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GULFPORT SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2006

**GULFPORT SCHOOL DISTRICT
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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

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September 29, 2007

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Gulfport School District

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, 2006, which collectively comprise the Gulfport School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Gulfport School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2007, on our consideration of the Gulfport School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wright Ward DeTher & Paul

**GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Gulfport School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

On August 29, 2005, the district suffered significant damage as a result of Hurricane Katrina. At the time of the storm, the district maintained sufficient insurance coverage to pay the costs of the damages to the district's facilities. In addition, the district also qualified for federal Hurricane Katrina disaster assistance grants which assisted in paying regular operational costs, and paying increased costs of displaced students relocating in the school district as a result of the storm. The usage of these disaster assistance grants in paying regular operational costs significantly improved the current assets and net assets of the district.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$13,077,703, which represents 54% increase from fiscal year 2005. This increase resulted primarily from insurance loss recovery monies received due to Hurricane Katrina damage to property.
- General revenues account for \$57,926,978 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$22,668,040 or 28% of total revenues.
- The District had \$67,517,315 in expenses; only \$22,668,040 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$57,926,978 were adequate to provide for these programs.
- Among major funds, the General Fund had \$42,072,149 in revenues and \$31,780,103 in expenditures. The General Fund's fund balance increased \$10,139,428 over the prior year. The current increase was primarily as a result of disaster awards being used to pay regular General fund operating expenses and proceeds from long-term borrowings.

- The School Construction Fund increased significantly due primarily to monies set aside by the Board to renovate and rebuild two schools destroyed by Hurricane Katrina.
- Capital assets, net of accumulated depreciation, decreased by \$1,298,795.
- Long-term liabilities increased by \$5,446,179 primarily due to new debt borrowings of \$7,209,486 and repayments and reductions of \$1,763,307.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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

The government-wide financial statements can be found on pages 16 and 17 of this report.

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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The governmental funds statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, respectively, of this report.

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 18 and 20, respectively, of this report.

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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 22.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 39 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 40 - 43 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 45 and 47, respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$37,351,951 as of June 30, 2006.

By far the largest portion of the District's net assets at June 30, 2006 and 2005 (32% and 78%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

The following table presents a summary of the District's net assets as of June 30, 2006 and 2005, respectively.

	June 30, 2006	June 30, 2005	Percent Change
Current assets	28,360,147	7,430,866	281.7%
Capital assets, net	39,962,501	41,261,296	-3.1%
Total assets	<u>68,322,648</u>	<u>48,692,162</u>	40.3%
Current liabilities	2,756,407	1,649,803	67.1%
Long-term debt outstanding	<u>28,214,290</u>	<u>22,768,111</u>	23.9%
Total liabilities	<u>30,970,697</u>	<u>24,417,914</u>	26.8%
Net assets:			
Invested in capital assets, net of related debt	12,058,192	18,848,169	-36.0%
Restricted	2,557,906	3,216,367	-20.5%
Unrestricted	<u>22,735,853</u>	<u>2,209,712</u>	928.9%
Total net assets	<u>37,351,951</u>	<u>24,274,248</u>	53.9%

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

- Cash increased \$10,378,680 due primarily to insurance proceeds received that have not been spent as of June 30, 2006.
- Due from other governments increases \$6,744,594 due to Federal Emergency Management Agency (FEMA) disaster grant funds received in 2007 for assistance in paying regular operational costs.
- Deferred revenue increased \$508,298 due primarily to restricted federal funds received that have not been spent as of June 30, 2006.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2006 were \$80,595,018. The total cost of all programs and services was \$67,517,315. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and 2005, respectively.

	June 30, 2006	June 30, 2005	Percent Change
Revenues:			
Program revenues:			
Charges for services	1,271,748	1,527,541	-16.7%
Operating grants and contributions	21,396,292	7,576,534	182.4%
Capital grants and contributions		581,090	-100.0%
General revenues:			
Property taxes	19,936,225	20,119,627	-0.9%
Grants and contributions not restricted	23,327,765	21,625,316	7.9%
Other	14,662,988	608,111	2311.2%
Total revenues	<u>80,595,018</u>	<u>52,038,219</u>	54.9%
Expenses:			
Instruction	30,277,751	29,463,899	2.8%
Support services	33,635,248	18,767,315	79.2%
Non-instructional	2,565,643	3,003,723	-14.6%
Interest and other expense			
On long-term liabilities	1,038,673	970,755	7.0%
Total expenses	<u>67,517,315</u>	<u>52,205,692</u>	29.3%
Increase (Decrease) in net assets	13,077,703	(167,473)	
Net Assets, July 1	<u>24,274,248</u>	<u>24,441,721</u>	-0.7%
Net Assets, June 30	<u>37,351,951</u>	<u>24,274,248</u>	53.9%

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

- The School District suffered significant damage as a result of Hurricane Katrina. At the time of the storm, the district maintained sufficient insurance coverage to pay the costs of the damages to the district's facilities. In addition, the district also qualified for federal Hurricane Katrina disaster assistance grants which assisted in paying regular operational costs, and paying increased costs of displaced students relocating in the school district as a result of the storm. The usage of these disaster assistance grants in paying regular operational costs significantly improved the current assets and net assets of the district.

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	30,277,751	(16,437,901)	29,463,899	(25,204,403)
Support services	33,635,248	(27,295,783)	18,767,315	(17,337,696)
Non-instructional	2,565,643	(76,918)	3,003,723	992,327
Interest on long-term debt	1,038,673	(1,038,673)	970,755	(970,755)
Total expenses	67,517,315	(44,849,275)	52,205,692	(42,520,527)

- Net cost of governmental activities \$67,517,315 was financed by general revenue, which is made up of primarily taxes \$19,936,225, and unrestricted state and federal operating grants and contributions of \$23,327,765.
- Investment earnings accounted for \$488,062 of funding.

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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$25,880,054, an increase of \$19,876,606 due primarily to the effect of federal Hurricane Katrina disaster awards being used to pay regular General fund operating expenses. \$16,476,061 or 64% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$9,403,993 or 36% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$10,139,428.

The School Construction Fund increased significantly due primarily to monies set aside by the Board to renovate and rebuild two schools destroyed by Hurricane Katrina.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- The School District revised its budget to reflect the additional revenue received and the additional expenditures associated with insurance proceeds and damage repairs, as well as federal disaster assistance grants as a result of Hurricane Katrina.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$56,097,591, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$377,047 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$16,135,090 and total depreciation expense for the year was \$1,181,202, resulting in total net assets of \$39,962,501.

	<u>Capital Assets, Net of Depreciation</u>		Percent Change
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	
Land	1,020,525	1,020,525	0%
Construction in progress	-	197,213	-100.0%
Buildings	37,972,207	39,412,031	-3.7%
Mobile equipment	222,330	121,401	83.1%
Furniture and equipment	714,268	365,447	95.5%
Leased property under capital leases	33,171	144,679	-77.1%
Total	<u>39,962,501</u>	<u>41,261,296</u>	-3.1%

Additional information of the District's capital assets can be found in Note 5 on page 33 of this report.

Debt Administration. At June 30, 2006, the District had \$28,214,290 in general obligation bonds and other long-term debt outstanding, of which \$2,456,653 is due within one year.

	Outstanding Debt		Percent
	June 30, 2006	June 30, 2005	Change
General obligation bonds payable	18,860,000	20,310,000	-7.1%
Three mill notes payable	750,000	-	
Shortfall notes payable	1,344,510	-	
Obligations under capital lease	62,095	113,116	45.1%
Obligations under Energy Efficiency Leases	6,887,704	1,990,011	246.1%
Compensated absences payable	309,981	354,984	-12.7%
Total	<u>28,214,290</u>	<u>22,768,111</u>	23.9%

Additional information of the District's long-term debt can be found in Note 6 on page 34 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Gulfport School District, P.O. Box 220, Gulfport, MS 39502.

GULFPORT SCHOOL DISTRICT
FINANCIAL STATEMENTS

Gulfport School District
Statement of Net Assets
June 30, 2006

Exhibit A

		Primary Government Governmental Activities
Assets		
Cash and cash equivalents	\$	16,690,007
Cash with fiscal agents		3,480,664
Due from other governments		7,900,543
Due from agency funds		150,000
Inventories		88,199
Prepaid assets		50,734
Capital assets, not being depreciated:		
Land		1,020,525
Capital assets, net of accumulated depreciation:		
Buildings		37,972,207
Mobile equipment		222,330
Furniture and equipment		714,268
Leased property under capital leases		33,171
		68,322,648
Total Assets	\$	68,322,648
Liabilities		
Accounts payable and accrued liabilities	\$	1,299,612
Deferred revenue		1,174,747
Due to agency fund		5,734
Interest payable on long-term liabilities		276,314
Long-term liabilities, due within one year		
Capital related liabilities		2,456,653
Long-term liabilities, due beyond one year		
Capital related liabilities		25,447,656
Non-capital related liabilities		309,981
		30,970,697
Total Liabilities	\$	30,970,697
Net Assets		
Investment in capital assets, net of related debt	\$	12,058,192
Restricted net assets:		
Expendable:		
School based activities		1,030,395
Debt service		1,369,790
Unemployment benefits		157,721
Unrestricted		22,735,853
		37,351,951
Total Net Assets	\$	37,351,951

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, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ (30,277,751)	753,213	13,086,637	-	(16,437,901)
Support services	(33,635,248)		6,339,465	-	(27,295,783)
Non-instructional	(2,565,643)	518,535	1,970,190	-	(76,918)
Interest on long-term liabilities	(1,038,673)	-	-	-	(1,038,673)
Total governmental activities	\$ (67,517,315)	1,271,748	21,396,292	-	(44,849,275)
General Revenues:					
Taxes:					
					16,756,755
					2,440,599
					738,871
Unrestricted grants and contributions:					
					23,053,691
					274,074
					488,062
					372,081
					13,802,845
					<u>57,926,978</u>
					13,077,703
					<u>24,274,248</u>
					<u>\$ 37,351,951</u>

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

Gulfport School District
Balance Sheet - Governmental Funds
June 30, 2006

	Major Funds					Total Governmental Funds
	General Fund	Restart Student Grant Fund	School Construction Fund	Insurance Loss Recovery Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 10,644,721	-	771,581	622,882	4,650,823	16,690,007
Cash with fiscal agents	3,480,664	-	-	-	-	3,480,664
Due from other governments	2,019,105	-	-	2,623,756	3,257,682	7,900,543
Due from other funds	4,796,828	-	6,000,000	1,053,921	259,597	12,110,346
Inventories and prepaid items	50,734	-	-	-	88,199	138,933
Total Assets	\$ 20,992,052	-	6,771,581	4,300,559	8,256,301	40,320,493
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 649,056	-	-	498,679	151,877	1,299,612
Due to other funds	7,657,539	-	-	1,066,165	3,242,376	11,966,080
Deferred revenue	-	-	-	-	1,174,747	1,174,747
Total Liabilities	8,306,595	-	-	1,564,844	4,569,000	14,440,439
Fund Balances:						
Reserved for:						
Inventory	-	-	-	-	67,091	67,091
Debt service	-	-	-	-	2,410,324	2,410,324
Capital projects	-	-	6,771,581	-	-	6,771,581
Unemployment benefits	-	-	-	-	157,721	157,721
Unreserved:						
Undesignated, reported in:						
General Fund	12,685,457	-	-	-	-	12,685,457
Special revenue	-	-	-	-	1,052,165	1,052,165
Capital projects	-	-	-	2,735,715	-	2,735,715
Total Fund Balances	12,685,457	-	6,771,581	2,735,715	3,687,301	25,880,054
Total Liabilities and Fund Balances	\$ 20,992,052	-	6,771,581	4,300,559	8,256,301	40,320,493

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

Gulfport School District
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2006

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	\$ 25,880,054
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this funds financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>	39,962,501
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets.</p>	(28,214,290)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	(276,314)
Net Assets of Governmental Activities	\$ 37,351,951

Gulfport School District
 Statement of Revenues, Expenditures and
 Changes in Fund Balances Governmental Funds
 For the Year Ended June 30, 2006

	Major Funds					Total Governmental Funds
	General Fund	Restart Student Grant Fund	School Construction Fund	Insurance Loss Recovery Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 18,726,363	-	14,780	128,918	3,270,171	22,140,232
Intermediate sources	-	-	-	-	13,000	13,000
State sources	22,886,526	-	-	-	1,342,897	24,229,423
Federal sources	459,260	9,501,291	-	-	10,534,082	20,494,633
Sixteenth section	-	-	-	-	372,081	372,081
Total Revenues	42,072,149	9,501,291	14,780	128,918	15,532,231	67,249,369
Expenditures:						
Instruction	14,740,531	6,515,580	-	18,930	8,397,341	29,672,382
Support services	16,652,648	2,985,711	-	10,719,923	2,682,700	33,040,982
Noninstructional services	1,370	-	-	-	2,542,188	2,543,558
Debt service:						
Principal	268,304	-	-	-	1,450,000	1,718,304
Interest	117,250	-	-	-	867,495	984,745
Total Expenditures	31,780,103	9,501,291	-	10,738,853	15,939,724	67,959,971
Excess (Deficiency) of Revenues Over Expenditures	10,292,046	-	14,780	(10,609,935)	(407,493)	(710,802)
Other Financing Sources (Uses):						
Insurance loss recoveries	-	-	-	13,345,650	-	13,345,650
Proceeds from inception of leases	5,114,976	-	-	-	-	5,114,976
Proceeds from sale of property	9,569	-	-	-	-	9,569
Proceeds from long-term debt	1,344,510	-	750,000	-	-	2,094,510
Operating transfers in	2,332,028	-	6,000,000	-	1,249,577	9,581,606
Operating transfers out	(8,953,702)	-	-	-	(627,904)	(9,581,606)
Total Other Financing Sources (Uses)	(152,618)	-	6,750,000	13,345,650	621,673	20,564,705
Net changes in fund balances	10,139,428	-	6,764,780	2,735,715	214,180	19,854,103
Fund Balance:						
July 1, 2005	2,546,029	-	6,801	-	3,450,618	6,003,448
Increase (decrease) in reserve for inventory	-	-	-	-	22,503	22,503
June 30, 2006	12,685,457	-	6,771,581	2,735,715	3,687,301	25,880,054

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

Gulfport School District
 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, 2006

Exhibit D-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 19,854,103
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$598,047 and the depreciation expense amounted to \$1,181,202.	(583,155)
Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.	(7,209,486)
Payment of principal on long-term debt liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,718,304
Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	45,003
Proceeds from the sale of assets reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities	(9,569)
Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(706,071)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(53,929)
Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	22,503
Change in net assets of governmental activities	\$ <u>13,077,703</u>

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

Gulfport School District
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 374,230
Due from other funds	<u>5,734</u>
Total Assets	<u>\$ 379,964</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 17,827
Due to other funds	150,000
Due to student clubs	<u>212,137</u>
Total Liabilities	<u>\$ 379,964</u>

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

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets 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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Displaced Student Grant Fund – This fund is used to account for financial resources received and spent under the federal Displaced Student grant program.

School Construction Fund – This fund is used to account for the construction of the school district buildings and facilities.

Insurance Loss Recovery Fund – This fund is used to account for the financial resources received and spent from the proceeds received from insurance losses incurred during Hurricane Katrina on August 29, 2005.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUNDS

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

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2006 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. 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.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

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.

I. Capital Assets.

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. Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those 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.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved of capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Unreserved - designated for, reported in special revenue funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(2) Changes in Accounting Standards.

As required, the Gulfport School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

(3) Cash and Cash Equivalents and Cash with fiscal agents.

A. 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 districts' 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$16,690,007 and \$374,230, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$16,690,007. The bank balance was \$18,180,118.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$18,180,118 was exposed to custodial credit risk.

B. Cash with fiscal agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,480,664. This amount represents proceeds from the energy efficiency lease held in trust by Hancock Bank not has not been expended as of June 30, 2006.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

(4) Interfund Transactions and Balances.

The following is a summary of the interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 4,796,828	\$ 7,657,539
School Construction Fund	6,000,000	1,066,165
Insurance Recovery Fund	1,053,921	3,242,376
Other Governmental Funds	259,597	-
Agency Funds	<u>5,734</u>	<u>150,000</u>
Total	<u>\$ 12,116,080</u>	<u>\$ 12,116,080</u>

The amounts due to or from other funds represent amounts advanced or received for timing differences between revenue and expenditures and cash balances.

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 2,332,029	\$ 8,953,702
School Construction Fund	6,000,000	-
Other Governmental Funds	<u>1,249,577</u>	<u>627,904</u>
Total	<u>\$ 9,581,606</u>	<u>\$ 9,581,606</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

(5) Capital Assets.

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

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>June 30, 2006</u>
Non depreciable capital assets					
Land	\$ 1,020,525	-			\$ 1,020,525
Construction in progress	197,213	-	197,213	-	-
Total non-depreciable capital assets	<u>1,217,738</u>	-	<u>197,213</u>	-	<u>1,020,525</u>
Depreciable capital assets:					
Buildings	52,842,318		655,316	-	52,187,002
Mobile equipment	583,030	99,634	99,426	(13,970)	569,268
Furniture and equipment	1,578,688	498,413	23,139	190,452	2,244,414
Leased property under capital leases	252,864			(176,482)	76,382
Total depreciable capital assets	<u>55,256,900</u>	<u>598,047</u>	<u>777,881</u>	-	<u>55,077,066</u>
Less accumulated depreciation for:					
Buildings	13,430,287	936,505	151,997	-	14,214,795
Mobile equipment	461,629	53,193	78,610	(89,274)	346,938
Furniture and equipment	1,213,241	180,701	28,847	165,051	1,530,146
Leased property under capital leases	108,185	10,803		(75,777)	43,211
Total accumulated depreciation	<u>15,213,342</u>	<u>1,181,202</u>	<u>259,454</u>	-	<u>16,135,090</u>
Total depreciable capital assets, net	<u>40,043,558</u>	<u>(583,155)</u>	<u>518,427</u>	-	<u>38,941,976</u>
Governmental activities, capital assets, net	<u>\$ 41,261,296</u>	<u>(583,155)</u>	<u>715,640</u>	-	<u>\$ 39,962,501</u>

Adjustments are due to reclassifying property between functions.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 918,076
Support Services	218,538
Non-instructional	44,588
Total depreciation expense	<u>\$ 1,181,202</u>

There were no outstanding construction commitments as of June 30, 2006.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

(6) Long-term liabilities

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

	Balance 07-01-05	Additions	Retirements	Balance 06-30-06	Due within one year	Long-term
A. General Obligation Bonds Payable	\$ 20,310,000		1,450,000	18,860,000	1,490,000	\$ 17,370,000
B. Three Mill Notes Payable	-	750,000	-	750,000	241,809	508,191
C. Shortfall Notes Payable	-	1,344,510	-	1,344,510	-	1,344,510
D. Obligations Under Capital Leases Payable	113,116	-	51,021	62,095	53,052	9,043
E. Obligations under Energy Efficiency Leases Payable	1,990,011	5,114,976	217,283	6,887,704	671,792	6,215,912
F. Compensated Absences	354,984		45,003	309,981		309,981
Total	<u>\$ 22,768,111</u>	<u>7,209,486</u>	<u>1,763,307</u>	<u>28,214,290</u>	<u>2,456,653</u>	<u>\$ 25,757,637</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	Average Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation bonds Refunding Series 1998	Varies	12-30-98	10-01-05	\$ 9,000,000	7,290,000
General Obligation bonds Refunding Series 1999	3.5 – 5%	03-10-99	04-01-16	10,865,000	10,635,000
General Obligation bonds Refunding Series 2001	4.5%	09-11-01	10-01-08	945,000	935,000
Total				<u>\$ 20,810,000</u>	<u>18,860,000</u>

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

General Obligation Bonds FYE June 30	Principal	Interest	Total
2007	\$ 1,490,000	802,795	2,292,795
2008	2,480,000	741,600	3,221,600
2009	1,595,000	658,708	2,253,708
2010	1,665,000	591,998	2,256,998
2011	1,735,000	520,938	2,255,938
2012 - 2016	9,895,000	1,370,515	11,265,515
Total	<u>\$ 18,860,000</u>	<u>4,686,554</u>	<u>23,546,554</u>

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2005. This debt will be retired from the debt service fund.

B. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Average Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note Payable Series 2006	3.35%	09-13-05	09-13-08	\$ 750,000	750,000
Total				\$ 750,000	750,000

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

Three Mill Notes FYE June 30	Principal	Interest	Total
2007	\$ 241,809	25,125	266,934
2008	249,910	17,024	266,934
2009	258,281	8,652	266,933
Total	\$ 750,000	50,801	800,801

C. Shortfall Notes Payable

Debt currently outstanding is as follows:

Description	Average Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note	3.35%	10/20/06	10/20/11	\$ 1,344,510	1,344,510
Total				\$ 1,344,510	1,344,510

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

On December 20, 2006, the district entered into a contract to borrow funds due to a shortfall of tax revenues. The district has a credit line of \$7,175,000 to borrow. This money was backed federally by the Community Disaster Loan. The payments on this loan is deferred for five years, with an option to defer another five years. Also, there is also legislation in Congress at present that may pass to forgive this loan; if the district is able to prove a hardship in the repayment. Therefore, no schedule of future repayments has been presented at this time.

D. Obligations under capital leases.

The school district has one lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of a RISO digital duplicator and stand.

The various options available to the lessee for these leases are as follows:

1. Standard purchase option

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2007	\$ 53,052	1,307	54,359
2008	9,043	15	9,058
Total	\$ <u>62,095</u>	<u>1,322</u>	<u>63,417</u>

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

This debt will be retired from the general fund.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

E. Obligations under energy efficiency lease.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2007	671,792	252,778	924,570
2008	673,429	251,141	924,570
2009	700,451	224,119	924,570
2010	728,558	196,012	924,570
2011	757,795	166,775	924,570
2012-2016	<u>3,355,679</u>	<u>386,681</u>	<u>3,742,360</u>
Total	\$ <u>6,887,704</u>	<u>1,477,506</u>	<u>8,365,210</u>

Phase I

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

The agreement authorized the borrowing of \$2,466,383 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

Phase II

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

The agreement authorized the borrowing of \$5,114,976 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

The district entered into these energy efficiency lease agreements under the authority of Section 31-7-14, Miss. Code Ann. (1972).

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

This debt will be retired from the General Fund.

F. Compensated absences payable.

As more fully explained in Note 1(O), 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.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2006 was 10.75% of the 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, 2006, 2005 and 2004 were \$3,344,672, \$2,377,610 and \$2,847,190, respectively, which equaled the required contributions for each year.

(8) Subsequent Events.

Prior to the issuance of these financial statements but subsequent to the year ended June 30, 2006 the School District fell victim to computer theft of approximately \$100,000 of the District's funds by an unknown outside third party.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the year ended June 30, 2006

This theft is presently being investigated by legal authorities and the outcome as of the date of this report is uncertain. This loss has not been accrued in this report due to the period in which the theft occurred. However, we did examine the internal controls related to this theft and determined that the failure of the internal controls in this manner again is unlikely.

(9) Risk Management.

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and 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 MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. 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.

(10) Prior Year Defeasance of Debt.

In prior years, the Gulfport School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2005, \$445,000 of bonds outstanding are defeased.

REQUIRED SUPPLEMENTARY INFORMATION

Gulfport School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 18,758,217	19,482,334	18,726,363	724,117	(755,971)
State sources	22,917,705	22,917,705	22,886,526	-	(31,179)
Federal sources	317,000	346,149	459,260	29,149	113,111
Total Revenues	<u>41,992,922</u>	<u>42,746,188</u>	<u>42,072,149</u>	<u>753,266</u>	<u>(674,039)</u>
Expenditures:					
Instruction	24,453,280	25,773,147	14,740,531	(1,319,867)	11,032,616
Support services	16,115,698	4,738,415	16,652,648	11,377,283	(11,914,233)
Non-instructional services	7,650	7,650	1,370	-	6,280
Facilities acquisition and construction	2,500,000	2,500,000	-	-	2,500,000
Debt service:					
Principal	268,805	260,805	268,304	8,000	(7,499)
Interest	91,556	127,606	117,250	(36,050)	10,356
Total Expenditures	<u>43,436,989</u>	<u>33,407,623</u>	<u>31,780,103</u>	<u>10,029,366</u>	<u>1,627,520</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,444,067)</u>	<u>9,338,565</u>	<u>10,292,046</u>	<u>10,782,632</u>	<u>953,481</u>
Other Financing Sources (Uses):					
Proceeds from inception of leases	2,500,000	2,500,000	5,114,976	-	2,614,976
Proceeds from sale of property	-	-	9,569	-	9,569
Proceeds from notes	-	-	1,344,510	-	1,344,510
Operating transfers in	2,196,726	2,308,321	2,332,029	111,595	23,708
Operating transfers out	(3,824,340)	(890,565)	(8,953,702)	2,933,775	(8,063,137)
Total Other Financing Sources (Uses)	<u>872,386</u>	<u>3,917,756</u>	<u>(152,618)</u>	<u>3,045,370</u>	<u>(4,070,374)</u>
Net Change in Fund Balances	<u>(571,681)</u>	<u>13,256,321</u>	<u>10,139,428</u>	<u>13,828,002</u>	<u>(3,116,893)</u>
Fund Balances:					
July 1, 2005	<u>2,546,029</u>	<u>2,546,029</u>	<u>2,546,029</u>	-	
June 30, 2006	<u>\$ 1,974,348</u>	<u>15,802,350</u>	<u>12,685,457</u>	<u>13,828,002</u>	<u>(3,116,893)</u>

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

Gulfport School District
 Budgetary Comparison Schedule
 Restart Student Grant Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Federal sources	-	9,501,291	9,501,291	9,501,291	-
Total Revenues	-	9,501,291	9,501,291	9,501,291	-
Expenditures:					
Instruction	-	6,580,919	6,515,580	6,580,919	-
Support services	-	3,015,746	2,985,711	3,015,746	95,374
Total Expenditures	-	9,596,665	9,501,291	9,596,665	95,374
Excess (Deficiency) of Revenues Over Expenditures	-	(95,374)	-	(95,374)	95,374
Net Change in Fund Balances	-	(95,374)	-	(95,374)	95,374
Fund Balances:					
July 1, 2005	-	-	-	-	-
June 30, 2006	-	(95,374)	-	(95,374)	95,374

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

GULFPORT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the year ended June 30, 2006

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.

SUPPLEMENTAL INFORMATION

GULFPORT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 174,512
Child nutrition cluster:		
School breakfast program	10.553	421,243
National school lunch program	10.555	1,397,826
Summer food service program for children	10.559	109,546
Total child nutrition cluster		<u>1,928,615</u>
Total U.S. Department of Agriculture		<u>2,103,127</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Impact Aid	84.041	216,828
Total		<u>216,828</u>
Passed through Mississippi Board for community and junior colleges:		
Adult education – state grant program	84.002	107,973
Total		<u>107,973</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,685,899
Vocational education - basic grants to states	84.048	101,290
Safe and drug-free schools and communities - state grants	84.186	5,009
Eisenhower professional development state grants	84.281	29,057
Foreign language assistance	84.293	156,438
Innovative education program strategies	84.298	10,077
Education technology state grants	84.318	31,469
Comprehensive school reform demonstration	84.332	23,263
English language acquisition grants	84.365	17,247
Improving teacher quality	84.367	492,728
Hurricane education recovery	84.938	12,683,100
Total		<u>15,235,577</u>
Special education cluster:		
Special education - grants to states	84.027	1,124,665
Special education - preschool grants	84.173	46,442
Total		<u>1,171,107</u>
Total passed-through Mississippi Department of Education		<u>16,406,684</u>
Total U.S. Department of Education		<u>16,731,485</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through Mississippi Department of Education:		
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	50,000
Total U.S. Department of Health and Human Services		<u>50,000</u>

GULFPORT SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Social Security Administration</u>		
Passed through Mississippi Department of Rehabilitation Services:		
Model youth transition innovations	96.007	29,804
Total U.S. Social Security Administration		<u>29,804</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve officers' training corp	12.XXX	52,764
National Aeronautics and Space Administration	XX.XXX	26,000
Total U.S. Department of Defense		<u>78,764</u>
<u>Department of Homeland Security</u>		
Direct programs:		
Community disaster loans	97.030	1,295,822
Total Department of Homeland Security		<u>1,295,822</u>
Total for All Federal Awards		<u>\$ 20,289,002</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
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 June 30, 2006

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 40,426,018	31,418,549	1,317,935	3,128,193	4,561,341
Other	<u>27,533,953</u>	<u>3,513,256</u>	<u>612,284</u>	<u>130,656</u>	<u>23,277,757</u>
Total	<u>\$ 67,959,971</u>	<u>34,931,805</u>	<u>1,930,219</u>	<u>3,258,849</u>	<u>27,839,098</u>
Total number of students	<u>4,571</u> *				
Cost per student	<u>\$ 14,868</u>	<u>7,642</u>	<u>422</u>	<u>713</u>	<u>6,091</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 - (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

* Enrollment numbers from the average daily attendance from September 2005 through May 2006

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

OLD HANCOCK BANK BUILDING

2500 - 14TH STREET

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September 29, 2007

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

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, 2006, which collectively comprise the Gulfport School District's basic financial statements and have issued our report thereon dated September 29, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

Wright Ward Ideth & Aul

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September 29, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Gulfport School District

Compliance

We have audited the compliance of the Gulfport School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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 OM B 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 school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Gulfport School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Gulfport School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

Wright Ward Tenth & Seal

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

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

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September 29, 2007

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, 2006, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated September 29, 2007. 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), 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 \$72,732 of classroom supply funds carried over from previous years.

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 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.

W. Gary Ward, Dettl & Huff

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GULFPORT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the year ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Hurricane education recovery
CFDA # 84.938 | |
| | b. Community disaster loan
CFDA # 97.030 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$608,670 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10 | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

SUMMARY OF PRIOR AUDIT FINDINGS

GULFPORT SCHOOL DISTRICT
Summary or Prior Year Audit Findings
For year ended June 30, 2006

There were no prior audit findings relative to federal awards.