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GULFPORT SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2014

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
Gulfport, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District as of and for the year ended June 30, 2014, 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, 2014, 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 7-15 and 41-43 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gulfport School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information section, which includes the accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 4,

2014, 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, PLLC

Belzoni, Mississippi

November 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

GULFPORT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 increased \$1,878,463, including a prior period adjustment of (\$334,143), which represents a 4% increase from fiscal year 2013. Total net position for 2013 increased \$2,130,780, including a prior period adjustment of (\$83,269) which represents a 5% increase from fiscal year 2012.
- General revenues amounted to \$47,758,055 and \$46,643,898, or 82% and 82% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,185,305, or 18% of total revenues for 2014, and \$10,101,944, or 18% of total revenues for 2013.
- The District had \$55,730,754 and \$54,531,793 in expenses for fiscal years 2014 and 2013; only \$10,185,305 for 2014 and \$10,101,944 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$47,758,055 for 2014 and \$46,643,898 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$45,757,183 in revenues and \$46,769,612 in expenditures for 2014, and \$44,782,111 in revenues and \$45,619,529 in expenditures in 2013. The General Fund's fund balance decreased by \$293,239, from 2013 to 2014, and decreased by \$354,555, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$1,432,381 for 2014 and decreased by \$1,604,251, including a prior period adjustment of (\$83,269), for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$3,452,844 for 2014 and decreased by \$3,934,061 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$7,487 for 2014 and decreased by \$11,492 for 2013.

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, 2014

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 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

GULFPORT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 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 \$49,321,461 as of June 30, 2014.

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, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1
Condensed Statement of Net Position**

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 10,966,939	\$ 9,302,135	17.90 %
Restricted assets	850,774	978,524	-13.06 %
Capital assets, net	57,025,985	58,458,366	-2.45 %
Total assets	68,843,698	68,739,025	0.15 %
Current liabilities	3,028,776	1,349,722	124.40 %
Long-term debt outstanding	16,493,461	19,946,305	-17.31 %
Total liabilities	19,522,237	21,296,027	-8.33 %
Net position:			
Net investment in capital assets	42,816,181	40,771,701	5.01 %
Restricted	4,174,280	4,560,393	-8.47 %
Unrestricted	2,331,000	2,110,904	10.43 %
Total net position	\$ 49,321,461	\$ 47,442,998	3.96 %

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 \$1,432,381.
- The principal retirement of \$4,166,032 of long-term debt.
- Issuing \$700,000 in three mill notes payable.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$57,943,360 and \$56,745,842, respectively. The total cost of all programs and services was \$55,730,754 for 2014 and \$54,531,793 for 2013.

GULFPORT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,590,194	\$ 1,532,776	3.75 %
Operating grants and contributions	8,595,111	8,569,168	0.30 %
General revenues:			
Property and gaming taxes	21,856,349	21,967,115	(0.50) %
Grants and contributions not restricted	24,994,444	24,129,039	3.59 %
Investment earnings	22,189	14,450	53.56 %
Sixteenth section sources	798,720	456,327	75.03 %
Other	86,353	76,967	12.19 %
Total revenues	57,943,360	56,745,842	2.11 %
Expenses:			
Instruction	30,878,412	30,428,406	1.48 %
Support services	21,469,587	20,451,849	4.98 %
Non-instructional	2,967,029	2,832,281	4.76 %
Interest on long-term liabilities and other debt service costs	415,726	819,257	(49.26) %
Total expenses	55,730,754	54,531,793	2.20 %
Increase (Decrease) in net position	2,212,606	2,214,049	(0.07) %
Net Position, July 1, as previously reported	47,442,998	45,312,218	4.70 %
Prior Period Adjustment	(334,143)	(83,269)	301.28 %
Net Position, July 1, as restated	47,108,855	45,228,949	4.16 %
Net Position, June 30	\$ 49,321,461	\$ 47,442,998	3.96 %

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, 2014

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 30,878,412	\$ 30,428,406	1.48 %
Support services	21,469,587	20,451,849	4.98 %
Non-instructional	2,967,029	2,832,281	4.76 %
Interest on long-term liabilities and other debt service costs	415,726	819,257	(49.26) %
Total expenses	\$ 55,730,754	\$ 54,531,793	2.20 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (26,292,981)	\$ (25,559,403)	2.87 %
Support services	(19,148,505)	(18,265,724)	4.83 %
Non-instructional	311,763	214,535	45.32 %
Interest on long-term liabilities and other debt service costs	(415,726)	(819,257)	(49.26) %
Total net (expense) revenue	\$ (45,545,449)	\$ (44,429,849)	2.51 %

- Net cost of governmental activities (\$45,545,449 for 2014 and \$44,429,849 for 2013) was financed by general revenue, which is primarily made up of property and gaming taxes (\$21,856,349 for 2014 and \$21,967,115 for 2013) and state and federal revenues (\$24,994,444 for 2014 and \$24,129,039 for 2013). In addition, there was \$798,720 and \$456,327 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$22,189 for 2014 and \$14,450 for 2013.

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 \$8,177,873, a decrease of \$91,903, including a prior period adjustment of (\$334,143), and which includes an increase in inventory of \$5,191. \$3,201,764 or 39% 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 \$4,976,019 or 61% 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, 2014

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 \$293,239. The fund balance of Other Governmental Funds showed an increase in the amount of \$201,336, including a prior period adjustment of (\$334,143), and an increase in reserve for inventory of \$5,191, due primarily to normal operations.

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$86,329,398, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$261,674 from 2013. Total accumulated depreciation as of June 30, 2014, was \$29,303,413, and total depreciation expense for the year was \$1,782,996, resulting in total net capital assets of \$57,025,985.

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

	June 30, 2014	June 30, 2013	Percentage Change
Land	\$ 2,359,527	\$ 2,359,527	0.00 %
Construction in progress	160,154	17,079	837.72 %
Buildings	50,660,304	52,033,507	(2.64) %
Building improvements	701,878	740,871	(5.26) %
Improvements other than buildings	2,337,488	2,467,880	(5.28) %
Mobile equipment	298,635	187,550	59.23 %
Furniture and equipment	305,067	437,746	(30.31) %
Leased property under capital leases	202,932	214,206	(5.26) %
Total	\$ 57,025,985	\$ 58,458,366	(2.45) %

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, 2014

Debt Administration. At June 30, 2014, the District had \$16,493,461 in outstanding long-term debt, of which \$4,108,103 is due within one year. The liability for compensated absences increased \$7,487 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 4,125,000	\$ 6,125,000	(32.65)
Discounts on general obligation bonds	-	(5,701)	(100.00)
Certificates of participation payable	9,900,000	11,085,000	(10.69)
Three mill notes payable	700,000	253,866	175.74
Shortfall notes payable	29,984	154,332	(80.57)
Obligation under energy efficiency lease	1,188,126	1,747,248	(32.00)
Obligations under capital leases	184,804	228,500	(19.12)
Compensated absences payable	365,547	358,060	2.09
Total	<u>\$ 16,493,461</u>	<u>\$ 19,946,305</u>	(17.31)

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, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,054,924
Due from other governments	1,119,308
Inventories	79,814
Prepaid items	712,893
Restricted assets	850,774
Capital assets, non-depreciable:	
Land	2,359,527
Construction in progress	160,154
Capital assets, net of accumulated depreciation:	
Buildings	50,660,304
Building improvements	701,878
Improvements other than buildings	2,337,488
Mobile equipment	298,635
Furniture and equipment	305,067
Leased property under capital leases	202,932
Total Assets	68,843,698
Liabilities	
Accounts payable and accrued liabilities	2,921,524
Unearned income	5,513
Interest payable on long-term liabilities	101,739
Long-term liabilities, due within one year:	
Capital related liabilities	3,477,741
Non-capital related liabilities	630,362
Long-term liabilities, due beyond one year:	
Capital related liabilities	11,432,063
Non-capital related liabilities	953,295
Total Liabilities	19,522,237
Net Position	
Net investment in capital assets	42,816,181
Restricted for:	
Expendable:	
School-based activities	2,329,360
Debt service	803,663
Capital improvements	910,264
Unemployment benefits	130,993
Unrestricted	2,331,000
Total Net Position	\$ 49,321,461

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

GULFPORT SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

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		
Governmental Activities:						
Instruction	\$ 30,878,412	\$ 1,226,182	\$ 3,359,249	\$ -		\$ (26,292,981)
Support services	21,469,587	4,508	2,316,574	-		(19,148,505)
Non-instructional	2,967,029	359,504	2,919,288	-		311,763
Interest on long-term liabilities and other debt service costs	415,726	-	-	-		(415,726)
Total Governmental Activities	\$ 55,730,754	\$ 1,590,194	\$ 8,595,111	\$ -		\$ (45,545,449)

General Revenues:

Taxes:

General purpose levies	17,946,883
Debt purpose levies	2,414,320
Gaming	1,495,146

Unrestricted grants and contributions:

State	24,836,783
Federal	157,661
Unrestricted investment earnings	22,189
Sixteenth section	798,720
Other	86,353

Total General Revenues 47,758,055

Change in Net Position 2,212,606

Net Position - Beginning, as previously reported 47,442,998
 Prior Period Adjustments (334,143)

Net Position - Beginning, as restated 47,108,855

Net Position - Ending \$ 49,321,461

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 5,679,596	\$ 4,226,102	\$ 9,905,698
Due from other governments	788,373	330,935	1,119,308
Due from other funds	118,438	150,583	269,021
Inventories	-	79,814	79,814
Total assets	6,586,407	4,787,434	11,373,841
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,454,813	\$ 466,711	\$ 2,921,524
Unearned income	-	5,513	5,513
Due to other funds	-	269,021	269,021
Total Liabilities	2,454,813	741,245	3,196,058
Nonspendable:			
Inventory	-	79,814	79,814
Restricted:			
Debt service	-	905,402	905,402
Capital projects	-	1,610,264	1,610,264
Grant activities	-	1,319,716	1,319,716
Unemployment benefits	-	130,993	130,993
Assigned:			
School based activities	929,830	-	929,830
Unassigned	3,201,764	-	3,201,764
Total Fund Balances	4,131,594	4,046,189	8,177,783
Total Liabilities and Fund Balances	\$ 6,586,407	\$ 4,787,434	\$ 11,373,841

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Exhibit C-1

Total fund balances for governmental funds \$ 8,177,783

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

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

Land	\$ 2,359,527	
Construction in progress	160,154	
Buildings	74,407,598	
Building improvements	974,829	
Improvements other than buildings	3,259,798	
Mobile equipment	848,283	
Furniture and equipment	4,093,729	
Leased property under capital leases	225,480	
Accumulated depreciation	<u>(29,303,413)</u>	57,025,985

2. Items that are normally expenses in the governmental funds are capitalized as prepaid expenses in the statement of net position. 712,893

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 payable	(4,125,000)	
Certificates of participation payable	(9,900,000)	
Three mill notes payable	(700,000)	
Shortfall notes payable	(29,984)	
Obligations under energy leases	(1,188,126)	
Obligations under capital leases	(184,804)	
Compensated absences	(365,547)	
Accrued interest payable	<u>(101,739)</u>	<u>(16,595,200)</u>

Net position of governmental activities \$ 49,321,461

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

Exhibit D

For the Year Ended June 30, 2014

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
Revenues:			
Local sources	\$ 20,675,160	\$ 2,879,922	\$ 23,555,082
State sources	24,801,828	1,470,692	26,272,520
Federal sources	280,195	7,036,843	7,317,038
Sixteenth section sources	-	798,720	798,720
Total Revenues	45,757,183	12,186,177	57,943,360
Expenditures:			
Instruction	25,597,417	3,757,848	29,355,265
Support services	19,102,306	2,269,173	21,371,479
Noninstructional services	-	2,929,717	2,929,717
Facilities acquisition and construction	-	143,075	143,075
Debt service:			
Principal	1,787,818	2,378,214	4,166,032
Interest	279,571	157,172	436,743
Other	2,500	1,500	4,000
Total Expenditures	46,769,612	11,636,699	58,406,311
Excess (Deficiency) of Revenues over (under) Expenditures	(1,012,429)	549,478	(462,951)
Other Financing Sources (Uses):			
Proceeds of loans	-	700,000	700,000
Operating transfers in	1,355,753	1,170,726	2,526,479
Operating transfers out	(636,563)	(1,889,916)	(2,526,479)
Total Other Financing Sources (Uses)	719,190	(19,190)	700,000
Net Change in Fund Balances	(293,239)	530,288	237,049
Fund Balances:			
July 1, 2013, as originally reported	4,424,833	3,844,853	8,269,686
Prior period adjustment	-	(334,143)	(334,143)
July 1, 2013, as restated	4,424,833	3,510,710	7,935,543
Increase in reserve for inventory	-	5,191	5,191
June 30, 2014	\$ 4,131,594	\$ 4,046,189	\$ 8,177,783

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, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 237,049

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	\$ 358,858	
Depreciation expense	<u>(1,782,996)</u>	(1,424,138)

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

(8,243)

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

Payments of debt principal	4,166,032	
Proceeds of loans	(700,000)	
Accrued interest payable	<u>30,718</u>	3,496,750

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	(7,487)	
Change in prepaid items	(80,815)	
Amortization of discounts on long-term debt	(5,701)	
Change in inventory reserve	<u>5,191</u>	<u>(88,812)</u>

Change in net position of governmental activities \$ 2,212,606

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

GULFPORT SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2014

	Agency Funds
Assets	
Cash and cash equivalents	\$ 232,527
Total Assets	<u>\$ 232,527</u>
Liabilities	
Accounts payable and other accrued liabilities	\$ 66,011
Due to student clubs	166,516
Total Liabilities	<u>\$ 232,527</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, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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.

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

The District's fiduciary funds include the following:

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

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

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

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.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

D. Encumbrances

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

E. 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.

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.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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 16th 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 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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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 and Bond Discounts/Premiums

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

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.

Governmental fund balance is classified as nonspendable, restricted, 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.

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 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

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (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 (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 assigned resources first and then unassigned amounts.

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 administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,905,698 and \$232,527, respectively. The bank balance was \$10,625,711.

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	\$ 118,438
Other governmental funds	Other governmental funds	150,583
Total		<u>\$ 269,021</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 636,563
Other governmental funds	General fund	1,355,753
	Other governmental funds	534,163
Total		<u>\$ 2,526,479</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 \$850,774 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, 2014

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,359,527	\$ -	\$ -	\$ 2,359,527
Construction in progress	17,079	143,075	-	160,154
Total non-depreciable capital assets	2,376,606	143,075	-	2,519,681
<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	712,665	155,040	(19,422)	848,283
Furniture and equipment	4,110,748	60,743	(77,762)	4,093,729
Leased property under capital leases	225,480	-	-	225,480
Total depreciable capital assets	83,691,118	215,783	(97,184)	83,809,717
<u>Less accumulated depreciation for:</u>				
Buildings	22,374,091	1,373,203	-	23,747,294
Building improvements	233,958	38,993	-	272,951
Improvements other than buildings	791,918	130,392	-	922,310
Mobile equipment	525,115	42,013	(17,480)	549,648
Furniture and equipment	3,673,002	187,121	(71,461)	3,788,662
Leased property under capital leases	11,274	11,274	-	22,548
Total accumulated depreciation	27,609,358	1,782,996	(88,941)	29,303,413
Total depreciable capital assets, net	56,081,760	(1,567,213)	(8,243)	54,506,304
Governmental activities capital assets, net	\$ 58,458,366	\$ (1,424,138)	\$ (8,243)	\$ 57,025,985

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,515,660
Support services	191,533
Non-instructional	75,803
Total depreciation expense - Governmental activities	\$ 1,782,996

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Admiral Galley	\$ 17,079	\$ -
Gulfport High School	143,075	-
Total construction in progress	<u>\$ 160,154</u>	<u>\$ -</u>

Construction projects included in governmental activities are funded with bond proceeds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$ 6,125,000	\$ -	(2,000,000)	\$ 4,125,000	\$ 2,040,000
Discounts on general obligation bonds	(5,701)	5,701	-	-	-
B. Certificates of participation payable	11,085,000	-	(1,185,000)	9,900,000	1,165,000
C. Three mill notes payable	253,866	700,000	(253,866)	700,000	227,033
D. Shortfall notes payable	154,332	-	(124,348)	29,984	29,984
E. Obligations under energy efficiency leases	1,747,248	-	(559,122)	1,188,126	582,101
F. Obligations under capital leases	228,500	-	(43,696)	184,804	45,708
G. Compensated absences payable	358,060	7,487	-	365,547	18,277
Total	<u>\$ 19,946,305</u>	<u>\$ 713,188</u>	<u>\$ (4,166,032)</u>	<u>\$ 16,493,461</u>	<u>\$ 4,108,103</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	\$ 1,215,000
General obligation bonds, issue 2009B	1-2.75%	5/28/2009	4/1/2016	9,740,000	2,910,000
Total				<u>\$ 13,760,000</u>	<u>\$ 4,125,000</u>

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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
2015	\$ 600,000	\$ 22,125	\$ 622,125
2016	615,000	7,688	622,688
Total	\$ 1,215,000	\$ 29,813	\$ 1,244,813

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
2015	\$ 1,440,000	\$ 76,425	\$ 1,516,425
2016	1,470,000	40,425	1,510,425
Total	\$ 2,910,000	\$ 116,850	\$ 3,026,850

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
2015	\$ 2,040,000	\$ 98,550	\$ 2,138,550
2016	2,085,000	48,113	2,133,113
Total	\$ 4,125,000	\$ 146,663	\$ 4,271,663

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, 2014, the amount of outstanding bonded indebtedness was equal to 1.14% of property assessments as of October 1, 2013.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

B. Certificates of participation payable

As more fully explained in Note 11, 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 refunding lease, Series 2012	1.81%	12/19/2012	3/1/2024	\$ 12,275,000	\$ 9,900,000
Total				\$ 12,275,000	\$ 9,900,000

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
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	1,075,000	97,198	1,172,198
2020-2024	4,295,000	203,174	4,498,174
Total	\$ 9,900,000	\$ 892,152	\$ 10,792,152

This debt will be retired from the general fund.

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 2014	1.29%	5/20/2014	5/20/2017	\$ 700,000	\$ 700,000
Total				\$ 700,000	\$ 700,000

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

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Year Ending June 30	Principal	Interest	Total
2015	\$ 227,033	\$ 9,030	\$ 236,063
2016	233,276	6,101	239,377
2017	239,691	3,092	242,783
Total	<u>\$ 700,000</u>	<u>\$ 18,223</u>	<u>\$ 718,223</u>

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 2009	4.33%	8/20/2009	8/20/2014	\$ 149,924	\$ 29,984
Total				<u>\$ 149,924</u>	<u>\$ 29,984</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 29,984	\$ 1,297	\$ 31,281
Total	<u>\$ 29,984</u>	<u>\$ 1,297</u>	<u>\$ 31,281</u>

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

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	4.11%	5/15/2006	4/1/2016	\$ 5,114,976	\$ 1,188,126
Total				<u>\$ 5,114,976</u>	<u>\$ 1,188,126</u>

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 582,101	\$ 48,832	\$ 630,933
2016	606,025	24,908	630,933
Total	\$ 1,188,126	\$ 73,740	\$ 1,261,866

This debt will be retired from the general fund.

An energy efficiency lease agreement dated May 15, 2006 was executed by and between the district, the lessee, and Hancock Bank, the lessor.

The agreement authorized the borrowing of \$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	\$ 184,804
Total				\$ 228,500	\$ 184,804

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 45,708	\$ 2,707	\$ 48,415
2016	45,690	2,045	47,735
2017	46,362	1,373	47,735
2018	47,044	691	47,735
Total	\$ 184,804	\$ 6,816	\$ 191,620

This debt will be retired from the general fund.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

G. Compensated absences payable

As more fully explained in Note 1(E)(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, 2014, 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 The First Bank and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school 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 2014 are as follows:

Description	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014
1. Tax anticipation loan	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
Total	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

Note 8 – 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, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$4,886,087, \$4,366,883 and \$3,746,534, respectively, which equaled the required contributions for each year.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

Note 9 – Contingencies

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

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

Note 10 – 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 94 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 11 – 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.

GULFPORT SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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.

Note 12- Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior period net position for Hurricane Katrina FEMA reimbursements in excess of allowable costs.	\$ <u>(334,143)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanations	Amount
Other Governmental Funds	To correct prior period fund balance for Hurricane Katrina FEMA reimbursements in excess of allowable costs.	\$ <u>(334,143)</u>

Note 13 - 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 4, 2014, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- On September 4, 2014 the district issued \$41,240,000 in general obligation bonds through the Mississippi Development Bank for the purpose of renovating and construction of Gulfport High School.

REQUIRED SUPPLEMENTARY INFORMATION

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Local sources	\$ 21,660,390	\$ 20,921,338	\$ 20,675,160	\$ (739,052)	\$ (246,178)
State sources	24,624,967	24,673,467	24,801,828	48,500	128,361
Federal sources	189,561	304,840	280,195	115,279	(24,645)
Total Revenues	46,474,918	45,899,645	45,757,183	(575,273)	(142,462)
Expenditures:					
Instruction	26,257,673	26,132,403	25,597,417	125,270	534,986
Support services	19,017,849	19,636,672	19,102,306	(618,823)	534,366
Debt service:					
Principal	1,744,122	1,787,818	1,787,818	(43,696)	-
Interest	291,451	279,572	279,571	11,879	1
Other	5,500	6,668	2,500	(1,168)	4,168
Total Expenditures	47,316,595	47,843,133	46,769,612	(526,538)	1,073,521
Excess (Deficiency) of Revenues over (under) Expenditures	(841,677)	(1,943,488)	(1,012,429)	(1,101,811)	931,059
Other Financing Sources (Uses):					
Operating transfers in	4,594,812	4,908,774	1,355,753	313,962	(3,553,021)
Operating transfers out	(4,328,137)	(4,124,782)	(636,563)	203,355	3,488,219
Total Other Financing Sources (Uses)	266,675	783,992	719,190	517,317	(64,802)
Net Change in Fund Balances	(575,002)	(1,159,496)	(293,239)	(584,494)	866,257
Fund Balances:					
July 1, 2013	4,424,833	4,424,833	4,424,833	-	-
June 30, 2014	\$ 3,849,831	\$ 3,265,337	\$ 4,131,594	\$ (584,494)	\$ 866,257

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

GULFPORT SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

GULFPORT SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 730,115
National school lunch program	10.555	2,153,513
Summer food service program for children	10.559	52,999
Total child nutrition cluster		<u>2,936,627</u>
Fresh fruit and vegetables program	10.582	27,029
Total passed-through Mississippi Department of Education		<u>2,963,656</u>
Total U.S. Department of Agriculture		<u>2,963,656</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	60,450
Total U.S. Department of Defense		<u>60,450</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	112,779
Total Federal Communications Commission		<u>112,779</u>
<u>U.S. Department of Education</u>		
Direct program:		
Impact Aid	84.041	41,368
Total		<u>41,368</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	3,514
Total		<u>3,514</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,825,657
Career and technical education - basic grants to states	84.048	52,021
English language acquisition grants	84.365	17,162
Improving teacher quality-State Grants	84.367	356,893
Subtotal		<u>2,251,733</u>
Special education cluster:		
Special education - grants to states	84.027	1,643,622
Special education - preschool grants	84.173	36,052
Total special education cluster		<u>1,679,674</u>
Total passed-through Mississippi Department of Education		<u>3,931,407</u>
Total U.S. Department of Education		<u>3,976,289</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	63,057
Total passed-through Mississippi Department of Education		<u>63,057</u>
Total U.S. Department of Health and Human Services		<u>63,057</u>
Total for All Federal Awards		<u>\$ 7,176,231</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.
4. Donated commodities of \$206,158 are included in the National School Lunch Program.

GULFPORT SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014**

<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	\$ 41,552,697	32,054,747	1,527,037	3,232,883	4,738,030
Other	16,853,614	3,659,422	538,760	162,958	12,492,474
Total	\$ 58,406,311	35,714,169	2,065,797	3,395,841	17,230,504
Total number of students *	5,718				
Cost per student	\$ 10,214	6,246	361	594	3,013

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 20,675,160	\$ 20,765,978	\$ 21,109,636	\$ 20,845,239
State sources	24,801,828	23,785,096	23,408,560	21,398,905
Federal sources	280,195	231,037	164,791	233,649
Total Revenues	45,757,183	44,782,111	44,682,987	42,477,793
Expenditures:				
Instruction	25,597,417	24,714,444	23,728,749	20,541,749
Support services	19,102,306	18,221,279	17,313,679	16,487,391
Debt service:				
Principal	1,787,818	2,009,724	1,679,226	1,696,082
Interest	279,571	529,536	691,831	777,660
Other	2,500	144,546	5,500	4,250
Total Expenditures	46,769,612	45,619,529	43,418,985	39,507,132
Excess (Deficiency) of Revenues over (under) Expenditures	(1,012,429)	(837,418)	1,264,002	2,970,661
Other Financing Sources (Uses):				
Refunding leases issued	-	12,275,000	-	-
Payment to refunded lease escrow agent	-	(11,997,000)	-	-
Insurance loss recoveries	-	-	-	3,515
Operating transfers in	1,355,753	856,351	825,574	3,163,805
Operating transfers out	(636,563)	(651,488)	(1,208,148)	(3,175,649)
Total Other Financing Sources (Uses)	719,190	482,863	(382,574)	(8,329)
Net Change in Fund Balances	(293,239)	(354,555)	881,428	2,962,332
Fund Balances:				
Beginning of period, as previously reported	4,424,833	4,779,388	3,897,960	962,216
Prior period adjustments	-	-	-	(26,588)
Beginning of period, as restated	4,424,833	4,779,388	3,897,960	935,628
End of Period	\$ 4,131,594	\$ 4,424,833	\$ 4,779,388	\$ 3,897,960

*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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 23,555,082	\$ 23,591,309	\$ 24,172,879	\$ 24,224,725
State sources	26,272,520	25,258,527	24,736,132	22,804,016
Federal sources	7,317,038	7,441,824	8,074,955	11,536,331
Sixteenth section sources	798,720	454,182	581,593	505,700
Total Revenues	57,943,360	56,745,842	57,565,559	59,070,772
Expenditures:				
Instruction	29,355,265	28,815,989	28,302,201	27,714,551
Support services	21,371,479	20,682,512	19,889,352	20,143,266
Noninstructional services	2,929,717	2,764,552	2,714,691	2,895,587
Facilities acquisition and construction	143,075	-	287,544	19,821
Debt service:				
Principal	4,166,032	4,437,469	4,914,044	4,214,202
Interest	436,743	741,827	952,762	1,081,488
Other	4,000	146,046	7,000	5,750
Total Expenditures	58,406,311	57,588,395	57,067,594	56,074,665
Excess (Deficiency) of Revenues over (under) Expenditures	(462,951)	(842,553)	497,965	2,996,107
Other Financing Sources (Uses):				
Proceeds of loans	700,000	-	-	-
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
Operating transfers in	2,526,479	1,652,150	2,221,513	4,120,359
Operating transfers out	(2,526,479)	(1,652,150)	(2,221,513)	(4,120,359)
Total Other Financing Sources (Uses)	700,000	506,500	-	3,515
Net Change in Fund Balances	237,049	(336,053)	497,965	2,999,622
Fund Balances:				
Beginning of period, as previously reported	8,269,686	8,602,375	8,107,015	5,542,323
Prior period adjustments	(334,143)	-	-	(456,920)
Beginning of period, as restated	7,935,543	8,602,375	8,107,015	5,085,403
Increase (Decrease) in reserve for inventory	5,191	3,364	(2,605)	21,990
End of Period	\$ 8,177,783	\$ 8,269,686	\$ 8,602,375	\$ 8,107,015

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

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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 Gulfport School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Gulfport School District's basic financial statements, and have issued our report thereon dated November 4, 2014.

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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

November 4, 2014

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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

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, 2014. 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2014.

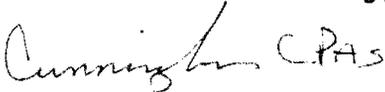
Report on Internal Control over Compliance

Management of the 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.

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 4, 2014

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
Gulfport, Mississippi

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, 2014, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated November 4, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 4, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GULFPORT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 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: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Improving teacher quality grants | |
| | 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, 2014

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Gulfport School District

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

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FAX (228) 865-4718

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, the Gulfport School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

Fiscal Year Ended June 30, 2013
Audit Report

<u>Finding</u>	<u>Correction Action Plan Details</u>
2013-01	This finding has been corrected.