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GULFPORT SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2016

GULFPORT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Gulfport School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District as of and for the year ended June 30, 2016, 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, 2016, 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, budgetary comparison information, and the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District's Contributions on pages 9 to 17 and 49 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gulfport School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, on our consideration of the Gulfport School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulfport School District's internal control over financial reporting and compliance.



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

November 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 increased \$6,546,913 including a prior period adjustment of \$(63,923), which represents a 46% increase from fiscal year 2015. Total net position for 2015 decreased \$63,603,677, including a prior period adjustment of \$(68,357,951), which represents a 129% decrease from fiscal year 2014.
- General revenues amounted to \$54,736,037 and \$50,808,532, or 82% and 82% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,213,003, or 18% of total revenues for 2016, and \$11,200,512, or 18% of total revenues for 2015.
- The District had \$60,338,204 and \$57,254,770 in expenses for fiscal years 2016 and 2015; only \$11,213,003 for 2016 and \$11,200,512 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$54,736,037 for 2016 were adequate to provide for these programs. General revenues of \$50,808,532 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$52,273,046 in revenues and \$49,199,831 in expenditures for 2016, and \$48,531,431 in revenues and \$47,802,016 in expenditures in 2015. The General Fund's fund balance increased from 2015 to 2016 by \$2,972,039 including a prior period adjustment of \$(63,923) and increased by \$176,179 from 2014 to 2015 including a prior period adjustment of \$(367,976).
- Capital assets, net of accumulated depreciation, increased by \$20,104,747 for 2016 and increased by \$1,271,753 for 2015. The increase for 2016 was due to construction in progress on Gulfport High School coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$4,394,968 for 2016 and increased by \$39,702,850 for 2015. This increase for 2015 was due primarily to the issuance of general obligation bonds. The liability for compensated absences decreased by \$7,969 for 2016 and decreased by \$23,504 for 2015.

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, deferred outflows and liabilities and deferred inflows, with the differences between the two reported as "net

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

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

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 are presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources did not exceed liabilities and deferred inflows of resources by (\$7,735,303) as of June 30, 2016.

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, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

GASB 68 was implemented in fiscal year 2015.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 13,235,488	\$ 9,740,928	35.88 %
Restricted assets	22,361,496	41,446,655	(46.05) %
Capital assets, net	<u>78,402,485</u>	<u>58,297,738</u>	34.49 %
Total assets	<u>113,999,469</u>	<u>109,485,321</u>	4.12 %
Deferred outflows of resources	21,794,495	5,887,656	270.17 %
Current liabilities	4,441,108	2,228,488	99.29 %
Long-term debt outstanding	51,801,343	56,196,311	(7.82) %
Net pension liability	<u>78,171,248</u>	<u>58,445,284</u>	33.75 %
Total liabilities	<u>134,413,699</u>	<u>116,870,083</u>	15.01 %
Deferred inflows of resources	9,115,568	12,785,110	(28.70) %
Net position:			
Invested in capital assets, net of related debt	49,296,712	3,049,495	1,516.55 %
Restricted	24,632,300	43,061,430	(42.80) %
Unrestricted	<u>(81,664,315)</u>	<u>(60,393,141)</u>	(35.22) %
Total net assets	\$ <u>(7,735,303)</u>	\$ <u>(14,282,216)</u>	45.84 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(81,664,315)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and related pension deferrals	<u>65,492,321</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$(16,171,994)</u></u>

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

- Increase in net capital assets in the amount of \$20,104,747.
- The principal retirement of \$4,274,991 of long-term debt.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$66,949,040 and \$62,009,044, respectively. The total cost of all programs and services was \$60,338,204 for 2016 and \$57,254,770 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

GASB 68 was implemented in fiscal year 2015.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>30-Jun-16</u>	<u>Year Ended</u> <u>30-Jun-15</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,152,137	\$ 1,733,272	24.17 %
Operating grants and contributions	9,060,866	9,467,240	(4.29) %
General revenues:			
Property (and gaming) taxes	23,699,106	22,884,217	3.56 %
Grants and contributions not restricted	29,316,221	27,067,416	8.31 %
Investment earnings	134,366	86,615	55.13 %
Sixteenth section sources	612,234	618,559	(1.02) %
Other	974,110	151,725	542.02 %
Special items-BP Settlement	1,000,000	-	- %
Total revenues	66,949,040	62,009,044	7.97 %
Expenses:			
Instruction	30,331,346	28,398,925	6.80 %
Support services	20,445,417	21,265,488	(3.86) %
Non-instructional	2,471,355	2,825,441	(12.53) %
Pension expense	5,373,057	2,406,281	123.29 %
Interest on long-term liabilities and other debt service costs	1,717,029	2,358,635	(27.20) %
Total expenses	60,338,204	57,254,770	5.39 %
Increase (Decrease) in net position	6,610,836	4,754,274	39.05 %
Net Position, July 1	(14,282,216)	49,321,461	(128.96) %
Prior Period Adjustment(s)	(63,923)	(68,357,951)	99.91 %
Net Position Restated, July 1	(14,346,139)	(19,036,490)	24.64 %
Net Position, June 30	\$ (7,735,303)	\$ (14,282,216)	45.84 %

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Governmental activities

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

GASB 68 was implemented in fiscal year 2015.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change	
	2016	2015		
Instruction	\$ 30,331,346	\$ 28,398,925	6.80	%
Support services	20,445,417	21,265,488	(3.86)	%
Non-instructional	2,471,355	2,825,441	(12.53)	%
Pension Expense	5,373,057	2,406,281	123.29	%
Interest on long-term liabilities	1,717,029	2,358,635	(27.20)	%
Net expenses	\$ 60,338,204	\$ 57,254,770	5.39	%

	Net (Expense) Revenue		Percentage Change	
	2016	2015		
Instruction	\$ (25,929,459)	\$ (23,956,727)	8.23	%
Support services	(16,915,901)	(17,818,664)	(5.07)	%
Non-instructional	810,169	486,049	66.68	%
Pension Expense	(5,373,057)	(2,406,281)	123.29	%
Interest on long-term liabilities	(1,716,953)	(2,358,635)	(27.21)	%
Total net (expense) revenue	\$ (49,125,201)	\$ (46,054,258)	6.67	%

- Net cost of governmental activities (\$49,125,201 for 2016 and \$46,054,258 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$23,699,106 for 2016 and \$22,884,217 for 2015) and state and federal revenues (\$29,316,221 for 2016 and \$27,067,416 for 2015). In addition, there was \$612,234 and \$618,559 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$134,366 for 2016 and \$86,615 for 2015.

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

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

completed the year, its governmental funds reported a combined fund balance of \$30,977,791, a decrease of \$17,780,107, which includes a prior period adjustment of \$(63,923) and a decrease in inventory of \$21,928. \$5,897,647 or 19% 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 \$25,080,144 or 81% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,972,039, including a prior period adjustment of \$(63,923). The fund balance of Other Governmental Funds showed an increase in the amount of \$642,354, which includes a decrease in reserve for inventory of \$(21,928), due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I	No increase or decrease
GHS Construction Fund	\$(21,394,500)

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$110,232,612, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any leased property under capital leases. This amount represents an increase of \$21,485,991 from 2015. Total accumulated depreciation as of June 30, 2016, was \$31,830,127, and total depreciation expense for the year was \$1,727,610, resulting in total net capital assets of \$78,402,485.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>	
Land	\$ 2,359,527	\$ 2,359,527	0.00	%
Construction in Progress	24,947,650	3,488,894	615.06	%
Buildings	47,488,761	48,826,640	(2.74)	%
Building improvements	856,691	662,885	29.24	%
Improvements other than buildings	2,076,704	2,207,096	(5.91)	%
Mobile equipment	247,098	282,304	(12.47)	%
Furniture and equipment	236,651	271,970	(12.99)	%
Leased property under capital leases	189,403	198,422	(4.55)	%
Total	\$ 78,402,485	\$ 58,297,738	34.49	%

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

Debt Administration. At June 30, 2016, the District had \$51,801,343 in outstanding long-term debt, of which \$3,199,765 is due within one year. The liability for compensated absences decreased \$7,969 from the prior year.

The District maintains an A2 bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>	
General obligation bonds payable	\$ 41,080,000	\$ 43,325,000	(5.18)	%
Unamortized premium	2,464,172	2,576,180	(4.35)	%
Certificates of participation payable	7,590,000	8,735,000	(13.11)	%
Three mill note payable	239,691	472,967	(49.32)	%
Obligations under capital leases	93,406	139,096	(32.85)	%
Obligations under energy efficient leases	-	606,025	(100.00)	%
Compensated absences payable	334,074	342,043	(2.33)	%
Total	\$ 51,801,343	\$ 56,196,311	(7.82)	%

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

CURRENT ISSUES

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

The strong community support was evident in the bond issue election on May 27, 2014 where the voters approved issuing \$41,240,000 in bonds to construct and renovate Gulfport High and other smaller projects. The bond issue passed with an 81% approval. To date the Fine Arts Building and the Field House have been completed along with all of the drainage and underground infrastructure. Academic Buildings are expected to be completed and ready for occupancy by the Fall of 2017.

GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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FINANCIAL STATEMENTS

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GULFPORT SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,505,483
Cash with fiscal agents	13,000
Due from other governments	2,001,990
Inventories	89,085
Prepaid items	625,930
Restricted assets	22,361,496
Capital assets, non-depreciable:	
Land	2,359,527
Construction in progress	24,947,650
Capital assets, net of accumulated depreciation:	
Buildings	47,488,761
Building improvements	856,691
Improvements other than buildings	2,076,704
Mobile equipment	247,098
Furniture and equipment	236,651
Leased property under capital leases	189,403
Total Assets	<u>113,999,469</u>
Deferred Outflows of Resources	
Deferred outflows of resources-pensions	<u>21,794,495</u>
Total deferred inflows of resources	<u>21,794,495</u>
Liabilities	
Accounts payable and accrued liabilities	3,897,410
Unavailable revenue	95,854
Interest payable on long-term liabilities	447,844
Long-term liabilities, due within one year:	
Capital related liabilities	3,183,061
Non-capital related liabilities	16,704
Long-term liabilities, due beyond one year:	
Capital related liabilities	48,284,208
Non-capital related liabilities	317,370
Net pension liability	78,171,248
Total Liabilities	<u>134,413,699</u>
Deferred Inflows of Resources	
Deferred inflows of resources-pensions	<u>9,115,568</u>
Total deferred inflows of resources	<u>9,115,568</u>
Net Position	
Net investment in capital assets	49,296,712
Restricted for:	
Expendable:	
School-based activities	3,741,794
Debt service	881,959
Capital improvements	19,790,210
Unemployment benefits	129,252
Non-expendable:	
Inventory	89,085
Unrestricted	(81,664,315)
Total Net Position	<u>\$ (7,735,303)</u>

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, 2016

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	\$ 30,331,346	\$ 1,481,454	\$ 2,920,433	\$ -	\$	(25,929,459)
Support services	20,445,417	304,510	3,225,006	-		(16,915,901)
Non-instructional	2,471,355	366,173	2,915,351	-		810,169
Pension expense	5,373,057	-	-	-		(5,373,057)
Interest on long-term liabilities	1,717,029	-	76	-		(1,716,953)
Total Governmental Activities	<u>\$ 60,338,204</u>	<u>\$ 2,152,137</u>	<u>\$ 9,060,866</u>	<u>\$ -</u>	<u>\$</u>	<u>(49,125,201)</u>

General Revenues:

Taxes:

 General purpose levies 18,103,515

 Debt purpose levies 3,786,536

 Gaming 1,809,055

Unrestricted grants and contributions:

 State 29,125,650

 Federal 190,571

Unrestricted investment earnings 134,366

Sixteenth section sources 612,234

Other 974,110

 Total General Revenues 54,736,037

Special items-BP settlement 1,000,000

 Total General Revenues and Special Items 55,736,037

Change in Net Position 6,610,836

Net Position - Beginning, as previously reported * (14,282,216)

 Prior Period Adjustments (63,923)

Net Position - Beginning, as restated * (14,346,139)

Net Position - Ending \$ (7,735,303)

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2016

Exhibit C

	Major Funds			Other	Total
	General	Title I	Construction	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 6,242,066	\$ -	\$ 21,136,534	\$ 5,488,380	\$ 32,866,980
Cash with fiscal agents	13,000	-	-	-	13,000
Due from other governments	1,044,456	393,150	-	564,384	2,001,990
Due from other funds	246,431	1,048	-	716,750	964,229
Inventories	-	-	-	89,085	89,085
Total assets	7,545,953	394,198	21,136,534	6,858,599	35,935,284
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 265,057	\$ 57,477	\$ 3,472,800	\$ 102,076	\$ 3,897,410
Due to other funds	1,084	336,721	-	626,424	964,229
Unavailable revenue-special education	-	-	-	95,854	95,854
Total Liabilities	266,141	394,198	3,472,800	824,354	4,957,493
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	89,085	89,085
Restricted:					
Debt service	-	-	-	1,329,803	1,329,803
Capital projects	-	-	17,663,734	2,126,476	19,790,210
Unemployment benefits	-	-	-	129,252	129,252
Assigned:					
School based activities	1,382,165	-	-	2,359,629	3,741,794
Unassigned	5,897,647	-	-	-	5,897,647
Total Fund Balances	7,279,812	-	17,663,734	6,034,245	30,977,791
Total Liabilities and Fund Balances	\$ 7,545,953	\$ 394,198	\$ 21,136,534	\$ 6,858,599	\$ 35,935,284

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, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 30,977,791

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	24,947,650	
Buildings	73,524,529	
Building improvements	1,217,329	
Improvements other than buildings	3,259,798	
Mobile equipment	824,352	
Furniture and equipment	3,873,947	
Leased property under capital leases	225,480	
Accumulated depreciation	<u>(31,830,127)</u>	78,402,485

2. Prepaid Items 625,931

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

(78,171,248)

Net pension liability

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

Deferred outflows of resources related to pensions	21,794,495	
Deferred inflows of resources related to pensions	<u>(9,115,568)</u>	12,678,927

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

General obligation bonds	(41,080,000)	
Three mill notes payable	(239,691)	
Certificates of participation payable	(7,590,000)	
Capital lease obligations	(93,406)	
Compensated absences	(334,074)	
Unamortized bond premium	(2,464,172)	
Accrued interest payable	<u>(447,846)</u>	(52,249,189)

Net Position of governmental activities

\$ (7,735,303)

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

GULFPORT SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016**

Exhibit D

	Major Funds			Other	Total
	General	Title 1	Construction	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 22,257,947	\$ -	\$ 64,256	\$ 4,491,180	\$ 26,813,383
State sources	29,061,199	-	-	1,453,168	30,514,367
Federal sources	341,666	2,350,424	-	5,170,632	7,862,722
Sixteenth section sources	612,234	-	-	-	612,234
Total Revenues	<u>52,273,046</u>	<u>2,350,424</u>	<u>64,256</u>	<u>11,114,980</u>	<u>65,802,706</u>
Expenditures:					
Instruction	28,212,745	456,766	-	3,047,676	31,717,187
Support services	18,999,111	1,694,602	-	1,937,437	22,631,150
Noninstructional services	-	44,575	-	2,659,174	2,703,749
Facilities acquisition and construction	-	-	21,458,756	-	21,458,756
Debt service:					
Principal	1,796,715	-	-	2,478,276	4,274,991
Interest	188,660	-	-	1,660,453	1,849,113
Other	2,600	-	-	5,750	8,350
Total Expenditures	<u>49,199,831</u>	<u>2,195,943</u>	<u>21,458,756</u>	<u>11,788,766</u>	<u>84,643,296</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,073,215</u>	<u>154,481</u>	<u>(21,394,500)</u>	<u>(673,786)</u>	<u>(18,840,590)</u>
Other Financing Sources (Uses):					
Insurance recovery	8,334	-	-	-	8,334
Sale of other property	-	-	-	138,000	138,000
Operating transfers in	-	-	-	1,663,934	1,663,934
Operating transfers out	(1,045,587)	(154,481)	-	(463,866)	(1,663,934)
Total Other Financing Sources (Uses)	<u>(1,037,253)</u>	<u>(154,481)</u>	<u>-</u>	<u>1,338,068</u>	<u>146,334</u>
Special items-BP settlement	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Net Change in Fund Balances	<u>3,035,962</u>	<u>-</u>	<u>(21,394,500)</u>	<u>664,282</u>	<u>(17,694,256)</u>
Fund Balances:					
July 1, 2015, as previously reported *	4,307,773	-	39,058,234	5,391,891	48,757,898
Decrease in prior year receivable	(63,923)	-	-	-	(63,923)
July 1, 2015, as restated *	<u>4,243,850</u>	<u>-</u>	<u>39,058,234</u>	<u>5,391,891</u>	<u>48,693,975</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,928)</u>	<u>(21,928)</u>
June 30, 2016	<u>\$ 7,279,812</u>	<u>\$ -</u>	<u>\$ 17,663,734</u>	<u>\$ 6,034,245</u>	<u>\$ 30,977,791</u>

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, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (17,694,256)

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	\$ 21,819,181	
Depreciation expense	<u>(1,727,610)</u>	20,091,571

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.

13,176

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	<u>4,274,991</u>	
Amortization of bond premium	112,008	
Accrued interest payable	<u>28,427</u>	4,415,426

4. Pension Expense (5,373,057)
Deferred outflow of current year pension contributions 5,223,475

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	7,969	
Change in inventory reserve	(21,928)	
Change in prepaid items	<u>(51,540)</u>	(65,499)

Change in Net Position of governmental activities	<u><u>\$ 6,610,836</u></u>
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The notes to the financial statements are an integral part of this statement.

GULFPORT SCHOOL DISTRICT

Fiduciary Funds

**Statement of Fiduciary Assets and Liabilities
June 30, 2016**

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,851,494
Due from other governments	201
Total Assets	<u>\$ 2,851,695</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,680,969
Due to student clubs	170,726
Total Liabilities	<u>\$ 2,851,695</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, 2016

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

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

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 deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is reported in three categories:

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

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

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

The District's fiduciary funds include the following:

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

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

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

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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.

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

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.

6. Capital Assets

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

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

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

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Exhibit A includes one deferred outflow of resources related to the Pension Plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Exhibit A includes one deferred inflow of resources related to the Pension Plan.

See Note 9 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

GULFPORT SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

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

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

GULFPORT SCHOOL DISTRICT
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used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

Note 2 – Cash and Cash Equivalents

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$32,866,980 and \$2,851,494 respectively. The carrying amount of deposits reported in the government-wide financial statements was \$10,505,483.

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. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, \$36,732,437 of the District's bank balance of \$36,982,437 was exposed to custodial risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$13,000.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

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

GULFPORT SCHOOL DISTRICT
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<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 246,431
Title I	Other governmental funds	1,048
Other governmental funds	General fund	1,084
Other governmental funds	Title I	336,721
Other governmental funds	Other Governmental Funds	378,945
Total		\$ <u>964,229</u>

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 1,045,587
Title I fund	Other governmental funds	154,481
Other governmental funds	Other governmental funds	463,866
Total		\$ <u>1,663,934</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$22,361,496 of the shortfall note payable, three mill note payable, general obligation bonds payable, and the remaining bond proceeds to be used for the construction of Gulfport High School.

Note 5 – Capital Assets

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

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	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 2,359,527	\$ -	-	-	\$ 2,359,527
Construction-in-progress	3,488,894	21,458,756	-	-	24,947,650
Total non-depreciable capital assets	5,848,421	21,458,756	-		27,307,177
Depreciable capital assets:					
Buildings	73,524,529	-	-	-	73,524,529
Building improvements	974,829	242,500	-	-	1,217,329
Improvements other than buildings	3,259,798	-	-	-	3,259,798
Mobile equipment	851,404	-	27,052	-	824,352
Furniture and equipment	4,062,160	117,925	306,138	-	3,873,947
Leased property under capital leases	225,480	-	-	-	225,480
Total depreciable capital assets	82,898,200	360,425	333,190		82,925,435
Less accumulated depreciation for:					
Buildings	24,697,889	1,355,541	-	(17,662)	26,035,768
Building improvements	311,944	48,694	-	-	360,638
Improvements other than buildings	1,052,702	130,392	-	-	1,183,094
Mobile equipment	569,100	33,781	24,347	(1,280)	577,254
Furniture and equipment	3,790,190	150,183	303,077	-	3,637,296
Leased property under capital leases	27,058	9,019	-	-	36,077
Total accumulated depreciation	30,448,883	1,727,610	327,424	(18,942)	31,830,127
Total depreciable capital assets, net	52,449,317	(1,367,185)	5,766	18,942	51,095,308
Governmental activities capital assets, net	\$ 58,297,738	20,091,571	5,766	18,942	78,402,485

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,461,047
Support services	192,624
Non-instructional	73,939
Total Depreciation Expense	\$ 1,727,610

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Governmental Activities		
Admiral Galley	\$ 17,079	\$ -
Gulfport High	24,930,571	18,933,941
Total	\$ 24,947,650	\$ 18,933,941

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

GULFPORT SCHOOL DISTRICT
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Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. General obligation bonds payable	\$ 43,325,000	\$ -	\$ 2,245,000	\$ 41,080,000	\$ 1,665,000
Premiums on general obligation bonds	2,576,180	-	112,008	2,464,172	112,008
B. Certificates of participation payable	8,735,000	-	1,145,000	7,590,000	1,120,000
C. Three mill notes payable	472,967	-	233,276	239,691	239,691
D. Obligations under energy efficiency lease	606,025	-	606,025	-	-
E. Obligations under energy capital lease	139,096	-	45,690	93,406	46,362
F. Compensated absences payable	342,043	-	7,969	334,074	16,704
Total	<u>\$ 56,196,311</u>	<u>\$ -</u>	<u>\$ 4,394,968</u>	<u>\$ 51,801,343</u>	<u>\$ 3,199,765</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 2014	1-5%	10/27/2014	4/1/2034	41,240,000	41,080,000
Total				<u>\$ 41,240,000</u>	<u>\$ 41,080,000</u>

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

General obligation bond issue of 2014MDB:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,665,000	\$ 1,603,056	\$ 3,268,056
2018	1,700,000	1,569,756	3,269,756
2019	1,735,000	1,535,756	3,270,756
2020	1,770,000	1,501,056	3,271,056
2021	1,815,000	1,465,656	3,280,656
2022 – 2026	10,280,000	6,211,080	16,491,080
2027 - 2031	12,905,000	3,649,462	16,554,462
2032 – 2034	9,210,000	736,750	9,946,750
Total	<u>\$ 41,080,000</u>	<u>\$ 18,272,572</u>	<u>\$ 59,352,572</u>

This debt will be retired from the bonds payable fund.

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

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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, 2016, the amount of outstanding bonded indebtedness was equal to 12% of property assessments as of October 1, 2015.

B. Certificates of participation payable

As more fully explained in Note 15, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Refunding Bonds	1.81%	12/19/2012	3/1/2024	\$ 12,275,000	\$ 7,590,000
Total				\$ 12,275,000	\$ 7,590,000

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

Certificates of participation issue of Refunding Lease 2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,120,000	\$ 137,379	\$ 1,257,379
2018	1,100,000	117,107	1,217,107
2019	1,075,000	97,197	1,172,197
2020	1,050,000	77,740	1,127,740
2021	1,025,000	58,734	1,083,734
2022-2024	2,220,000	66,698	2,286,698
Total	\$ 7,590,000	\$ 554,855	\$ 8,144,855

This debt will be retired from the General Fund.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill series 2014	1.29%	5/20/2014	5/20/2017	\$ 700,000	\$ 239,691
Total				\$ 700,000	\$ 239,691

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

Three mill notes payable issue of 2014:

Year Ending				
June 30	Principal	Interest	Total	
2017	\$ 239,691	\$ 3,092	\$ 242,783	
Total	\$ 239,691	\$ 3,092	\$ 242,783	

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

D. 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. Debt issue costs in the amount of \$3,020 were not capitalized. This lease qualifies as a capital lease for accounting purposes.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
HVAC System Replacement	1.47%	5/16/2013	5/16/2018	\$ 228,500	\$ 93,406
Total				\$ 228,500	\$ 93,406

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

Obligations under capital leases issue of 2013:

Year Ending			
June 30	Principal	Interest	Total
2017	46,362	1,373	47,735
2018	47,044	691	47,735
Total	\$ 93,406	2,064	\$ 95,470

E. Compensated absences payable

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

Note 7 – Short-Term Financing

During the fiscal year ended June 30, 2016, the school district participated in the following short-term financing(s) for the purpose of easing cash flow constraints.

A. Bank-financed short term debt.

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

GULFPORT SCHOOL DISTRICT
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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 2016 are as follows:

Description	Balance		Additions	Reductions	Balance	
	7/1/2015				6/30/2016	
Tax Anticipation Loan	\$		\$ 1,500,000	1,500,000	\$	-
Total	\$	-	\$ 1,500,000	1,500,000	\$	-

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 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, 2016, 2015 and 2014 were \$5,223,475, \$4,975,905 and \$4,633,630, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$78,171,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was .5057 percent, which was based on a measurement date of June 30, 2015. This was an increase of .0242 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,373,057. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,786,739	\$ -
Net difference between projected and actual earnings on pension plan investments	4,573,854	6,353,566
Changes of assumptions	6,734,187	-
Change in proportionate share	3,476,240	2,762,002
District's contributions subsequent to the measurement date	5,223,475	-
Total	\$ <u>21,794,495</u>	\$ <u>9,115,568</u>

\$5,223,475 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (1,997,976)
2018	(2,067,201)
2019	(2,246,812)
2020	<u>(1,143,463)</u>
Total	\$ <u>(7,455,452)</u>

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Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 103,036,866	\$ 78,171,248	\$ 57,537,433

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

Note 10 – Special Items

The Deepwater Horizon oil rig, operated by BP, exploded on April 20, 2010 causing an oil spill in the Gulf of Mexico. The total settlement amount the District received was \$1,000,000 on August 25, 2015.

Note 11 – Prior Period Adjustments

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

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

Explanation	Amount
1 Decrease prior year receivable	\$ (63,923)
Total	\$ <u>(63,923)</u>

Note 12 – 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 13 – Contingent Liabilities

During October of 2014, the district issued \$41,240,000 in general obligation bonds for capital improvements.

The Internal Revenue Code (IRC) and Arbitrage Rebate Regulations issued by the Internal Revenue Service (IRS) require a rebate to the Federal Government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Excess earnings must be rebated every five years, or upon maturity of the bonds, whichever is

GULFPORT SCHOOL DISTRICT
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earlier.

During the current year, the arbitrage calculation was not made.

Note 14 – Risk Management

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

Participation in Public Entity Risk Pool

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

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

Note 15 – 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

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Notes to the Financial Statements
For Year Ended June 30, 2016

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

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

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

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(81,664,315) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

Note 17 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Gulfport School District evaluated the activity of the District through November 10, 2016, the date the financial statements were available to be issued, and determined that there were no subsequent events to report.

REQUIRED SUPPLEMENTARY INFORMATION

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GULFPORT SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 20,873,220	\$ 21,135,620	\$ 22,257,947	\$ 262,400	\$ 1,122,327
State sources	29,015,285	28,880,651	29,061,199	(134,634)	180,548
Federal sources	242,500	301,749	341,666	59,249	39,917
Sixteenth section sources	-	612,234	612,234	612,234	-
Total Revenues	50,131,005	50,930,254	52,273,046	799,249	1,342,792
Expenditures:					
Instruction	28,733,475	28,794,652	28,212,745	(61,177)	581,907
Support services	19,717,458	19,912,725	18,999,111	(195,267)	913,614
Debt service:					
Principal	3,296,716	3,296,717	1,796,715	(1)	1,500,002
Interest	190,677	190,677	188,660	-	2,017
Advance refunding escrow	1,500	2,600	2,600	(1,100)	-
Total Expenditures	51,939,826	52,197,371	49,199,831	(257,545)	2,997,540
Excess (Deficiency) of Revenues over (under) Expenditures	(1,808,821)	(1,267,117)	3,073,215	541,704	4,340,332
Other Financing Sources (Uses):					
Bonds and notes issued	1,500,000	1,500,000	-	-	(1,500,000)
Insurance recovery	-	-	8,334	-	8,334
Operating transfers in	4,713,492	4,560,909	-	(152,583)	(4,560,909)
Operating transfers out	(4,322,492)	(5,653,670)	(1,045,587)	(1,331,178)	4,608,083
Total Other Financing Sources (Uses)	1,891,000	407,240	(1,037,253)	(1,483,761)	(1,444,493)
Special items-BP settlement	-	1,000,000	1,000,000	1,000,000	-
Net Change in Fund Balances	82,179	140,123	3,035,962	57,944	2,895,840
Fund Balances:					
July 1, 2015, as previously reported *	3,787,793	4,235,133	4,307,773	447,340	72,640
Prior period adjustments	-	(63,924)	(63,923)	(63,924)	1
July 1, 2015, as restated *	3,787,793	4,171,209	4,243,850	383,416	72,641
June 30, 2016	\$ 3,869,972	\$ 4,311,332	\$ 7,279,812	\$ 441,360	\$ 2,968,481

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

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,379,146	\$ 3,440,217	\$ 2,350,424	\$ 61,071	\$ (1,089,793)
Total Revenues	3,379,146	3,440,217	2,350,424	61,071	(1,089,793)
Expenditures:					
Instruction	619,067	763,881	456,766	(144,814)	307,115
Support services	2,502,680	2,348,855	1,694,602	153,825	654,253
Noninstructional services	51,030	78,701	44,575	(27,671)	34,126
Total Expenditures	3,172,778	3,191,438	2,195,943	(18,660)	995,495
Excess (Deficiency) of Revenues over (under) Expenditures	206,368	248,779	154,481	42,411	(94,298)
Other Financing Sources (Uses):					
Operating transfers out	(206,368)	(248,779)	(154,481)	(42,411)	94,298
Total Other Financing Sources (Uses)	(206,368)	(248,779)	(154,481)	(42,411)	94,298
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Construction Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 40,375	\$ 64,255	\$ 64,256	\$ 23,880	\$ 1
Total Revenues	40,375	64,255	64,256	23,880	1
Expenditures:					
Facilities acquisition and construction	20,675,245	45,770,895	21,458,756	(25,095,650)	24,312,139
Total Expenditures	20,675,245	45,770,895	21,458,756	(25,095,650)	24,312,139
Excess (Deficiency) of Revenues over (under) Expenditures	(20,634,870)	(45,706,640)	(21,394,500)	(25,071,770)	24,312,140
Other Financing Sources (Uses):					
Other financing sources	-	6,648,375	-	6,648,375	(6,648,375)
Total Other Financing Sources (Uses)	-	6,648,375	-	6,648,375	(6,648,375)
Net Change in Fund Balances	(20,634,870)	(39,058,265)	(21,394,500)	(18,423,395)	17,663,765
Fund Balances:					
July 1, 2015	40,500,000	39,058,265	39,058,234	(1,441,735)	(31)
June 30, 2016	\$ 19,865,130	-	17,663,734	(19,865,130)	17,663,734

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

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.5057%	0.4815%
District's proportionate share of the net pension liability (asset)	\$ 78,171,248	\$ 58,445,284
Total	<u>\$ 78,171,248</u>	<u>\$ 58,445,284</u>
District's covered-employee payroll	31,593,048	29,419,871
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%	198.66%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

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

GULFPORT SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,223,475	4,975,905
Contributions in relation to the contractually required contribution	\$ 5,223,475	4,975,905
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	33,164,921	31,593,048
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

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

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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

GULFPORT SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

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	\$ 702,211
National school lunch program	10.555	2,232,956
Summer food service program for children	10.559	88,359
Total child nutrition cluster		<u>3,023,526</u>
Fresh fruit and vegetable program		<u>26,818</u>
Total passed-through Mississippi Department of Education		<u>3,050,344</u>
Total U.S. Department of Agriculture		<u>3,050,344</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	<u>66,235</u>
Total U.S. Department of Defense		<u>66,235</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	<u>159,249</u>
Total Federal Communications Commission		<u>159,249</u>
<u>U.S. Department of Education</u>		
Direct Program		
Impact Aid	84.041	<u>28,424</u>
Total		<u><u>28,424</u></u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	77,384
English language acquisition grants	84.365	14,403
Improving teacher quality-State Grants	84.367	<u>441,919</u>
Subtotal		<u><u>533,706</u></u>
Title I Part A:		
Title I grants to local educational agencies	84.010	<u>2,350,424</u>
Total Title I Part A		<u><u>2,350,424</u></u>
Special education cluster:		
Special education - grants to states	84.027	1,587,910
Special education - preschool grants	84.173	<u>49,211</u>
Total special education cluster		<u><u>1,637,121</u></u>
Total passed-through Mississippi Department of Education		<u>4,521,251</u>
Total U.S. Department of Education		<u><u>4,549,675</u></u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health:		
Medical assistance program	93.778	<u>37,218</u>
Total U.S. Department of Health and Human Services		<u><u>37,218</u></u>
Total for All Federal Awards		<u><u>\$ 7,862,721</u></u>

NOTES TO SCHEDULE

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

GULFPORT SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 44,348,327	34,817,981	1,367,112	3,515,662	4,647,572
Other	40,294,969	4,408,013	410,775	204,925	35,271,256
Total	<u>\$ 84,643,296</u>	<u>39,225,994</u>	<u>1,777,887</u>	<u>3,720,587</u>	<u>39,918,828</u>
Total number of students *	<u>6,302</u>				
Cost per student	<u>\$ 13,431</u>	<u>6,224</u>	<u>282</u>	<u>590</u>	<u>6,334</u>

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

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 22,257,947	\$ 20,695,011	\$ 20,675,160	\$ 20,765,978
State sources	29,061,199	26,934,240	24,801,828	23,785,096
Federal sources	341,666	283,621	280,195	231,037
Sixteenth section sources	612,234	618,559	-	-
Total Revenues	52,273,046	48,531,431	45,757,183	44,782,111
Expenditures:				
Instruction	28,212,745	26,980,088	25,597,417	24,714,444
Support services	18,999,111	18,793,371	19,102,306	18,221,279
Debt service:				
Principal	1,796,715	1,792,130	1,787,818	2,009,724
Interest	188,660	233,892	279,571	529,536
Other	2,600	2,535	2,500	144,546
Total Expenditures	49,199,831	47,802,016	46,769,612	45,619,529
Excess (Deficiency) of Revenues over (under) Expenditures	3,073,215	729,415	(1,012,429)	(837,418)
Other Financing Sources (Uses):				
Insurance recovery	8,334	3,224	-	-
Refunding bonds issued	-	-	-	12,275,000
Payment to escrow agent	-	-	-	(11,997,000)
Operating transfers in	-	-	1,355,753	856,351
Operating transfers out	(1,045,587)	(188,484)	(636,563)	(651,488)
Total Other Financing Sources (Uses)	(1,037,253)	(185,260)	719,190	482,863
Special items-BP settlement	1,000,000	-	-	-
Net Change in Fund Balances	3,035,962	544,155	(293,239)	(354,555)
Fund Balances:				
Beginning of period, as previously reported	4,307,773	4,131,594	4,424,833	4,779,388
Prior period adjustments	(63,923)	(367,976)	-	-
Beginning of period, as restated	4,243,850	3,763,618	4,424,833	4,779,388
End of Period	\$ 7,279,812	\$ 4,307,773	\$ 4,131,594	\$ 4,424,833

*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

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 26,813,383	\$ 24,855,830	\$ 23,555,082	\$ 23,591,309
State sources	30,514,367	28,549,137	26,272,520	25,258,527
Federal sources	7,862,722	7,985,518	7,317,038	7,441,824
Sixteenth section sources	612,234	618,559	798,720	454,182
Total Revenues	65,802,706	62,009,044	57,943,360	56,745,842
Expenditures:				
Instruction	31,717,187	30,186,319	29,355,265	28,815,989
Support services	22,631,150	22,334,669	21,371,479	20,682,512
Noninstructional services	2,703,749	2,896,520	2,929,717	2,764,552
Facilities acquisition and construction	21,458,756	3,328,740	143,075	
Debt service:				
Principal	4,274,991	4,089,828	4,166,032	4,437,469
Interest	1,849,113	1,274,702	436,743	741,827
Other	8,350	828,361	4,000	146,046
Total Expenditures	84,643,296	64,939,139	58,406,311	57,588,395
Excess (Deficiency) of Revenues over (under) Expenditures	(18,840,590)	(2,930,095)	(462,951)	(842,553)
Other Financing Sources (Uses):				
Bonds and notes issued	-	41,240,000	700,000	-
Capital leases issued	-	-	-	228,500
Insurance recovery	8,334	3,224	-	-
Refunding bonds issued	-	-	-	12,275,000
Payment to escrow agent	-	-	-	(11,997,000)
Premiums on bonds and refunding bonds issued	-	2,688,188	-	-
Sale of other property	138,000	-	-	-
Operating transfers in	1,663,934	1,506,605	2,526,479	1,652,150
Operating transfers out	(1,663,934)	(1,506,605)	(2,526,479)	(1,652,150)
Total Other Financing Sources (Uses)	146,334	43,931,412	700,000	506,500
Special items-BP settlement	1,000,000	-	-	-
Net Change in Fund Balances	(17,694,256)	41,001,317	237,049	(336,053)
Fund Balances:				
Beginning of period, as previously reported	48,757,898	8,177,783	8,269,686	8,602,375
Prior period adjustments	(63,923)	(445,495)	(334,143)	-
Beginning of period, as restated	48,693,975	7,732,288	7,935,543	8,602,375
Increase (Decrease) in reserve for inventory	(21,928)	24,293	5,191	3,364
End of Period	\$ 30,977,791	\$ 48,757,898	\$ 8,177,783	\$ 8,269,686

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Gulfport School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District ("the District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

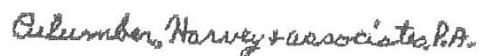
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Culumber, Harvey & Associates, P.A.

Certified Public Accountants
Gulfport, Mississippi

November 10, 2016

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

Superintendent and School Board
Gulfport School District

Report on Compliance for Each Major Federal Program

We have audited the Gulfport School District (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Gulfport School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

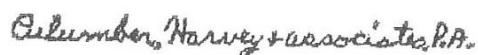
Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.



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

November 10, 2016

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

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

Superintendent and School Board
Gulfport School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District as of and for the year ended June 30, 2016, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated November 10, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Culumber, Harvey & Associates, P.A.

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

November 10, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
A. U.S. Department of Agriculture:	
10.553, 10.555, 10.559	Child Nutrition Cluster
B. U.S. Department of Education:	
84.010	Title I

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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.

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



Gulfport School District
Finance Department

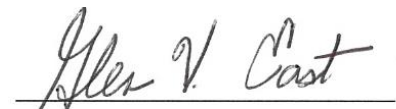
November 22, 2016

As required by Section 315(c) of OMB Circular A-133, the Gulfport School District has prepared and hereby submits the following summary of prior federal audit findings included in the prior year's Schedule of Findings and Questioned Cost for the year ended June 30, 2016.

Finding

2015-1 - Corrective action was taken.

Sincerely,



Superintendent

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Gulfport School District • P.O. Box 220 • Gulfport, MS 39502-0220