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GULFPORT SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2008



GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
FINANCIAL AUDIT REPORT

GULFPORT SCHOOL DISTRICT
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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

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May 17, 2010

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, 2008, 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, 2008, 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 May 17, 2010, 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 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 45 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.

The other supplemental 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Wesley Woodworth & Sons

GULFPORT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

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GULFPORT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the 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.

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 decreased \$8,354,665, including a prior period adjustment of (\$277,670), which represents 26.2% decrease from fiscal year 2007 as a result primarily from construction efforts related to several post Hurricane Katrina renovation projects.
- General revenues amounted to \$40,159,499 and \$41,686,224, or 72.9% and 72.3% of all revenues for fiscal years 2008 and 2007, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,968,119, or 27.1% of total revenues for 2008, and \$15,940,964, or 27.7% of total revenues for 2007.
- The District had \$63,204,413 and \$63,151,003 in expenses for fiscal years 2008 and 2007; only \$14,968,119 for 2008 and \$15,940,964 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$40,159,499 for 2008 and \$41,686,224 for 2007 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$42,129,466 in revenues and \$48,954,076 in expenditures for 2008, and \$39,812,304 in revenues and \$46,173,960 in expenditures in 2007. The General Fund's fund balance decreased by \$5,295,370 from 2007 to 2008, and decreased by \$2,135,795, net of prior period adjustments from 2006 to 2007.
- Capital assets, net of accumulated depreciation, increased by \$893,265 for 2008 and increased by \$6,804,967 for 2007 as a result of monies spent on capitalized renovations and construction projects.
- Long-term debt decreased by \$391,620, which includes an increase of \$48,534 in compensated absences, for 2008 and increased by \$3,934,789 for 2007. The decrease in 2008 was due to the principal payments on outstanding long-term debt of \$3,419,154 and new debt issues of \$2,979,000.

OVERVIEW OF THE 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 supplemental 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 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. 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. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's 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 fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other 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. 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.

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.

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

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.

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

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$23,585,735 as of June 30, 2008.

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.

Table 1 presents a summary of the District's net assets at June 30, 2008 and June 30, 2007.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percentage Change</u>
Current assets	\$ 10,437,414	\$ 20,567,009	(49.25) %
Capital assets, net	47,660,733	46,767,468	1.91 %
Total assets	58,098,147	67,334,477	(13.72) %
Current liabilities	2,754,953	3,244,998	(15.10) %
Long-term debt outstanding	31,757,459	32,149,079	(1.22) %
Total liabilities	34,512,412	35,394,077	(2.49) %
Net assets:			
Invested in capital assets, net of related debt	32,444,117	28,884,032	12.33 %
Restricted	2,428,167	6,772,347	(64.15) %
Unrestricted	(11,286,549)	(3,715,979)	203.73 %
Total net assets	\$ 23,585,735	\$ 31,940,400	(26.16) %

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

- Increase in net capital assets in the amount of \$893,265.
- The principal retirement of \$3,419,154 of long-term debt and new debt issues of \$2,979,000.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were \$55,127,618 and \$57,627,188, respectively. The total cost of all programs and services was \$63,204,413 for 2008 and \$63,151,003 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

Table 2
Change(s) in Net Assets

	<u>Year Ended</u> <u>June 30, 2008</u>	<u>Year Ended</u> <u>June 30, 2007</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,653,931	\$ 5,499,342	(69.92) %
Operating grants and contributions	13,314,188	10,441,622	27.51 %
General revenues:			
Property (and gaming) taxes	17,793,047	15,937,875	11.64 %
Grants and contributions not restricted	21,510,998	24,033,040	(10.49) %
Investment earnings	387,046	884,170	(56.22) %
Sixteenth section sources	358,930	348,120	3.11 %
Other	109,478	483,019	(77.33) %
Total revenues	<u>55,127,618</u>	<u>57,627,188</u>	(4.34) %
Expenses:			
Instruction	32,679,586	30,590,588	6.83 %
Support services	26,369,298	28,376,164	(7.07) %
Non-instructional	3,135,920	3,011,373	4.14 %
Interest and other expense on long-term liabilities	1,019,609	1,172,878	(13.07) %
Extraordinary item	-	125,570	(100.00) %
Total expenses	<u>63,204,413</u>	<u>63,276,573</u>	(0.11) %
Increase (Decrease) in net assets	<u>(8,076,795)</u>	<u>(5,649,385)</u>	42.97 %
Net Assets, July 1	31,940,400	37,351,951	(14.49) %
Prior Period Adjustment(s)	(277,870)	237,834	(216.83) %
Net Assets Restated, July 1	<u>31,662,530</u>	<u>37,589,785</u>	(15.77) %
Net Assets, June 30	<u>\$ 23,585,735</u>	<u>\$ 31,940,400</u>	(26.16) %

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. 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.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Instruction	\$ 32,679,586	\$ 30,590,588	6.83 %
Support services	26,369,298	28,376,164	(7.07) %
Non-instructional	3,135,920	3,011,373	4.14 %
Interest on long-term liabilities	1,019,609	1,172,878	(13.07) %
Total expenses	\$ 63,204,413	\$ 63,151,003	0.08 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Instruction	\$ (22,155,716)	\$ (21,855,541)	1.37 %
Support services	(23,527,629)	(24,302,929)	(3.19) %
Non-instructional	(1,533,340)	121,309	(1,364.00) %
Interest on long-term liabilities	(1,019,609)	(1,172,878)	(13.07) %
Total net (expense) revenue	\$ (48,236,294)	\$ (47,210,039)	2.17 %

- Net cost of governmental activities, (\$48,236,294 and \$47,210,039) was financed by general revenue, which is made up of primarily property taxes of (\$17,793,047 for 2008 and \$15,937,875 for 2007) and state and federal revenues of (\$21,510,998 for 2008 and \$24,033,040 for 2007). In addition, there was \$358,930 and \$348,120 in Sixteenth Section sources for 2008 and 2007, respectively.
- Investment earnings amounted to \$387,046 for 2008 and \$884,170 for 2007

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 \$8,046,371 a decrease of \$9,637,762, which includes a decrease in inventory of \$32,708 and a prior period adjustment of (\$239,164), due primarily to renovations and capital projects paid in the hurricane recovery process. \$2,815,762, or 35% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$5,230,609 or 65% 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 decrease in fund balance in the General Fund for the fiscal year was \$5,295,370. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,671,976, which includes a decrease in reserve for inventory of \$32,708, due primarily to a decrease in grants and contributions from federal and state sources.

The increase (decrease) in the fund balances including the effect of prior period adjustments for the other major funds were as follows.

<u>Major Fund</u>	<u>Increase (Decrease)</u>
FEMA/MEMA FUND	no increase or decrease
School Construction Fund	\$ (977,220)
Insurance Loss Recovery	\$ (1,693,196)

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplemental information. Local revenue budget was increased to reflect additional collections, while state revenue budget decreased \$889,052 due to less MAEP collections. Expenditure budgets were increased due to the expectation of an increase in original estimates. The District saved \$1,444,689 in overall expenditures compared to the amended budget. An additional amount borrowed from the Community Disaster Loan in the amount of \$2,900,000 was not budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$66,491,729, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,470,195 from 2007. Total accumulated depreciation as of June 30, 2008, was \$18,830,996, and total depreciation expense for the year was \$1,660,037, resulting in total net capital assets of \$47,660,733.

Table 4
Capital Assets, Net of Depreciation

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,967,372	\$ 1,835,577	7.18 %
Construction in Progress	1,573,504	5,313,969	(70.39) %
Buildings	39,215,850	37,652,091	4.15 %
Building improvements	935,836	-	
Improvements other than buildings	2,797,790	1,037,349	169.71 %
Mobile equipment	303,975	175,896	72.82 %
Furniture and equipment	805,239	730,219	10.27 %
Leased property under capital leases	61,167	22,367	173.47 %
Total	\$ 47,660,733	\$ 46,767,468	1.91 %

Additional information on the District's capital assets can be found in Note (4) included in this report.

Debt Administration. At June 30, 2008, the District had \$31,757,459 in outstanding long-term debt, of which \$2,668,271 is due within one year. The liability for compensated absences increased from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 14,890,000	\$ 17,370,000	(14.28) %
Three mill notes payable	258,281	508,191	(49.18) %
Shortfall notes payable	10,553,495	7,653,495	37.89 %
Obligations under capital leases	68,335	5,245	1,202.86 %
Obligations under energy efficiency lease	5,541,563	6,214,897	(10.83) %
Compensated absences payable	445,785	397,251	12.22 %
Total	\$ 31,757,459	\$ 32,149,079	(1.22) %

Additional information on the District's long-term debt can be found in Note (5) included in this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is 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.

Enrollment for the 2007-2008 year increased by 2.6 % to 5,158 students.

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
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GULFPORT SCHOOL DISTRICT
FINANCIAL STATEMENTS

GULFPORT SCHOOL DISTRICT
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Gulfport School District
Statement of Net Assets
June 30, 2008

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	6,659,629
Due from other governments		3,720,053
Other receivables, net		25,000
Inventories		32,732
Capital assets, not being depreciated:		
Land		1,967,372
Construction in process		1,573,504
Capital assets, net of accumulated depreciation:		
Buildings		39,215,850
Building improvements		935,836
Improvements other than buildings		2,797,790
Mobile equipment		303,975
Furniture and equipment		805,239
Leased property under capital leases		61,167
		61,167
Total Assets	\$	58,098,147
Liabilities		
Accounts payable and accrued liabilities	\$	1,578,023
Unearned revenue		813,020
Interest payable on long-term liabilities		363,910
Long-term liabilities, due within one year		
Capital related liabilities		1,872,220
Non-capital related liabilities		796,051
Long-term liabilities, due beyond one year		
Capital related liabilities		13,344,396
Non-capital related liabilities		15,744,792
		15,744,792
Total Liabilities	\$	34,512,412
Net Assets		
Invested in capital assets, net of related debt	\$	32,444,117
Restricted net assets:		
Expendable:		
School based activities		869,200
Debt service		567,928
Capital improvements		793,258
Unemployment benefits		197,781
Unrestricted		(11,286,549)
		(11,286,549)
Total Net Assets	\$	23,585,735

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, 2008

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	Governmental Activities
Governmental Activities:					
Instruction	\$ (32,679,586)	245,378	10,278,492	-	(22,155,716)
Support services	(26,369,298)	730,734	2,110,935	-	(23,527,629)
Non-instructional	(3,135,920)	677,819	924,761	-	(1,533,340)
Interest on long-term liabilities	(1,019,609)	-	-	-	(1,019,609)
Total governmental activities	\$ (63,204,413)	1,653,931	13,314,188	-	(48,236,294)
General Revenues:					
Taxes:					
					13,993,489
					2,047,125
					1,752,433
Unrestricted grants and contributions:					
					21,402,667
					108,331
					387,046
					358,930
					109,478
					<u>40,159,499</u>
					Change in Net Assets (8,076,795)
					Net Assets - Beginning 31,940,400
					Prior period adjustment (277,870)
					<u>Net Assets - Beginning - Restated 31,662,530</u>
					Net Assets - Ending \$ <u>23,585,735</u>

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

GULFPORT SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

	Major Funds						Total Governmental Funds
	General Fund	FEMA MEMA Fund	School Construction Fund	Insurance Loss Recovery Fund	Other Governmental Funds	Total Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 1,765,372	17,539	2,202,288	-	2,674,430	6,659,629	
Due from other governments	707,871	2,631,160	-	-	330,597	3,669,628	
Due from other funds	221,123	-	217,618	2,305,588	65,416	2,809,747	
Advances to other funds	3,275,000	-	-	-	-	3,275,000	
Inventories	-	-	-	-	32,732	32,732	
Total Assets	\$ 5,969,366	2,648,699	2,419,906	2,305,588	3,103,177	16,446,736	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 148,493	838,130	-	464,618	126,782	1,578,023	
Due to other funds	556,579	1,810,569	-	217,618	164,556	2,759,322	
Advances from other funds	-	-	2,000,000	1,250,000	-	3,250,000	
Unearned revenue	-	-	-	-	813,020	813,020	
Total Liabilities	715,072	2,648,699	2,000,000	1,932,236	1,104,358	8,400,365	
Fund Balances:							
Reserved for:							
Advances	3,275,000	-	-	-	-	3,275,000	
Inventory	-	-	-	-	32,732	32,732	
Debt service	-	-	-	-	931,838	931,838	
Capital projects	-	-	419,906	373,352	-	793,258	
Unemployment benefits	-	-	-	-	197,781	197,781	
Unreserved:							
Undesignated, reported in General Fund	1,979,294	-	-	-	-	1,979,294	
Special revenue	-	-	-	-	836,468	836,468	
Total Fund Balances	5,254,294	-	419,906	373,352	1,998,819	8,046,371	
Total Liabilities and Fund Balances	\$ 5,969,366	2,648,699	2,419,906	2,305,588	3,103,177	16,446,736	

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, 2008

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	\$ 8,046,371
<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>	47,660,733
<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>	(31,757,459)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	<u>(363,910)</u>
Net Assets of Governmental Activities	<u>\$ 23,585,735</u>

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

GULFPORT SCHOOL DISTRICT
 Statement of Revenues, Expenditures and
 Changes in Fund Balances Governmental Funds
 For the Year Ended June 30, 2008

	Major Funds					Total Governmental Funds
	General Fund	FEMA MEMA Fund	School Construction Fund	Insurance Loss Recovery Fund	Other Governmental Funds	
Revenues						
Local sources	16,926,465	-	63,248	24,733	2,972,932	19,987,378
State sources	24,916,771	-	-	-	1,302,652	26,219,673
Federal sources	266,230	853,608	-	-	7,419,549	8,559,387
Sixteenth section	-	-	-	-	358,930	358,930
Total Revenues	42,129,466	853,608	63,248	24,733	12,054,263	55,125,316
Expenditures						
Instruction	27,177,201	53	-	-	4,717,346	31,894,600
Support services	20,634,598	853,555	-	1,242,622	3,322,486	26,253,261
Noninstructional services	-	-	-	-	3,108,761	3,108,761
Facilities acquisition and construction	-	-	1,040,468	738,443	-	1,778,911
Debt service	669,244	-	-	-	2,729,910	3,419,154
Principal	253,033	-	-	-	764,788	1,017,821
Interest	416,211	-	-	-	-	416,211
Total Expenditures	48,954,076	853,608	1,040,468	1,981,065	14,843,291	67,472,508
Excess (Deficiency) of Revenues Over Expenditures	(6,824,610)	-	(977,220)	(1,956,332)	(2,589,028)	(12,347,190)
Other Financing Sources (Uses)						
Proceeds from long-term debt	2,900,000	-	-	-	-	2,900,000
Proceeds from inception of leases	79,000	-	-	-	-	79,000
Insurance loss recoveries	-	-	-	2,300	-	2,300
Operating transfers in	474,940	-	-	500,000	1,424,700	2,399,640
Operating transfers out	(1,924,700)	-	-	-	(474,940)	(2,399,640)
Total Other Financing Sources (Uses)	1,529,240	-	-	502,300	949,760	2,981,300
Net changes in fund balances	(5,295,370)	-	(977,220)	(1,454,032)	(1,639,268)	(9,365,890)
Fund Balance						
July 1, 2007	10,549,664	-	1,397,126	2,066,548	3,670,795	17,684,133
Prior period adjustment	-	-	-	(239,164)	-	(239,164)
July 1, 2007 as restated	10,549,664	-	1,397,126	1,827,384	3,670,795	17,444,968
Increase (Decrease) in reserve for inventory	-	-	-	-	(32,708)	(32,708)
June 30 2008	5,254,294	-	419,906	373,352	1,988,819	8,046,371

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, 2008

Exhibit D-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (9,365,890)
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 \$2,599,879 and the depreciation expense amounted to \$1,660,037.	939,842
Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.	(2,979,000)
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.	3,419,154
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	(48,534)
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.	(7,871)
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.	(1,788)
Decrease 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.	(32,708)
Change in net assets of governmental activities	\$ (8,076,795)

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

GULFPORT SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents	\$	3,062,570
Due from other governments		28,140
Due from other funds		1,161
Total Assets	\$	3,091,871
Liabilities		
Accounts payable and accrued liabilities	\$	2,785,825
Due to other funds		51,586
Due to student clubs		229,460
Advances from other funds		25,000
Total Liabilities	\$	3,091,871

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

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 tax and other items not properly 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 as 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

FEMA/MEMA Grant Fund - This Special Revenue Fund is used to account for the Federal funds that were available as result of Hurricane Katrina to assist with repairs, renovations, and construction that were not covered by insurance.

School Construction Fund - This Capital Project Fund is used to account for construction of school district buildings and facilities.

Insurance Recovery Fund - This Capital Project Fund is used to account for the financial resources received and spent from the insurance proceeds received for the damage 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 FUND TYPES

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.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

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

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

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 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in Financial Accounting for Local and State School Systems, 2003 issued by the U.S. Department of Education.

E Encumbrances.

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

F Assets, liabilities, and net assets or equity

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.

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 interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. 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 following table and estimated useful lives in excess of two years.

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

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

6. 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 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.

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

8. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

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 for 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, undesignated - an account that represents the portion of fund balance that is expendable available financial resources.

(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 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 Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,659,629 and \$3,062,570, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$6,659,629. The bank balance was \$8,753,905.

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.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	FEMA/MEMA Fund	\$ 4,981
	Other governmental funds	164,556
	Fiduciary funds	51,586
School Construction Fund	Insurance Recovery Fund	217,618
Insurance Recovery Fund	General Fund	500,000
	FEMA/MEMA Fund	1,805,588
Other governmental funds	General Fund	65,418
Fiduciary funds	General Fund	1,161
Total		<u>\$ 2,810,908</u>

During the course of the school year, certain expenditures were paid on a reimbursement basis requiring the district to borrow monies at year-end from the General Fund in order to prevent a deficit cash balance in certain funds. During the year, the district loaned Insurance Recovery monies to the FEMA/MEMA Fund until federal reimbursement can be received.

B. Advances To/From Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Construction Fund	\$ 2,000,000
	Insurance Recovery Fund	1,250,000
	Fiduciary funds	25,000
Total		<u>\$ 3,275,000</u>

These advances resulted from construction projects needing monies until reimbursements are received from various granting agencies. Also, the General Fund advanced the Payroll Clearing Fund and Accounts Payable Fund (Fiduciary Funds) monies to maintain a balance in those accounts.

C. Interfund Transfers.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 1,424,700
	Insurance Recovery Fund	500,000
Other governmental funds	General Fund	474,940
Total		<u>\$ 2,399,640</u>

Interfund transfers were made by the General Fund to various Special Revenue Funds to cover deficits and to the Insurance Recovery Fund for future Capital Projects. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

(4) Capital Assets.

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

	Balance July 1, 2007	Additions	Retirements	Completed Construction	Adjustments	Balance June 30, 2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,835,577	131,795	-	-	-	1,967,372
Construction in process	5,313,969	1,647,116	-	(5,387,581)	-	1,573,504
Total non-depreciable capital assets	<u>7,149,546</u>	<u>1,778,911</u>	<u>-</u>	<u>(5,387,581)</u>	<u>-</u>	<u>3,540,876</u>
<u>Depreciable capital assets:</u>						
Buildings	52,814,896	-	-	2,585,178	-	55,380,074
Building improvements	-	-	-	974,829	-	974,829
Improvements other than buildings	1,080,572	-	-	1,847,574	44,108	2,972,254
Mobile equipment	598,555	57,263	-	-	83,679	739,497
Furniture and equipment	2,301,583	684,705	78,616	-	(102,473)	2,805,199
Leased property under capital leases	78,382	79,000	-	-	(76,382)	79,000
Total depreciable capital assets	<u>58,871,988</u>	<u>820,968</u>	<u>78,616</u>	<u>5,387,581</u>	<u>(51,068)</u>	<u>62,950,853</u>
<u>Less accumulated depreciation for:</u>						
Buildings	15,162,805	1,000,366	-	-	1,053	16,164,224
Building improvements	-	38,993	-	-	-	38,993
Improvements other than buildings	43,223	118,890	-	-	12,351	174,464
Mobile equipment	422,659	44,798	-	-	(31,935)	435,522
Furniture and equipment	1,571,364	439,157	70,745	-	60,184	1,999,960
Leased property under capital leases	54,015	17,833	-	-	(54,015)	17,833
Total accumulated depreciation	<u>17,254,066</u>	<u>1,660,037</u>	<u>70,745</u>	<u>-</u>	<u>(12,362)</u>	<u>18,830,996</u>
Total depreciable capital assets, net	<u>39,617,922</u>	<u>(839,069)</u>	<u>7,871</u>	<u>5,387,581</u>	<u>(36,706)</u>	<u>44,119,857</u>
Governmental activities capital assets, net	<u>\$ 46,767,488</u>	<u>939,842</u>	<u>7,871</u>	<u>-</u>	<u>(36,706)</u>	<u>47,660,733</u>

Adjustments represents correcting balances that meet threshold amounts, correcting prior year accumulated depreciation and reclassifying property release from capital lease restrictions to furniture and equipment. Depreciation expense was charged to the following governmental functions.

Instruction	\$ 1,434,702
Support Services	188,258
Non-Instructional	37,077
Total Depreciation Expense	<u>\$ 1,660,037</u>

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

Commitments under construction contracts at June 30, 2008, are summarized as follows

	Remaining Commitment	Required Future Financing
NW Elementary School	\$ 12,968,739	-
Support Services/Tech Bldg	2,632,567	-
Support Services/Tech Bldg	49,500	-
Soccer Bldg	415,450	-
Milner Stadium	4,117,280	-
Ray Bishop Auditorium	495,115	-
Total	\$ 20,678,651	-

The remaining commitment will come from insurance proceeds from hurricane losses and federal sources.

(5) Long-term Liabilities.

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

	Balance			Amounts	
	July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
A. General obligation bonds payable	\$ 17,370,000	-	2,480,000	14,890,000	1,595,000
B. Three mill notes payable	508,191	-	249,910	258,281	258,281
C. Shortfall notes payable	7,653,495	2,900,000	-	10,553,495	95,699
D. Obligations under capital leases	5,245	79,000	15,910	66,335	18,939
E. Obligations under energy efficiency lease	6,214,897	-	673,334	5,541,563	700,352
F. Compensated absences payable	397,251	48,534	-	445,785	-
Total	\$ 32,149,079	3,027,534	3,419,154	31,757,459	2,668,271

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	3.2 – 4.55%	12/30/98	10/01/15	\$ 9,000,000	4,345,000
General Obligation bonds Refunding Series 1999	3.5 – 5%	03/01/99	04/01/16	10,865,000	10,545,000
Total				\$ 19,865,000	14,890,000

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
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	1,785,000	445,048	2,230,048
2013	1,895,000	365,740	2,260,740
2014-2016	<u>6,215,000</u>	<u>559,726</u>	<u>6,774,726</u>
Total	<u>\$ 14,890,000</u>	<u>3,142,158</u>	<u>18,032,158</u>

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, 2008, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2007. 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	258,281
Total				<u>\$ 750,000</u>	<u>258,281</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 258,281	8,652	266,933
Total	<u>\$ 258,281</u>	<u>8,652</u>	<u>266,933</u>

This debt will be retired from the general fund.

C. Shortfall Notes Payable

Debt currently outstanding is as follows:

Description	Average Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note, Series 2007	4.14%	07/24/07	07/24/12	\$ 478,495	478,495
Community Disaster Loan	3.12%	12/20/06	10/20/11	7,175,000	7,175,000
Community Disaster Loan	3.12%	12/18/07	10/20/11	2,900,000	2,900,000
Total				<u>\$ 10,553,495</u>	<u>10,553,495</u>

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 95,699	19,810	115,509
2010	95,699	15,848	111,547
2011	95,699	11,886	107,585
2012	95,699	7,924	103,623
2013	<u>10,170,699</u>	<u>376,873</u>	<u>10,547,572</u>
Total	<u>\$ 10,553,495</u>	<u>432,341</u>	<u>10,985,836</u>

The Debt Service Shortfall Note, Series 2007 will be retired from the Debt Service Fund.

On December 20, 2006, the school district borrowed \$7,175,000 from the U.S. Department of Homeland Security (FEMA) under the Community Disaster Loan program. In December 2007, the district borrowed an additional \$2,900,000. The payments on this loan are deferred for five years, with an option to defer another five years. This debt will be retired from the District Maintenance Fund.

Pursuant to HR 2206 – Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans in Presidentially declared disaster areas on a case by case basis.

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 nine Lanier digital copiers and related equipment.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Hancock Bank	4.45%	11/09/07	11/09/11	\$ 79,000	68,335
Total				<u>\$ 79,000</u>	<u>68,335</u>

At the end of the lease term upon full rental payments, the title to the equipment will vest with the Gulfport School District.

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
2009	\$ 18,939	2,658	21,597
2010	19,799	1,798	21,597
2011	20,698	898	21,596
2012	<u>8,899</u>	<u>99</u>	<u>8,998</u>
Total	<u>\$ 68,335</u>	<u>5,453</u>	<u>73,788</u>

This debt will be retired from the District Maintenance Fund.

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

E Obligations under energy efficiency lease.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
HVAC Equipment & Lighting	3.83%	03/28/03	03/01/13	\$ 2,466,383	1,312,877
HVAC Equipment & Lighting	4.11%	05/15/06	04/01/16	5,114,976	4,228,686
Total				<u>\$ 7,581,359</u>	<u>5,541,563</u>

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
2009	\$ 700,352	224,082	924,434
2010	728,456	195,978	924,434
2011	757,688	166,746	924,434
2012	788,095	136,339	924,434
2013	819,723	104,711	924,434
2014-2016	1,747,249	145,553	1,892,802
Total	<u>\$ 5,541,563</u>	<u>973,409</u>	<u>6,514,972</u>

Energy efficiency lease agreements dated March 28, 2003 and May 15, 2006, were executed by and between the district, the lessee, and Hancock Bank, the lessor.

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 Energy Management Fund (General Fund).

F. Compensated absences payable.

As more fully explained in Note 1(F)(6), 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.

(6) 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 employer's rate for fiscal year ending June 30, 2008 was 11.85% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$4,075,311, \$3,645,920 and \$3,344,672, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts for 28th Street Elementary School, Support Services/Technology Building, soccer building, Milner Stadium, and Ray Bishop Auditorium in Note 4 in the amount of \$20,678,651 will be financed through local revenues, insurance proceeds, and FEMA grants.

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of assets that meet threshold requirements	(38,706)
2. Correction of insurance loss recoveries received by the District in an agency capacity for a not-for-profit agency	(239,164)
Total	\$ (277,870)

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

Explanation	Amount
1. Correction of insurance loss recoveries received by the District in an agency capacity for a not-for-profit agency	(239,164)
Total	\$ (239,164)

(9) Subsequent Events

Subsequent to June 30, 2008, Gulfport School District issued the following debt obligations:

Issue Date	Interest Rate	Amount	Type of Financing	Source of Financing
08/04/08	4.09%	\$ 10,000,000	Certificates of Participation Lease	To be repaid with revenues from the General Fund
08/04/08	4.47%	\$ 438,128	Shortfall Note, Series 2008	A special annual ad valorem tax levied on all taxable property of the district - Shortfall Note
10/13/08	4.25%	\$ 6,000,000	Tax Anticipation Note	To be repaid with revenues from the General Fund
10/22/08	3.12%	\$ 2,637,920	Community Disaster Loan Program	To be repaid with revenues from the General Fund
01/28/09	2.89%	\$ 1,200,000	Limited tax note, Series 2009	A special annual ad valorem tax levied on all taxable property of the district - Three Mill Note
04/06/09	3.99%	\$ 6,000,000	Certificates of Participation Lease	To be repaid with revenues from the General Fund
05/28/09	1% - 2.75%	\$ 13,760,000	General Obligation Bonds Refunding, Series 2009A and 2009B originally issued Series 1998 and 1999 General Obligation Bonds	A special annual ad valorem tax levied on all taxable property of the district - General Obligation Bonds

GULFPORT SCHOOL DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2008

(10) Contingencies.

Federal Grants

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

Litigation.

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

(11) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi 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.

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

GULFPORT SCHOOL DISTRICT
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Gulfport School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 20,177,543	20,434,393	16,926,465	256,850	(3,507,928)
State sources	25,904,362	25,015,310	24,916,771	(889,052)	(98,539)
Federal sources	222,000	222,000	286,230	-	64,230
Total Revenues	<u>46,303,905</u>	<u>45,671,703</u>	<u>42,129,466</u>	<u>(632,202)</u>	<u>(3,542,237)</u>
Expenditures:					
Instruction	26,122,640	27,405,597	27,177,201	(1,282,957)	228,396
Support services	20,549,957	22,025,749	20,834,588	(1,475,792)	1,191,161
Non-instructional services	9,600	9,600	-	-	9,600
Debt service:					
Principal	724,784	704,784	689,254	20,000	15,530
Interest	251,100	253,035	253,033	(1,935)	2
Total Expenditures	<u>47,658,081</u>	<u>50,398,765</u>	<u>48,954,076</u>	<u>(2,740,684)</u>	<u>1,444,688</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,354,176)</u>	<u>(4,727,062)</u>	<u>(6,824,010)</u>	<u>(3,372,886)</u>	<u>(2,097,548)</u>
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	-	2,900,000	-	2,900,000
Proceeds from inception of leases	550,000	79,000	79,000	(471,000)	-
Operating transfers in	2,909,149	3,394,094	474,940	484,945	(2,919,154)
Operating transfers out	(3,855,874)	(4,860,014)	(1,924,700)	(1,004,140)	2,935,314
Total Other Financing Sources (Uses)	<u>(396,725)</u>	<u>(1,386,920)</u>	<u>1,529,240</u>	<u>(990,195)</u>	<u>2,916,160</u>
Net Change in Fund Balances	<u>(1,750,901)</u>	<u>(6,113,982)</u>	<u>(5,295,370)</u>	<u>(4,363,081)</u>	<u>818,612</u>
Fund Balances:					
July 1, 2007	<u>6,346,150</u>	<u>10,549,664</u>	<u>10,549,664</u>	<u>4,203,514</u>	
June 30, 2008	<u>\$ 4,595,249</u>	<u>4,435,682</u>	<u>5,254,294</u>	<u>(159,567)</u>	<u>818,612</u>

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

Gulfport School District
 Budgetary Comparison Schedule
 FEMA/MEMA Grant Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,100,000	2,364,588	653,608	264,588	(1,510,980)
Total Revenues	<u>2,100,000</u>	<u>2,364,588</u>	<u>853,608</u>	<u>264,588</u>	<u>(1,510,980)</u>
Expenditures:					
Instruction	-	-	53	-	(53)
Support services	2,100,000	2,364,588	853,555	264,588	1,511,033
Total Expenditures	<u>2,100,000</u>	<u>2,364,588</u>	<u>853,608</u>	<u>264,586</u>	<u>1,510,980</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

GULFORT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2008

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.

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
SUPPLEMENTAL INFORMATION

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GULFPORT SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

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:		
Child nutrition cluster:		
School breakfast program	10.553	475,736
National school lunch program	10.555	1,511,166
Summer food service program for children	10.559	97,137
Total child nutrition cluster		<u>2,084,039</u>
Fresh fruit and vegetable program	10.582	27,633
Total U.S. Department of Agriculture		<u>2,111,672</u>
<u>U.S. Department of Defense</u>		
Direct program		
Reserve Officer's Training Corps	12.XXX	42,526
Total U.S. Department of Defense		<u>42,526</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	105,651
Total Federal Communications Commission		<u>105,651</u>
<u>U.S. Department of Education</u>		
Direct Program		
Impact Aid	84.041	158,014
Total		<u>158,014</u>
Passed through Mississippi Board for community and junior colleges.		
Adult education – state grant program	84.002	138,893
Total		<u>138,893</u>
passed through Mississippi Department of Rehabilitation Services.		
Rehabilitation services - vocational rehabilitation grants to states	84.126	2,690
Total		<u>2,690</u>
Passed-through Mississippi Department of Education		
Title I - grants to local educational agencies	84.010	2,820,103
Career and technical education - basic grants to states	84.048	97,446
Safe and drug-free schools and communities - state grants	84.186	52,775
Foreign language assistance	84.293	112,796
State grants for innovative programs	84.298	6,198
Education technology state grants	64.318	197,216
English language acquisition grants	84.365	16,498
Improving teacher quality	84.387	413,148
Title I - grants to local educational agencies, recovery act	84.938	16,385
Total		<u>3,732,565</u>
Special education cluster:		
Special education - grants to states	84.027	1,232,145
Special education - preschool grants	84.173	45,157
Total special education cluster		<u>1,277,302</u>
Total passed-through Mississippi Department of Education		<u>5,009,867</u>
Total U.S. Department of Education		<u>5,309,464</u>
<u>U.S. Department of Health Services</u>		
Passed through Mississippi Department of Education		
Medical assistance program	93.778	83,000
Total U.S. Department of Health Services		<u>83,000</u>

GULFPORT SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>Department of Homeland Security</u>		
Passed-through Mississippi Department of Finance and Administration: Community disaster loans	97.030	10,075,000
Passed-through Mississippi Emergency Management Agency: Disaster grants - public assistance (Presidentially declared disasters)	97.036	853,608
Total Department of Homeland Security		<u>10,928,608</u>
Total all federal expenditures		<u>\$ 18,580,921</u>

NOTES TO SCHEDULE

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

The Gulfport School District has the following federal loans outstanding as of June 30, 2008:

Program Title	CFDA Number	Current Year Expenditures	Cummulative Federal Expenditures to - date
Direct Loan Program			
Community Disaster Loan Program	97.030	\$ 2,900,000	10,075,000
Total Direct Loan Programs		<u>2,900,000</u>	<u>10,075,000</u>

Gulfport School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 June 30, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 45,274,623	34,480,745	1,337,748	3,776,848	5,679,282
Other	22,197,885	4,582,477	562,643	155,688	16,897,077
Total	\$ 67,472,508	39,063,222	1,900,391	3,932,536	22,576,359
Total number of students	5,158 *				
Cost per student	\$ 13,081	7,573	369	762	4,377

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

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

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
OTHER SUPPLEMENTAL INFORMATION

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 19,987,378	19,043,011	22,140,232	21,892,864
Intermediate sources	-	-	13,000	12,500
State sources	26,219,623	25,170,880	24,229,423	22,849,560
Federal sources	8,559,387	9,303,782	20,494,633	6,883,340
Sixteenth section sources	358,930	348,120	372,081	292,997
Total Revenues	<u>55,125,318</u>	<u>53,865,793</u>	<u>67,249,369</u>	<u>51,931,261</u>
Expenditures				
Instruction	31,894,600	29,561,538	29,672,382	26,501,150
Support services	26,253,261	28,358,890	33,040,982	18,895,296
Noninstructional services	3,108,761	2,973,288	2,543,558	2,852,173
Facilities acquisition and construction	1,778,911	7,826,729	-	85,807
Debt service				
Principal interest	3,419,154	2,433,588	1,718,304	709,450
Other	1,017,821	1,080,870	984,745	1,003,795
Other	-	6,200	-	-
Total Expenditures	<u>67,472,508</u>	<u>72,241,103</u>	<u>67,959,971</u>	<u>52,047,671</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(12,347,190)</u>	<u>(18,375,310)</u>	<u>(710,602)</u>	<u>(116,410)</u>
Other Financing Sources (Uses)				
Proceeds of loans	2,900,000	6,308,985	2,094,510	-
Proceeds from inception of leases	79,000	-	5,114,976	-
Insurance loss recoveries	2,300	3,781,395	13,345,650	-
Sale of other property	-	-	9,569	-
Operating transfers in	2,399,640	2,587,254	9,581,606	1,979,704
Other financing sources	-	-	-	106,955
Operating transfers out	(2,399,640)	(2,587,254)	(9,581,806)	(1,979,704)
Other financing uses	-	-	-	(39,324)
Total Other Financing Sources (Uses)	<u>2,981,300</u>	<u>10,070,380</u>	<u>20,564,705</u>	<u>67,631</u>
Extraordinary items	-	(125,570)	-	-
Net Change in Fund Balances	<u>(9,365,890)</u>	<u>(8,430,500)</u>	<u>19,854,103</u>	<u>(48,779)</u>
Fund Balances				
July 1, beginning	17,684,133	25,880,054	6,003,448	6,058,347
Prior period adjustments	(239,164)	233,507	-	-
July 1, as restated	<u>17,444,969</u>	<u>26,113,561</u>	<u>6,003,448</u>	<u>6,058,347</u>
Increase (Decrease) in reserve for inventory	<u>(32,708)</u>	<u>1,072</u>	<u>22,503</u>	<u>(6,119)</u>
June 30, ending	<u>\$ 8,046,371</u>	<u>17,684,133</u>	<u>25,880,054</u>	<u>6,003,449</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

GULFPORT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 16,926,465	15,482,896	18,726,363	19,021,582
State sources	24,916,771	23,828,886	22,886,526	21,538,256
Federal sources	286,230	500,522	459,260	452,460
Total Revenues	<u>42,129,466</u>	<u>39,812,304</u>	<u>42,072,149</u>	<u>41,012,298</u>
Expenditures				
Instruction	27,177,201	23,383,599	14,740,531	24,028,365
Support services	20,834,598	21,825,034	16,652,648	16,317,427
Noninstructional services	-	10,598	1,370	50,461
Facilities acquisition and construction	-	-	-	7,419
Debt service:				
Principal	689,244	701,779	268,304	264,450
Interest	253,033	252,950	117,250	96,408
Total Expenditures	<u>48,954,076</u>	<u>46,173,960</u>	<u>31,780,103</u>	<u>40,764,530</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,824,610)</u>	<u>(6,361,656)</u>	<u>10,292,046</u>	<u>247,768</u>
Other Financing Sources (Uses):				
Proceeds from long-term debt	2,900,000	5,830,490	1,344,510	-
Proceeds from inception of leases	79,000	-	5,114,976	-
Proceeds from sale of property	-	-	9,569	-
Other financing source	-	-	-	6,688
Other financing uses	-	-	-	(3,352)
Operating transfers in	474,940	456,114	2,332,029	817,507
Operating transfers out	(1,924,700)	(2,119,040)	(8,953,702)	(1,413,640)
Total Other Financing Sources (Uses)	<u>1,529,240</u>	<u>4,167,564</u>	<u>(152,618)</u>	<u>(592,797)</u>
Extraordinary items		<u>(125,570)</u>	-	
Net Change in Fund Balances	<u>(5,295,370)</u>	<u>(2,319,662)</u>	<u>10,139,428</u>	<u>(345,029)</u>
Fund Balances				
July 1, beginning	10,549,664	12,685,459	2,546,029	2,891,059
Prior period adjustments	-	183,867	-	-
July 1, as restated	<u>10,549,664</u>	<u>12,869,326</u>	<u>2,546,029</u>	<u>2,891,059</u>
June 30, ending	<u>\$ 5,254,294</u>	<u>10,549,664</u>	<u>12,685,457</u>	<u>2,546,030</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

GULFPORT SCHOOL DISTRICT
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

GULFPORT SCHOOL DISTRICT
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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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May 17, 2010

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 Gulfport School District as of and for the year ended June 30, 2008, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated May 17, 2010. 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 as a basis for designing our auditing procedures 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 school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-01, 08-02, 08-03, 08-04, 08-05, 08-06, 08-07, and 08-08 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings *08-01, 08-05, 08-06* and *08-08* 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 disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding *08-08*. We also noted certain immaterial instances of noncompliance or other matter that we have reported to management of the school district in a separate letter dated May 17, 2010, which is included in this report.

Gulfport School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Gulfport School District's responses and, accordingly, we express no opinion on them.

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.

Wynne Ward Withers & Sons

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May 17, 2010

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, 2008. The Gulfport School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 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 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings *08-07*, *08-08*, *08-09* and *08-10*.

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 Gulfport School District's internal control over compliance with the 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, 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 school district's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and one deficiency that we consider to be a material weakness.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings **08-07**, **08-08**, **08-09**, and **08-10** to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings **08-07** through **08-10** we consider Finding **08-08** to be a material weakness.

Gulfport School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Gulfport School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, others within the entity, 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.

Wayne Wood Hite & Sons

GULFPORT SCHOOL DISTRICT
REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

GULFPORT SCHOOL DISTRICT
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May 17, 2010

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, 2008, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated May 17, 2010. 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$7,423 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Education Enhancement Funds Should Not be Allocated to Federally Funded Teachers

Finding

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), states that education enhancement classroom supplies and instructional materials funds be allocated equally among all classroom teachers in the school district. The word "teacher" shall not include federally funded teacher.

During the previous audit, the auditors found that five teachers were allocated Education Enhancement Funds that were federally funded, which is prohibited by Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972). Upon review in this fiscal year, we found that this instance of noncompliance was not corrected until August 2009.

Allocation of classroom supplies and instructional materials funds to federally funded teachers resulted in the district allowing some teachers to spend other teachers' allocations.

Recommendation

We recommend that the school comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

School District's Response

The district instituted a new policy and procedure to ensure that only non federal teachers received Education Enhancement Classroom Supplies. The District is now tracking the Education Enhancement Funds using the District's financial software. Payroll is periodically reviewing federally funded teachers to ensure that they are not included in the allocation.

2. School Depositories Should Meet Bid Requirements

Finding

Section 37-7-333, Miss. Code Ann. (1972), requires all public funds of school districts to be placed in the depository or depositories selected by the school board in the same manner as provided by Section 27-105-305, Miss. Code Ann. (1972) for the selection of county depositories. Section 37-7-333, Miss. Code Ann. (1972) also requires the bids for the financial institutions keeping school funds be effective on July 1 of each year. Further, school boards are required to advertise and accept bids for depositories, not less than once every three years, when the school board determines that it can obtain a more favorable rate of interest and less administrative processing.

During test work on depositories and review of prior year audit, we noted that the district advertised and accepted bids in November 2006 with no documentation as to what year the bids covered. As of June 30, 2008, the district board had not accepted bids for a new depository.

Not approving depository bids results in noncompliance with Section 37-7-333, Miss. Code Ann. (1972).

Recommendation

We recommend that the District comply with Section 37-7-333, Miss. Code Ann. (1972).

School District's Response

The district advertised for depository bids during May 2009 and accepted bids on June 22, 2009.

3. Districts should comply with State Surety Bond Requirements

Finding

Section 37-39-21, Miss. Code Ann. (1972) requires that the purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located.

During our testing of the District's compliance with Section 37-39-21, Miss. Code Ann. (1972), we noted that one of the District's purchasing agent's bond was set at \$25,000 instead of the \$50,000 required by State statute.

Recommendation

We recommend that the District review employees and their positions at least annually to ensure that the District is in compliance with Section 37-39-21, Miss. Code Ann. (1972).

School District's Response

The District will review employee positions and ensure that all surety bond requirements are met

4. Districts should comply with Purchasing Laws

Finding

During our audit, we noted that construction project invoices were submitted for payment on work completed that exceeded the original bid. Payment was made to this vendor in violation of state purchasing laws as mandated in Section 31-7-13, Miss. Code Ann. (1972). No change orders were presented to the board for approval, nor was the additional work required resubmitted to the board or sent out for a new bid.

Recommendation

We recommend that the School District place controls into effect that assure compliance with State purchase, advertising and bid procedures.

School District's Response

The District will review purchasing policies and procedures to ensure compliance with Section 31-7-13, Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Gulfport School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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, Director of Audit

GULFPORT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2008

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? | Yes |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |

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? | Yes |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Improving teacher quality
CFDA# 84.367 | |
| b. | Disaster grants - public assistance (Presidentially declared disasters)
CFDA# 97.036 | |
| c. | Title I – grants to local education agencies
CFDA# 84.010 | |
| d. | Special education cluster
CFDA# 84.027
CFDA# 84.173 | |
| e. | Community disaster loan
CFDA# 97.030 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$ 557,427 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 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? | Yes |

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 2: FINANCIAL STATEMENT FINDINGS

Significant Deficiency – Material Weakness

08-01 All Bank Accounts Should be Properly and Timely Reconciled

Finding

Management is responsible for ensuring that the assets of the district are safeguarded and transactions are properly documented and recorded in the district's financial records. A critical aspect of internal control is the reconciling of bank accounts by adding outstanding deposits and subtracting outstanding checks to the balance per bank statement to calculate the amount of cash that is listed on the general ledger of the district.

During our audit, we noted that several bank accounts had not been reconciled monthly. However, we did find that bank reconciliations were correct at year ending June 30, 2008.

Recommendation

We recommend that the district reconcile all bank accounts on a monthly basis so that all transactions are properly recorded on the financial statements.

Significant Deficiency

08-02 Transactions for Activity Fund Revenue should be Processed Timely

Management is responsible for ensuring that all transactions are reported on the financial statements timely. Strong internal controls require that deposits be made on a timely basis.

During our testing, we noted that activity fund receipts were deposited between five and nine days after the receipt date.

Inadequate internal controls related to revenue deposits could result in the loss of assets.

Recommendation

We recommend that the district implement policies and procedures that require all receipts be deposited on a timely basis. We further recommend that internal controls be implemented to ensure that policies and procedures are followed.

Significant Deficiency

08-03 Payroll Expenditures should be supported by Adequate Documentation

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented.

During the prior year audit, the auditors found that supporting documentation for non-exempt employees was incomplete or was not used to calculate the amount of salary an employee had earned. Upon our follow-up review, we discovered that this deficiency continued throughout our audit year and was not corrected until fiscal year ended June 30, 2009

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation.

Payment of wages without adequate documentation could result in employees being improperly compensated.

Recommendation

We recommend that the district maintain adequate records for all non-exempt personnel to support payroll expenditures.

Significant Deficiency

08-04 Controls Concerning Student Club Funds Should Be Strengthened

Finding

Safeguarding of assets and presenting reliable financial reporting are duties of management.

During prior year audit, the auditors found that student clubs and activity funds were placed in the same bank account and various school clubs had negative balances resulting in unrecorded loans being made between student clubs and activity funds. During our review of this finding, we found that this failure in internal control had not been addressed until July 1, 2009.

Proper internal controls were not in place to prevent clubs from overspending their resources.

Inadequate internal controls related to student club funds resulted in the unauthorized spending of other student clubs' funds or public funds.

Recommendation

We recommend the district implement policies and procedures to ensure that the club funds are properly safeguarded to effectively account for and safeguard each clubs' assets. We further recommend that the district ensure that no public funds are being loaned from activity funds.

Significant Deficiency – Material Weakness

08-05 Accounting for Insurance Loss Recoveries in Agency Capacity Should be Properly Documented and Recorded.

Finding

During our test work on insurance recoveries, we found that a non-profit organization had received \$230,400 in contents replacement insurance monies and \$8,764 in business interruption insurance monies from the School District. These monies were submitted to the non-profit as reimbursement of insurance losses incurred by the non-profit during Hurricane Katrina

Premiums for this insurance were paid through the School District by the non-profit organization as a memorandum of understanding agreement between the District and the Non-profit company. The School District owns the building in which the non-profit conducts business and as part of the agreement the school carries building insurance and the non-profit pays the portion of the contents and business loss premium

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Monies received were recorded as insurance loss recoveries (other income) in Fund 3022 (Insurance Recovery Fund) in the fiscal year ended June 30, 2007. Monies paid out to the Non-profit organization were recorded as Support Services expenditures in the Insurance Recovery Fund in fiscal year ended June 30, 2008. The proper recording of this transaction would have been to record the receipt and disbursement of these funds in an agency fund.

Improper recording of this transaction resulted in an overstatement of fund balance of the amount of \$239,164 in the fiscal year ended June 30, 2007 and an understatement of due to other governments in the agency funds. However, the overall result of this improper recording had no effect on fund balances as of the year ended June 30, 2008.

Recommendation

We recommend that the District put procedures and policies in practice to ensure that all agency transactions are recorded properly to ensure that revenues and expenditures of the School District are not improperly reported.

Significant Deficiency-Material Weakness

08-06 Payments Should Not be Made in Excess of Authorized Amounts

During our audit, we noted that construction project invoices were submitted for payment on work completed that exceeded the original bid. Payment was made to this vendor in violation of state purchasing laws as mandated in Section 31-7-13, Miss. Code Ann. (1972). No change orders were presented to the board for approval, nor was the additional work required resubmitted to the board or sent out for a new bid.

Recommendation

We recommend that the School District place controls into effect that assure compliance with State purchase, advertising and bid procedures. All change orders exceeding the provisions and exceptions in Section 31-7-13 should be presented to the Board for approval prior to payment. The District should ensure that checks written for construction projects and purchases comply with state laws and that controls are in place to ensure that payments are compared to original bid amounts.

Significant Deficiency

08-07 Proper Accounting and Recording Procedures Should be Followed For Inventory

Note See Section 3 Federal Awards Findings and Questioned Costs for finding.

Significant Deficiency- Material Weakness

Material Noncompliance

08-08 Procurement Requirements Should Be Followed and Reasonable Fees Should Be Established when Using Federal Grants for Construction Contracts

Note See Section 3 Federal Awards Findings and Questioned Costs for finding.

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 3: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Significant Deficiency

08-07 Proper Accounting and Recording Procedures Should be Followed For Inventory

Finding

Program: Passed through the Mississippi Department of Education
Child Nutrition Cluster, CFDA # 10.553, 10.555 and 10.559

Compliance Requirement: Accountability for Commodities

The District is required to maintain accurate and complete records with respect to the receipt, distribution/use, and inventory of donated foods including end products processed from donated foods

Failure to maintain records required by 7 CFR section 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity is liable for the value of the food or replacement of the food in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).

During our test work on inventory, we determined that inventory had been taken at the end of the normal school year and recorded in the District's books; however, these commodities were subsequently sold to the Summer School Food Program. An inventory at the end of the fiscal year was taken which included amounts that had been sold to the Summer Food Program and the original inventory of \$49,181 had not been reversed causing an overstatement of inventory in the School Food Program and an understatement of food costs in the Summer Food Program.

Recommendation

We recommend that the District put policies and procedures in place to ensure the proper recording of inventory in compliance with federal guidelines.

Significant Deficiency- Material Weakness

Material Noncompliance

08-08 Procurement Requirements Should Be Followed and Reasonable Fees Should Be Established when Using Federal Grants for Construction Contracts

Finding

Program Passed through the Mississippi Emergency Management Agency
Disaster Grants – Public Assistance (Presidentially declared disasters)
CFDA # 97.036

Compliance Requirements: Procurement and Suspension and Debarment
Allowable Costs/Cost Principles

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

During the fiscal year ended June 30, 2007, the district did not obtain quotes or bids for construction projects funded by insurance and federal emergency management funding following Hurricane Katrina. The district was unaware that the federal requirements were still applicable after the Governor declared a state of emergency resulting in the district not obtaining necessary quotes or bids.

We found it necessary to repeat this finding due to the fact that FEMA projects associated with this failure in internal controls fell in the current audit year; our audit sample found two instances of repair projects not obtaining federal mandated quotes or bids. The district recorded a receivable from FEMA in the amount of \$2,631,160, and as of the date of this report the questionable costs reported on the June 30, 2007 in the amount of \$1,773,426 had still not been received.

Recommendation

We recommend that the district put procedures in place to ensure that all federal guidelines are followed and required quotes and bids be obtained as set forth in 44 CFR 13.36(f)(4), the procurement standards for Disaster Grants – Public Assistance (Presidentially declared disasters).

Significant Deficiency

08-09 Reporting and Budgeting Should be Accurate

Finding

Program: Passed through the Mississippi Department of Education
Title I, CFDA # 84.010

Compliance Requirement: Reporting

During our test work, we found that the front cover page and page 6 of the 2007-2008 Consolidated Application for State and ESEA Federal Grant Program showed a total of \$2,809,980; however, individual school budget summaries (page 7) only totaled \$2,662,464 for Title I, Part A Improving Basic Programs for a variance of \$147,516.

The effect of this error could cause the District to under budget and under allocate to the individual schools causing a carryover that exceeds federal guidelines.

Recommendation

We recommend that preparation of budget reports be reviewed for accuracy to ensure that amounts requested and budgeted are accurate.

Significant Deficiency

08-10 Federal Funds Should be Comparable

Finding

Program: Passed through the Mississippi Department of Education
Title I, CFDA # 84.010

Compliance Requirement: Comparability

GULFPORT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

The district may receive funds under Title I, Part A only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the district is providing in schools not receiving Title I, Part A funds.

During our review of correspondence and comparability calculations, we determined that the School was not meet comparability (student/staff ratios) as of September 30, 2007. Upon notification that the school was not in compliance, the District corrected the staffing requirements in December 2008.

Recommendation

Although this noncompliance was corrected within the same school year, we feel that the school should strengthen its monitoring of comparability ratios to ensure that the school remains in compliance at all times and does not risk loss of federal funding.

GULFPORT SCHOOL DISTRICT
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GULFPORT SCHOOL DISTRICT
AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

GULFPORT SCHOOL DISTRICT
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Gulfport School District

Board of Trustees & Office of the Superintendent

As requested by Section _____ 315 of OMB Circular A-133, the Gulfport School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questionable Costs for the year ended June 30, 2008.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-01	All bank accounts have been reconciled monthly since January, 2009.
08-02	Gulfport School District requires all departments to make deposits in a timely manner. All bookkeepers were trained in the proper handling of cash receipts and given written procedures at a staff development in July, 2009. The accounts receivable clerk verifies timely deposits and notifies the business manager of any issues.
08-03	The payroll department maintains a reconciliation on each non exempt employee that is paid in twelve equal payments comparing the checks received to the hours actually worked. Procedures are being implemented to insure that employees are not being compensated prior to actually earning the funds.
08-04	Club accounts are reviewed periodically to insure that they are not in a deficit and also, balances are verified prior to authorizing purchases.
08-05	This District will comply with this recommendation as much as is feasible. However, the payments in question were part of much larger settlements to the school district and not payments specifically received and designated for the non-profit entity. Lump sum payments were received over the course several years following Katrina, so to specifically identify which payment was intended for specific items is not feasible.
08-06	We will comply with this recommendation.
08-07	We will comply with this recommendation.
08-08	The District is now aware of the requirement.
08-09	To ensure adequate reporting and budgeting, the following measures have been implemented: <ul style="list-style-type: none">• Hire a full time program coordinator• Divided bookkeeping duties with one bookkeeper being dedicated solely to Title I• Budgets are checked and verified by the Federal Program Coordinator in conjunction with the Certified Financial Officer and Director of Instructional Programs.
08-10	Typically, the District monitors comparability after Labor Day to ensure more accurate teacher-student ratios/enrollment to keep from over staffing at site or district. Based on our findings, the district determined that Gaston Point Elementary was not comparable to its counter parts. The principal was immediately given permission to hire up to six (6) teachers to correct the discrepancy. By December of the year in question, the principal was able to fill the positions with highly qualified candidates



Gulfport School District

Board of Trustees & Office of the Superintendent

As requested by Section _____, 315(b) of OMB Circular A-133, the Gulfport School District has prepared and hereby submits the following summary schedule of prior year audit findings for the year ended June 30, 2008.

<u>Prior year Finding Reference</u>	<u>Correct Action Taken</u>
07-6	This is a repeat finding, See Finding 08-08.
07-7	This finding was reviewed and corrected.
07-8	This finding was reviewed and corrected.