expense) revenue</b>	<b>\$ (44,429,849)</b>	<b>\$ (42,781,150)</b>	<b>3.85 %</b>

- Net cost of governmental activities (\$44,429,849 for 2013 and \$42,781,150 for 2012) was financed by general revenue, which is primarily made up of property and gaming taxes (\$21,967,115 for 2013 and \$22,157,365 for 2012) and state and federal revenues (\$24,129,039 for 2013 and \$23,806,283 for 2012). In addition, there was \$456,327 and \$581,593 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$14,450 for 2013 and \$28,099 for 2012.

**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.

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 \$8,269,686, a decrease of \$332,689, which includes an increase in inventory of \$3,364. \$3,576,658 or 43% 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 \$4,693,028 or 57% 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.

GULFPORT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$354,555. The fund balance of Other Governmental Funds showed an increase in the amount of \$21,676, which includes an increase in reserve for inventory of \$3,364, 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>
FEMA/MEMA Fund	\$	190
Insurance Recovery Fund		No increase or decrease

**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 funds is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$86,067,724, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$77,829 from 2012. Total accumulated depreciation as of June 30, 2013, was \$27,609,358, and total depreciation expense for the year was \$1,899,513, resulting in total net capital assets of \$58,458,366.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 2,359,527	\$ 2,359,527	0.00 %
Construction in Progress	17,079	17,079	0.00 %
Buildings	52,033,507	53,405,168	(2.57) %
Building improvements	740,871	779,864	(5.00) %
Improvements other than buildings	2,467,880	2,598,272	(5.02) %
Mobile equipment	187,550	131,918	42.17 %
Furniture and equipment	437,746	670,585	(34.72) %
Leased property under capital leases	214,206	-	N/A %
Intangible assets	-	100,204	(100.00) %
<b>Total</b>	<b>\$ 58,458,366</b>	<b>\$ 60,062,617</b>	<b>(2.67) %</b>

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

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Debt Administration.** At June 30, 2013, the District had \$19,946,305 in outstanding long-term debt, of which \$4,178,914 is due within one year. The liability for compensated absences decreased \$11,492 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 6,125,000	\$ 8,090,000	(24.29) %
Discounts on general obligation bonds	(5,701)	(14,101)	(59.57) %
Certificates of participation payable	11,085,000	11,997,000	(7.60) %
Three mill notes payable	253,866	500,602	(49.29) %
Shortfall notes payable	154,332	370,341	(58.33) %
Obligation under energy efficiency lease	1,747,248	2,566,972	(31.93) %
Obligation under capital leases	228,500	-	N/A %
Compensated absences payable	358,060	369,552	(3.11) %
<b>Total</b>	<b><u>\$ 19,946,305</u></b>	<b><u>\$ 23,880,366</u></b>	<b>(16.47) %</b>

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 District has committed itself 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 the Superintendent's Office of the Gulfport School District, 2001 Pass Road, Gulfport, MS 39501.

FINANCIAL STATEMENTS

**GULFPORT SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2013**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 7,248,963
Due from other governments	1,184,842
Prepaid items	793,708
Inventories	74,622
Restricted assets	978,524
Capital assets, non-depreciable:	
Land	2,359,527
Construction in progress	17,079
Capital assets, net of accumulated depreciation:	
Buildings	52,033,507
Building improvements	740,871
Improvements other than buildings	2,467,880
Mobile equipment	187,550
Furniture and equipment	437,746
Leased property under capital leases	214,206
Total Assets	68,739,025
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,211,752
Unearned revenue	5,513
Interest payable on long-term liabilities	132,457
Long-term liabilities, due within one year:	
Capital related liabilities	3,477,541
Non-capital related liabilities	701,373
Long-term liabilities, due beyond one year:	
Capital related liabilities	14,209,124
Non-capital related liabilities	1,558,267
Total Liabilities	21,296,027
<b>Net Position</b>	
Net investment in capital assets	40,771,701
Restricted for:	
Expendable:	
School-based activities	2,228,338
Debt service	894,089
Capital improvements	1,299,239
Unemployment benefits	138,727
Unrestricted	2,110,904
Total Net Position	\$ 47,442,998

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, 2013**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 30,428,406	\$ 1,160,564	\$ 3,708,439	\$ -		\$ (25,559,403)
Support services	20,451,849	-	2,186,125	-		(18,265,724)
Non-instructional	2,832,281	372,212	2,674,604	-		214,535
Interest on long-term liabilities	819,257	-	-	-		(819,257)
<b>Total Governmental Activities</b>	<b>\$ 54,531,793</b>	<b>\$ 1,532,776</b>	<b>\$ 8,569,168</b>	<b>\$ -</b>		<b>\$ (44,429,849)</b>

**General Revenues:**

**Taxes:**

General purpose levies	18,086,991
Debt purpose levies	2,344,987
Gaming	1,535,137

**Unrestricted grants and contributions:**

State	23,926,120
Federal	202,919
Unrestricted investment earnings	14,450
Sixteenth section sources	456,327
Other	76,967
<b>Total General Revenues</b>	<b>46,643,898</b>

Change in Net Position	<u>2,214,049</u>
Net Position - Beginning, as originally reported	45,312,218
Prior period adjustment	(83,269)
Net Position - Beginning, as restated	<u>45,228,949</u>
Net Position - Ending	<u>\$ 47,442,998</u>

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

**GULFPORT SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2013**

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	FEMA/MEMA Fund	Insurance Recovery Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 4,269,607	\$ 376,230	\$ 1,173,001	\$ 2,408,649	\$ 8,227,487
Due from other governments	752,861	-	-	431,981	1,184,842
Due from other funds	106,464	-	-	236,655	343,119
Inventories	-	-	-	74,622	74,622
Total assets	\$ 5,128,932	\$ 376,230	1,173,001	\$ 3,151,907	\$ 9,830,070
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 704,099	\$ 376,037	-	\$ 131,616	\$ 1,211,752
Due to other funds	-	-	-	343,119	343,119
Unearned revenue	-	-	-	5,513	5,513
Total Liabilities	704,099	376,037	-	480,248	1,560,384
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	74,622	74,622
<b>Restricted:</b>					
Debt service	-	-	-	1,026,546	1,026,546
Capital projects	-	-	1,173,001	126,238	1,299,239
Grant activities	-	193	-	1,305,348	1,305,541
Unemployment benefits	-	-	-	138,727	138,727
<b>Assigned:</b>					
School based activities	848,175	-	-	-	848,175
Sixteenth section activities	-	-	-	178	178
<b>Unassigned</b>					
	3,576,658	-	-	-	3,576,658
Total Fund Balances	4,424,833	193	1,173,001	2,671,659	8,269,686
Total Liabilities and Fund Balances	\$ 5,128,932	\$ 376,230	1,173,001	\$ 3,151,907	\$ 9,830,070

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**

**Exhibit C-1**

**June 30, 2013**

**Total fund balances for governmental funds** **\$ 8,269,686**

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	
Compensated absences		17,079	
Buildings		74,407,598	
Building improvements		974,829	
Improvements other than buildings		3,259,798	
Mobile equipment		712,665	
Furniture and equipment		4,110,748	
Leased property under capital leases		225,480	
Accumulated depreciation		<u>(27,609,358)</u>	58,458,366

2. Items that are normally expenses in the governmental funds are capitalized as prepaid expenses in the statement of net assets. 793,708

3. 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		(6,125,000)	
Refunding certificates of participation		(11,085,000)	
Three mill notes payable		(253,866)	
Shortfall notes payable		(154,332)	
Obligations under energy leases		(1,747,248)	
Obligations under capital leases		(228,500)	
Compensated absences		(358,060)	
Unamortized discounts		5,701	
Accrued interest payable		<u>(132,457)</u>	(20,078,762)

**Net position of governmental activities** **\$ 47,442,998**

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, 2013**

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	FEMA/MEMA Fund	Insurance Recovery Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 20,765,978	\$ 190	\$ -	\$ 2,825,141	\$ 23,591,309
State sources	23,785,096	-	-	1,473,431	25,258,527
Federal sources	231,037	-	-	7,210,787	7,441,824
Sixteenth section sources	-	-	-	454,182	454,182
<b>Total Revenues</b>	<b>44,782,111</b>	<b>190</b>	<b>-</b>	<b>11,963,541</b>	<b>56,745,842</b>
<b>Expenditures:</b>					
Instruction	24,714,444	-	-	4,101,545	28,815,989
Support services	18,221,279	-	-	2,461,233	20,682,512
Noninstructional services	-	-	-	2,764,552	2,764,552
Debt service:					
Principal	2,009,724	-	-	2,427,745	4,437,469
Interest	529,536	-	-	212,291	741,827
Other	144,546	-	-	1,500	146,046
<b>Total Expenditures</b>	<b>45,619,529</b>	<b>-</b>	<b>-</b>	<b>11,968,866</b>	<b>57,588,395</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(837,418)	190	-	(5,325)	(842,553)
<b>Other Financing Sources (Uses):</b>					
Capital leases issued	-	-	-	228,500	228,500
Refunding leases issued	12,275,000	-	-	-	12,275,000
Payment to refunded lease escrow agent	(11,997,000)	-	-	-	(11,997,000)
Operating transfers in	856,351	-	-	795,799	1,652,150
Operating transfers out	(651,488)	-	-	(1,000,662)	(1,652,150)
<b>Total Other Financing Sources (Uses)</b>	<b>482,863</b>	<b>-</b>	<b>-</b>	<b>23,637</b>	<b>506,500</b>
<b>Net Change in Fund Balances</b>	<b>(354,555)</b>	<b>190</b>	<b>-</b>	<b>18,312</b>	<b>(336,053)</b>
<b>Fund Balances:</b>					
July 1, 2012	4,779,388	3	1,173,001	2,649,983	8,602,375
Increase in reserve for inventory	-	-	-	3,364	3,364
<b>June 30, 2013</b>	<b>\$ 4,424,833</b>	<b>\$ 193</b>	<b>\$ 1,173,001</b>	<b>\$ 2,671,659</b>	<b>\$ 8,269,686</b>

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, 2013**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (336,053)

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	\$ 386,497	
Depreciation expense	<u>(1,899,513)</u>	(1,513,016)

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 assets differs from the change in fund balance by the cost of the assets sold.

(7,966)

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 issuance costs, 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:

Payments of debt principal	4,437,469	
Proceeds from capital leases	(228,500)	
Proceeds from refunding bonds	(12,275,000)	
Payment to refunded bond escrow agent	11,997,000	
Accrued interest payable	<u>77,016</u>	4,007,985

4. 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	11,492	
Changes in prepaid items	56,643	
Amortization of discount and other debt costs	(8,400)	
Change in inventory reserve	<u>3,364</u>	<u>63,099</u>

**Change in net position of governmental activities** \$ 2,214,049

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

GULFPORT SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2013

Exhibit E

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 411,713
Total Assets	<u>\$ 411,713</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 249,032
Due to student clubs	162,681
Total Liabilities	<u>\$ 411,713</u>

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

# GULFPORT SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

### 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. Basis of Presentation

In July 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In April 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Implementation of the above GASB statements resulted in a prior period adjustment of \$100,204 to remove previously deferred bond issue costs. Additionally, \$139,875 of current debt issue costs were expensed on the Statement of Activities.

#### B. 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.

#### C. 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

## GULFPORT SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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:

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.

FEMA/MEMA Grants Fund – This Special Revenue Fund is used to account for construction of school district buildings and facilities.

Insurance Recovery Fund - This Capital Projects Fund is used to account for insurance recovery proceeds.

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.

## GULFPORT SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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.

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.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

#### 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.

#### **D. 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.

# GULFPORT SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

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.

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.

### **E. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

### **F. Assets, liabilities, 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.

# GULFPORT SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

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.

### 2. 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.

### 3. Due from Other Governments

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

### 4. 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.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 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

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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.

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. 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.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, 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.

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.

9. 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.

# GULFPORT SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

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. 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 and Business Manager pursuant to authorization established by the policy adopted by the school district.

*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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, 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 and investments 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

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,227,487 and \$411,713, respectively.

*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.

**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**

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 106,464
Other governmental funds	Other governmental funds	236,655
Total		<u>\$ 343,119</u>

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 651,488
Other governmental funds	General Fund	856,351
	Other governmental funds	144,311
Total		<u>\$ 1,652,150</u>

The primary purpose of the interfund 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 from the general fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$978,524 of the shortfall notes payable, three mill notes payable, and general obligation bonds payable debt service funds.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 5 – Capital Assets**

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,359,527	\$ -	\$ -	\$ -	2,359,527
Construction-in-progress	17,079	-	-	-	17,079
Total non-depreciable capital assets	<u>2,376,606</u>	-	-	-	<u>2,376,606</u>
<u>Depreciable capital assets:</u>					
Buildings	74,407,598	-	-	-	74,407,598
Building improvements	974,829	-	-	-	974,829
Improvements other than buildings	3,259,798	-	-	-	3,259,798
Mobile equipment	704,206	85,125	(76,666)	-	712,665
Furniture and equipment	4,064,891	75,892	(30,035)	-	4,110,748
Leased property under capital leases	-	225,480	-	-	225,480
Intangible assets	357,625	-	-	(357,625)	-
Total depreciable capital assets	<u>83,768,947</u>	<u>386,497</u>	<u>(106,701)</u>	<u>(357,625)</u>	<u>83,691,118</u>
<u>Less accumulated depreciation for:</u>					
Buildings	21,002,430	1,373,203	-	(1,542)	22,374,091
Building improvements	194,965	38,993	-	-	233,958
Improvements other than buildings	661,526	130,392	-	-	791,918
Mobile equipment	572,288	29,409	(69,000)	(7,582)	525,115
Furniture and equipment	3,394,306	316,242	(29,735)	(7,811)	3,673,002
Leased property under capital leases	-	11,274	-	-	11,274
Intangible assets	257,421	-	-	(257,421)	-
Total accumulated depreciation	<u>26,082,936</u>	<u>1,899,513</u>	<u>(98,735)</u>	<u>(274,356)</u>	<u>27,609,358</u>
Total depreciable capital assets, net	<u>57,686,011</u>	<u>(1,513,016)</u>	<u>(7,966)</u>	<u>(83,269)</u>	<u>56,081,760</u>
Governmental activities capital assets, net	<u>\$ 60,062,617</u>	<u>\$ (1,513,016)</u>	<u>\$ (7,966)</u>	<u>\$ (83,269)</u>	<u>\$ 58,458,366</u>

Adjustments to intangible assets were to remove deferred debt issuance costs in order to implement GASB 63 and GASB 65. The remaining adjustments were made to balance to the subsidiary ledger.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 1,648,451
Support services	179,969
Non-instructional	71,093
Total depreciation expense - Governmental activities	<u>\$ 1,899,513</u>

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
<b>Governmental Activities:</b>		
Admiral Galley	\$ 17,079	\$ -
Total construction in progress	<u>\$ 17,079</u>	<u>\$ -</u>

Construction projects included in governmental activities are funded with Certificates of Participation.

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 8,090,000	\$ -	\$ (1,965,000)	\$ 6,125,000	\$ 2,000,000
Discounts on general obligation bonds	(14,101)	8,400	-	(5,701)	(5,701)
B. Certificates of participation payable	11,997,000	278,000	(1,190,000)	11,085,000	1,185,000
C. Three mill notes payable	500,602	-	(246,736)	253,866	253,866
D. Shortfall notes payable	370,341	-	(216,009)	154,332	124,348
E. Obligations under energy efficiency leases	2,566,972	-	(819,724)	1,747,248	559,122
F. Obligations under capital leases	-	228,500	-	228,500	44,376
G. Compensated absences payable	369,552	-	(11,492)	358,060	17,903
Total	<u>\$ 23,880,366</u>	<u>\$ 514,900</u>	<u>\$ (4,448,961)</u>	<u>\$ 19,946,305</u>	<u>\$ 4,178,914</u>

**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	\$ 1,800,000
General obligation bonds, issue 2009B	1-2.75%	5/28/2009	4/1/2016	<u>9,740,000</u>	<u>4,325,000</u>
Total				<u>\$ 13,760,000</u>	<u>\$ 6,125,000</u>

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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
2014	\$ 585,000	\$ 34,725	\$ 619,725
2015	600,000	22,125	622,125
2016	615,000	7,688	622,688
Total	\$ 1,800,000	\$ 64,538	\$ 1,864,538

This debt will be retired from the general obligation bonds payable fund.

2. General obligation bond issue of 2009B:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,415,000	\$ 108,263	\$ 1,523,263
2015	1,440,000	76,425	1,516,425
2016	1,470,000	40,425	1,510,425
Total	\$ 4,325,000	\$ 225,113	\$ 4,550,113

This debt will be retired from the general obligation bonds payable fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 2,000,000	\$ 142,988	\$ 2,142,988
2015	2,040,000	98,550	2,138,550
2016	2,085,000	48,113	2,133,113
Total	\$ 6,125,000	\$ 289,651	\$ 6,414,651

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, 2013, the amount of outstanding bonded indebtedness was equal to 1.81% of property assessments as of October 1, 2012.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**B. Certificates of participation payable**

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation lease, Series 2008	4.09%	8/4/2008	3/1/2023	\$ 10,000,000	\$ -
General obligation lease, Series 2009	3.99%	5/22/2009	5/1/2024	6,000,000	-
General obligation refunding lease, Series 2012	1.81%	12/19/2012	3/1/2024	12,275,000	11,085,000
Total				<u>\$ 28,275,000</u>	<u>\$ 11,085,000</u>

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

1. General obligation refunding lease, Series 2012:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,185,000	\$ 200,639	\$ 1,385,639
2015	1,165,000	179,190	1,344,190
2016	1,145,000	158,103	1,303,103
2017	1,120,000	137,379	1,257,379
2018	1,100,000	117,108	1,217,108
2019-2023	5,125,000	295,936	5,420,936
2024	245,000	4,435	249,435
Total	<u>\$ 11,085,000</u>	<u>\$ 1,092,790</u>	<u>\$ 12,177,790</u>

This debt will be retired from the general fund.

**Current Refunding**

On December 19, 2012, the district issued \$12,275,000 in certificates of participation with an average interest rate of 1.81% to current refund \$11,997,000 of outstanding certificates of participation with an average interest rate of 4%.

As a result, the 2008 and 2009 series certificates of participation are considered to be defeased and the liability for those certificates has been removed from long-term liabilities.

The district current refunded the 2008 and 2009 series certificates of participation to reduce its total debt service payments over the remaining 12 years of the debt by approximately \$1,500,000 and to realize an economic gain of approximately \$1,400,000.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill series 2009	2.89%	1/28/2009	1/28/2014	\$ 1,200,000	\$ 253,866
Total				\$ 1,200,000	\$ 253,866

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 253,866	\$ 7,337	\$ 261,203
Total	\$ 253,866	\$ 7,337	\$ 261,203

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

**D. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2007	4.14%	7/24/2007	7/24/2012	\$ 478,495	\$ -
Series 2008	4.47%	8/28/2008	8/28/2013	433,128	94,363
Series 2009	4.33%	8/20/2009	8/20/2014	149,924	59,969
Total				\$ 1,061,547	\$ 154,332

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

1. Shortfall notes payable issued Series 2008:

Year Ending June 30	Principal	Interest	Total
2014	\$ 94,363	\$ 4,217	\$ 98,580
Total	\$ 94,363	\$ 4,217	\$ 98,580

This debt will be retired from the shortfall notes debt service fund.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

2. Shortfall notes payable issued Series 2009:

Year Ending June 30	Principal	Interest	Total
2014	\$ 29,985	\$ 2,594	\$ 32,579
2015	29,984	1,297	31,281
Total	\$ 59,969	\$ 3,891	\$ 63,860

This debt will be retired from the shortfall notes debt service fund.

Total shortfall notes payable for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 124,348	\$ 6,811	\$ 131,159
2015	29,984	1,297	31,281
Total	\$ 154,332	\$ 8,108	\$ 162,440

**E. Obligations under energy efficiency lease**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
HVAC equipment & lighting	3.83%	3/28/2003	3/1/2013	\$ 2,466,383	\$ -
HVAC equipment & lighting	4.11%	5/15/2006	4/1/2016	5,114,976	1,747,248
Total				\$ 7,581,359	\$ 1,747,248

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

Obligations under energy efficiency lease issued 5/15/2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 559,122	\$ 71,812	\$ 630,934
2015	582,101	48,832	630,933
2016	606,025	24,908	630,933
Total	\$ 1,747,248	\$ 145,552	\$ 1,892,800

This debt will be retired from the general fund.

An energy efficiency lease agreement dated March 28, 2003 was executed by and between the district, the lessee, and Hancock Bank, the lessor.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

The agreement authorized the borrowing of \$7,581,359 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.

**F. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of HVAC units at a cost of \$228,500. This lease qualifies as a capital lease for accounting purposes.

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 44,376	\$ 3,359	\$ 47,735
2015	45,028	2,707	47,735
2016	45,690	2,045	47,735
2017	46,362	1,373	47,735
2018	47,044	691	47,735
Total	<u>\$ 228,500</u>	<u>\$ 10,175</u>	<u>\$ 238,675</u>

This debt will be retired from the general fund.

**G. Compensated absences payable**

As more fully explained in Note 1(F)(7), 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, 2013, the school district participated in the following short-term financing for the purpose of easing cash flow constraints:

**A. Bank-financed short term debt.**

The school district issued a revenue anticipation note payable to Hancock Bank and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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 school district's General Fund.

- B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2013 are as follows:

Description	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013
1. Tax anticipation loan	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
Total	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

**Note 8 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Note 9 – Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy. 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 30, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$4,366,883, \$3,746,534 and \$3,787,884, respectively, which equaled the required contributions for each year.

**Note 10 – 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

## GULFPORT SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

#### **Note 11 – 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. Except as described below, 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 90 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.

#### **Note 12 – 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 Year Ended June 30, 2013

**Note 13 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To remove deferred debt issuance costs as a result of implementing GASB 63 and GASB 65.	\$ (100,204)
2. To agree with the capital asset subsidiary ledger.	16,935
Total	<u>\$ (83,269)</u>

**Note 14 - 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 12, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**GULFPORT SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 21,017,944	\$ 21,018,495	\$ 20,765,978	\$ 551	\$ (252,517)
State sources	23,704,686	23,704,686	23,785,096	-	80,410
Federal sources	226,980	226,980	231,037	-	4,057
<b>Total Revenues</b>	<b>44,949,610</b>	<b>44,950,161</b>	<b>44,782,111</b>	<b>551</b>	<b>(168,050)</b>
<b>Expenditures:</b>					
Instruction	25,394,677	25,423,337	24,714,444	(28,660)	708,893
Support services	18,319,668	18,837,148	18,221,279	(517,480)	615,869
Debt service:					
Principal	1,708,723	3,009,723	2,009,724	(1,301,000)	999,999
Interest	611,228	531,962	529,536	79,266	2,426
Other	5,500	146,000	144,546	(140,500)	1,454
<b>Total Expenditures</b>	<b>46,039,796</b>	<b>47,948,170</b>	<b>45,619,529</b>	<b>(1,908,374)</b>	<b>2,328,641</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(1,090,186)</b>	<b>(2,998,009)</b>	<b>(837,418)</b>	<b>(1,907,823)</b>	<b>2,160,591</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds of refunding bonds	-	13,275,000	12,275,000	13,275,000	(1,000,000)
Payment to refunded bond escrow	-	(11,997,000)	(11,997,000)	(11,997,000)	-
Operating transfers in	3,178,027	4,804,786	856,351	1,626,759	(3,948,435)
Operating transfers out	(3,276,759)	(4,523,293)	(651,488)	(1,246,534)	3,871,805
<b>Total Other Financing Sources (Uses)</b>	<b>(98,732)</b>	<b>1,559,493</b>	<b>482,863</b>	<b>1,658,225</b>	<b>(1,076,630)</b>
<b>Net Change in Fund Balances</b>	<b>(1,188,918)</b>	<b>(1,438,516)</b>	<b>(354,555)</b>	<b>(249,598)</b>	<b>1,083,961</b>
<b>Fund Balances:</b>					
July 1, 2012	4,779,388	4,779,388	4,779,388	-	-
June 30, 2013	\$ 3,590,470	\$ 3,340,872	\$ 4,424,833	\$ (249,598)	\$ 1,083,961

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

**GULFPORT SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**FEMA/MEMA Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ 190	\$ -	\$ 190
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>-</b>	<b>190</b>
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	190	-	190
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>-</b>	<b>190</b>
<b>Fund Balances:</b>					
July 1, 2012	3	3	3	-	-
June 30, 2013	\$ 3	\$ 3	\$ 193	\$ -	\$ 190

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

GULFPORT SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**GULFPORT SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 662,043
National school lunch program	10.555	1,985,329
Summer food service program for children	10.559	123,980
Total child nutrition cluster		<u>2,771,352</u>
Fresh fruit and vegetables program	10.582	32,190
Total passed-through Mississippi Department of Education		<u>2,803,542</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,803,542</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	94,506
<b>Total Federal Communications Commission</b>		<u>94,506</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	58,356
<b>Total U.S. Department of Defense</b>		<u>58,356</u>
<b><u>U.S. Department of Education</u></b>		
Direct program:		
Impact Aid	84.041	103,771
Total		<u>103,771</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,986,459
Career and technical education - basic grants to states	84.048	62,906
English language acquisition grants	84.365	15,437
Improving teacher quality-State Grants	84.367	533,420
Hurricane education assistance	84.938	2,958
Subtotal		<u>2,601,180</u>
Special education cluster:		
Special education - grants to states	84.027	1,638,928
Special education - preschool grants	84.173	33,192
Total special education cluster		<u>1,672,120</u>
Total passed-through Mississippi Department of Education		<u>4,273,300</u>
<b>Total U.S. Department of Education</b>		<u>4,377,071</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	70,849
Total passed-through Mississippi Department of Education		<u>70,849</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>70,849</u>
<b><u>Corporation for National and Community Service</u></b>		
Direct program:		
Learn and serve America - school and community based programs	94.004	37,500
<b>Total Corporation for National and Community Service</b>		<u>37,500</u>
Total for All Federal Awards		<u>\$ 7,441,824</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, 2013**

<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	\$ 40,677,734	31,414,800	1,395,862	3,247,679	4,619,393
Other	16,910,661	3,567,812	375,365	153,025	12,814,459
Total	<u>\$ 57,588,395</u>	<u>34,982,612</u>	<u>1,771,227</u>	<u>3,400,704</u>	<u>17,433,852</u>
Total number of students *	<u>5,575</u>				
Cost per student	\$ 10,330	6,275	318	610	3,127

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**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 20,765,978	\$ 21,109,636	\$ 20,845,239	\$ 19,837,069
State sources	23,785,096	23,408,560	21,398,905	21,034,062
Federal sources	231,037	164,791	233,649	308,744
Sixteenth section sources	-	-	-	5,800
<b>Total Revenues</b>	<b>44,782,111</b>	<b>44,682,987</b>	<b>42,477,793</b>	<b>41,185,675</b>
<b>Expenditures:</b>				
Instruction	24,714,444	23,728,749	20,541,749	24,560,597
Support services	18,221,279	17,313,679	16,487,391	18,290,601
Debt service:				
Principal	2,009,724	1,679,226	1,696,082	1,695,346
Interest	529,536	691,831	777,660	852,330
Other	144,546	5,500	4,250	3,000
<b>Total Expenditures</b>	<b>45,619,529</b>	<b>43,418,985</b>	<b>39,507,132</b>	<b>45,401,874</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(837,418)	1,264,002	2,970,661	(4,216,199)
<b>Other Financing Sources (Uses):</b>				
Refunding leases issued	12,275,000	-	-	-
Payment to refunded lease escrow agent	(11,997,000)	-	-	-
Insurance loss recoveries	-	-	3,515	5,796
Operating transfers in	856,351	825,574	3,163,805	2,924,810
Operating transfers out	(651,488)	(1,208,148)	(3,175,649)	(1,359,217)
<b>Total Other Financing Sources (Uses)</b>	<b>482,863</b>	<b>(382,574)</b>	<b>(8,329)</b>	<b>1,571,389</b>
<b>Net Change in Fund Balances</b>	<b>(354,555)</b>	<b>881,428</b>	<b>2,962,332</b>	<b>(2,644,810)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,779,388	3,897,960	962,216	3,590,839
Prior period adjustments	-	-	(26,588)	16,187
Beginning of period, as restated	4,779,388	3,897,960	935,628	3,607,026
<b>End of Period</b>	<b>\$ 4,424,833</b>	<b>\$ 4,779,388</b>	<b>\$ 3,897,960</b>	<b>\$ 962,216</b>

\*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**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 23,591,309	\$ 24,172,879	\$ 24,224,725	\$ 23,230,458
State sources	25,258,527	24,736,132	22,804,016	22,402,961
Federal sources	7,441,824	8,074,955	11,536,331	10,039,851
Sixteenth section sources	454,182	581,593	505,700	522,886
<b>Total Revenues</b>	<b>56,745,842</b>	<b>57,565,559</b>	<b>59,070,772</b>	<b>56,196,156</b>
<b>Expenditures:</b>				
Instruction	28,815,989	28,302,201	27,714,551	31,439,080
Support services	20,682,512	19,889,352	20,143,266	21,474,286
Noninstructional services	2,764,552	2,714,691	2,895,587	2,881,279
Facilities acquisition and construction	-	287,544	19,821	6,504,672
Debt service:				
Principal	4,437,469	4,914,044	4,214,202	4,163,292
Interest	741,827	952,762	1,081,488	1,140,953
Other	146,046	7,000	5,750	66,026
<b>Total Expenditures</b>	<b>57,588,395</b>	<b>57,067,594</b>	<b>56,074,665</b>	<b>67,669,588</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(842,553)</b>	<b>497,965</b>	<b>2,996,107</b>	<b>(11,473,432)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	-	149,924
Capital leases issued	228,500	-	-	-
Refunding leases issued	12,275,000	-	-	-
Payment to refunded lease escrow agent	(11,997,000)	-	-	-
Insurance loss recoveries	-	-	3,515	5,796
Operating transfers in	1,652,150	2,221,513	4,120,359	11,389,449
Operating transfers out	(1,652,150)	(2,221,513)	(4,120,359)	(11,389,449)
Other financing sources	-	-	-	328,425
<b>Total Other Financing Sources (Uses)</b>	<b>506,500</b>	<b>-</b>	<b>3,515</b>	<b>484,145</b>
<b>Net Change in Fund Balances</b>	<b>(336,053)</b>	<b>497,965</b>	<b>2,999,622</b>	<b>(10,989,287)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	8,602,375	8,107,015	5,542,323	16,545,197
Prior period adjustments	-	-	(456,920)	(18,566)
<b>Beginning of period, as restated</b>	<b>8,602,375</b>	<b>8,107,015</b>	<b>5,085,403</b>	<b>16,526,631</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>3,364</b>	<b>(2,605)</b>	<b>21,990</b>	<b>4,979</b>
<b>End of Period</b>	<b>\$ 8,269,686</b>	<b>\$ 8,602,375</b>	<b>\$ 8,107,015</b>	<b>\$ 5,542,323</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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## 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  
Gulfport, Mississippi

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Gulfport School District's basic financial statements, and have issued our report thereon dated November 12, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Gulfport School 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 Gulfport School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gulfport School 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. 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 Gulfport School 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 12, 2013

# CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board  
Gulfport School District  
Gulfport, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited Gulfport School 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 Gulfport School District's major federal programs for the year ended June 30, 2013. Gulfport School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Gulfport School 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 Gulfport School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Basis for Qualified Opinion on CFDA 84.367 Improving Teacher Quality**

As described in the accompanying schedule of findings and questioned costs, Gulfport School District did not comply with requirements regarding CFDA 84.367 Improving Teacher Quality as described in finding number 2013-1 for Level of Effort. Compliance with such requirements is necessary, in our opinion, for Gulfport School District to comply with the requirements applicable to that program.

### **Qualified Opinion on CFDA 84.367 Improving Teacher Quality**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 84.367 Improving Teacher Quality for the year ended June 30, 2013.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

Gulfport School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Gulfport School 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.

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.



Cunningham CPAs, PLLC

Belzoni, Mississippi  
November 12, 2013

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

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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 as of and for the year ended June 30, 2013, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated November 12, 2013. 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 \$9,217 of 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.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 12, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GULFPORT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  |               |
|    | Title I - Grants to local educational agencies:  | Unqualified   |
|    | Improving Teacher Quality  | Qualified     |
|    | Special Education Cluster:   | Unqualified   |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes           |
| 7. | Identification of major programs:  |               |
|    | A. Title I - Grants to local educational agencies:   |               |
|    | CFDA #   | 84.010        |
|    | B. Improving Teacher Quality   |               |
|    | CFDA #   | 84.367        |
|    | C. Special Education Cluster:  |               |
|    | CFDA #   | 84.027        |
|    | CFDA #   | 84.173        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

GULFPORT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

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

Material Noncompliance

2013-1 Supplement Not Supplant

Finding

Program: Passed through the Mississippi Department of Education:  
Improving Teacher Quality (Title II, Part A)  
CFDA # 84.367

Compliance Requirements: Level of Effort

On April 11-12, 2013, the Mississippi Department of Education (MDE) conducted a monitoring visit of the consolidated federal programs of the Gulfport School District. MDE found that Title II, Part A funds were supplanting state and local funds. As a result, on August 19, 2013, the district was informed that \$188,277.95 of Title II, Part A must be paid back to the State Treasurer for the purpose of reimbursing the Title II, Part A program.

Recommendation

We recommend the District implement controls to ensure that federal awards are used to supplement and not supplant state and local funds.

# Gulfport School District

Glen V. East, Superintendent  
2001 Pass Road  
Gulfport, MS 39501

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## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(b) of OMB Circular A-133, the Gulfport School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2013-01	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Velma Johnson, Federal Programs Director</p> <p>b. Corrective Action Planned:</p> <p>The Gulfport School District will put procedures in place to ensure that federal awards are used to supplement and not supplant state and local funds.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately</p>