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GULFPORT SCHOOL DISTRICT

Financial Statements  
For the Year Ended June 30, 2011

GULFPORT SCHOOL DISTRICT

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**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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously 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, 2011, 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 March 23, 2012, on our consideration of the Gulfport School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Membership in:*

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Independent Auditor's Report on the Basic Financial Statements and Supplemental Information

Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, 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 do not express an opinion or provide any assurance on it.

Walter McDuff, Jr. Oppie

Pascagoula, Mississippi

March 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Gulfport School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

#### FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$19,757,673, including a prior period adjustment of \$761,238, which represents a 92% increase from fiscal year 2010. Total net assets for 2010 decreased \$2,762,188, including a prior period adjustment of \$(774,498), which represents an 11.40% decrease from fiscal year 2009.
- General revenues amounted to \$46,135,193 and \$45,786,547, or 78.10% and 80.42% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,939,095, or 21.90% of total revenues for 2011, and \$11,148,781, or 19.58 % of total revenues for 2010.
- The District had \$52,573,443 and \$58,923,018 in expenses for fiscal years 2011 and 2010; only \$12,939,095 for 2011 and \$11,148,781 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$46,135,193 for 2011 revenues were adequate to provide for these programs. General revenues of \$45,786,547 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$42,477,793 in revenues and \$39,507,132 in expenditures for 2011, and \$41,185,675 in revenues and \$45,401,874 in expenditures in 2010. The General Fund's fund balance increased by \$2,935,744 including a prior period adjustment of (\$26,588) from 2010 to 2011, and decreased by \$2,678,623 including a prior period adjustment of \$16,187 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$1,317,865 for 2011 and increased by \$5,416,271 for 2010. The increase for 2011 was a result of monies spent on construction projects coupled with the increase in Accumulated Depreciation.
- Long-term debt decreased by \$16,925,912 for 2011 which includes an unamortized discount of \$22,501 and a decrease in compensated absences of \$7,190. This decrease was due primarily to the forgiveness of the Community Disaster Loan and principal payments on outstanding debt. Long-term debt decreased by \$4,017,769 for 2010 which includes an unamortized discount in the amount of \$30,901, and a decrease of \$12,801 in compensated absences. This decrease was due to the principal payments on outstanding long-term debt.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information and other information.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the District's net assets

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

The Statement of Activities presents information showing how the District's net 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 periods.

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

### **Fund Financial Statements**

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

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

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

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

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

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplemental Information**

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

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$41,217,208 as of June 30, 2011.

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 for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 1  
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 11,520,574	\$ 9,058,807	27.18 %
Capital assets, net	61,496,338	62,814,203	(2.10) %
<b>Total assets</b>	<b>73,016,912</b>	<b>71,873,010</b>	<b>1.59 %</b>
Current liabilities	3,023,499	4,711,358	(35.83) %
Long-term debt outstanding	28,776,005	45,701,917	(37.04) %
<b>Total liabilities</b>	<b>31,799,504</b>	<b>50,413,275</b>	<b>(36.92) %</b>
Net assets:			
Invested in capital assets, net of related debt	36,852,873	35,095,627	5.01 %
Restricted	4,066,186	4,516,508	(9.97) %
Unrestricted	298,349	(18,152,400)	(101.64) %
<b>Total net assets</b>	<b>\$ 41,217,408</b>	<b>\$ 21,459,735</b>	<b>92.07 %</b>

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

- Decrease in net capital assets in the amount of \$1,317,865.
- The principal retirement of \$4,214,202 of long-term debt.
- Debt forgiveness \$12,712,920.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2011 and June 30, 2010 were \$59,074,288, and \$56,935,328, respectively. The total cost of all programs and services was \$52,573,443 for 2011 and \$58,923,018 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 2  
Change(s) in Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,624,252	\$ 1,584,687	2.50 %
Operating grants and contributions	11,314,843	9,564,094	18.31 %
General revenues:			
Property (and gaming) taxes	22,446,838	21,262,601	5.57 %
Grants and contributions not restricted	23,025,505	22,878,718	0.64 %
Investment earnings	25,563	49,007	(47.84) %
Sixteenth section sources	505,700	522,886	(3.29) %
Other	131,587	1,073,335	(87.74) %
<b>Total revenues</b>	<b><u>59,074,288</u></b>	<b><u>56,935,328</u></b>	<b>3.76 %</b>
<b>Expenses:</b>			
Instruction	28,925,385	32,656,074	(11.42) %
Support services	19,692,637	21,689,082	(9.20) %
Non-instructional	2,659,411	2,903,763	(8.42) %
Interest and other expense on long-term liabilities	1,296,010	1,674,099	(22.58) %
<b>Total expenses</b>	<b><u>52,573,443</u></b>	<b><u>58,923,018</u></b>	<b>(10.78) %</b>
<b>Increase (Decrease) in net assets</b>	<b><u>6,500,845</u></b>	<b><u>(1,987,690)</u></b>	<b>(427.06) %</b>
Special Items	14,018,066	-	N/A
<b>Increase (Decrease) in net assets</b>	<b><u>20,518,911</u></b>	<b><u>(1,987,690)</u></b>	<b>(1,132.30) %</b>
<b>Net Assets, July 1 as originally reported</b>	<b><u>21,459,735</u></b>	<b><u>24,221,923</u></b>	<b>(11.40) %</b>
<b>Prior Period Adjustments</b>	<b><u>(761,238)</u></b>	<b><u>(774,498)</u></b>	<b>(1.71) %</b>
<b>Net Assets Restated, July 1</b>	<b><u>20,698,497</u></b>	<b><u>23,447,425</u></b>	<b>(11.72) %</b>
<b>Net Assets, June 30</b>	<b><u>\$ 41,217,408</u></b>	<b><u>\$ 21,459,735</u></b>	<b>92.07 %</b>

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenses on long-term debt. 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 shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 28,925,385	\$ 32,656,074	(11.42) %
Support services	19,692,637	21,689,082	(9.20) %
Non-instructional	2,659,411	2,903,763	(8.42) %
Interest and other expenses on long-term liabilities	1,296,010	1,674,099	(22.58) %
<b>Net expenses</b>	<b>\$ 52,573,443</b>	<b>\$ 58,923,018</b>	<b>(10.78) %</b>
	<b>Net (Expense) Revenue</b>		
	2011	2010	
Instruction	\$ (22,598,717)	\$ (27,328,322)	(17.31) %
Support services	(16,219,846)	(18,870,008)	(14.04) %
Non-instructional	471,721	96,804	387.29 %
Interest and other expenses on long-term liabilities	(1,287,506)	(1,672,711)	(23.03) %
<b>Total net (expense) revenue</b>	<b>\$ (39,634,348)</b>	<b>\$ (47,774,237)</b>	<b>(17.04) %</b>

- Net cost of governmental activities, (\$39,634,348 for 2011 and \$47,774,237 for 2010) was financed by general revenue, which is made up of primarily property taxes (\$22,446,838 for 2011 and \$21,262,601 for 2010) and state and federal revenues of (\$23,025,505 for 2011 and \$22,878,718 for 2010). In addition, there was \$505,700 and \$522,886 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$25,563 for 2011 and \$49,007 for 2010.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,107,015, an increase of \$2,564,782, which includes the prior period adjustment of (\$456,920) and an increase in inventory of \$21,990. \$3,273,463 or 40% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,833,552 or 60% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed, restricted or assigned.

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,935,744 including a prior period adjustment of (\$26,588). The fund balance of Other Governmental Funds showed a decrease in the amount of \$373,362, which includes a prior period adjustment of (\$430,332) and an increase in reserve for inventory of \$21,990. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
FEMA/MEMA Fund	\$ 3
Sweep Fund	\$2,307

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. In the General Fund, state revenue budget was decreased to reflect the portion of MAEP to be funded through the ARRA Stabilization Fund. Local revenues were short of budgeted funds by \$211,833. Actual expenditures were reduced compared to the amended budget due to the expectation of a decrease in anticipated revenues.

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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$85,558,124, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment and any intangible assets. This amount represents an increase of \$464,897 from 2010. Total accumulated depreciation as of June 30, 2011, was \$24,061,786, and total depreciation expense for the year was \$2,094,361, resulting in total net capital assets of \$61,496,338.

**Table 4**  
**Capital Assets**

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>	
	<u>2011</u>	<u>2010</u>	<u>Change</u>	
Land	\$ 2,359,527	\$ 2,359,527	-	%
Construction in Progress	17,079	14,336,195	(99.88)	%
Buildings	54,639,394	41,972,606	30.18	%
Building improvements	818,857	857,850	(4.55)	%
Improvements other than buildings	2,441,120	2,560,010	(4.64)	%
Mobile equipment	124,188	162,613	(23.63)	%
Furniture and equipment	931,614	565,402	64.77	%
Intangible assets	164,559	-	N/A	%
<b>Total</b>	<b>\$ 61,496,338</b>	<b>\$ 62,814,203</b>	<b>(2.10)</b>	<b>%</b>

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

**Debt Administration.** At June 30, 2011, the District had \$28,776,005 in outstanding long-term debt, of which \$4,272,021 is due within one year. In addition, the liability for compensated absences decreased from the prior year.

The District maintains an A3 bond rating.

GULFPORT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 5**  
**Outstanding Long-Term Debt**

	<b>Outstanding Long-term Debt</b>		<b>Percentage Change</b>
	<b>June 30, 2011</b>	<b>June 30, 2010</b>	
General obligation bonds payable	\$ 9,990,000	\$ 11,890,000	(15.98) %
Unamortized Discount	(22,501)	(30,901)	(27.18) %
Certificates of participation payable	13,771,000	14,886,000	(7.49) %
Three mill notes payable	740,407	973,477	(23.94) %
Shortfall notes payable	582,485	13,503,849	(95.69) %
Obligations under energy efficiency lease	3,355,067	4,112,755	(18.42) %
Compensated absences payable	359,547	366,737	(1.96) %
<b>Total</b>	<b>\$ 28,776,005</b>	<b>\$ 45,701,917</b>	<b>(37.04) %</b>

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 2011-2012 year increased by 7 % from 5,417 to 5,802 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Gulfport School District, 2001 Pass Road, Gulfport, MS 39501.

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, 2011

**Exhibit A**

	Governmental Activities
	<hr/>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,797,541
Due from other governments	2,996,474
Other receivables, net	3,136
Inventories	78,705
Prepaid items	644,718
Capital assets, non-depreciable:	
Land	2,359,527
Construction in progress	17,079
Capital assets, net of accumulated depreciation:	
Buildings	54,639,394
Building improvements	818,857
Improvements other than buildings	2,441,120
Mobile equipment	124,188
Furniture and equipment	931,614
Intangible assets	164,559
Total Assets	<hr/> <hr/> 73,016,912
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,754,080
Unearned revenue	14,761
Interest payable on long-term liabilities	254,658
Long-term liabilities, due within one year:	
Capital related liabilities	3,253,805
Non-capital related liabilities	1,018,216
Long-term liabilities, due beyond one year:	
Capital related liabilities	21,225,101
Non-capital related liabilities	3,278,883
Total Liabilities	<hr/> <hr/> 31,799,504
<b>Net Assets</b>	
Invested in capital assets, net of related debt	36,852,873
Restricted for:	
Expendable:	
School-based activities	646,487
Debt service	1,468,781
Capital improvements	1,783,242
Unemployment benefits	167,676
Unrestricted	298,349
Total Net Assets	<hr/> <hr/> <hr/> \$ 41,217,408

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, 2011

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	\$ 28,925,385	\$ 1,088,555	\$ 5,238,113	\$	\$ (22,598,717)
Support services	19,692,637		3,472,791		(16,219,846)
Non-instructional	2,659,411	535,697	2,595,435		471,721
Interest on long-term liabilities	1,296,010		8,504		(1,287,506)
<b>Total Governmental Activities</b>	<b>\$ 52,573,443</b>	<b>\$ 1,624,252</b>	<b>\$ 11,314,843</b>	<b>\$ 0</b>	<b>\$ (39,634,348)</b>

General Revenues:

Faxes:

General purpose levies	18,145,132
Debt purpose levies	2,695,308
Gaming	1,606,398

Unrestricted grants and contributions:

State	21,409,670
Federal	1,615,835
Unrestricted investment earnings	25,563
Sixteenth section sources	505,700
Other	131,587
<b>Total General Revenues</b>	<b>46,135,193</b>

Special items

14,018,066

Total General Revenues, Special Items,  
Extraordinary Items and Transfers

60,153,259

Change in Net Assets

20,518,911

Net Assets - Beginning, as originally reported  
Prior Period Adjustments

21,459,735  
(761,238)

Net Assets - Beginning, as restated

20,698,497

Net Assets - Ending

\$ 41,217,408

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

GULFPORT SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2011

Exhibit C

	Major Funds				
	General Fund	FEMA/MEMA Fund	Sweep Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 3,408,920	\$ 1,154	1,002,307	\$ 3,385,160	\$ 7,797,541
Due from other governments	940,696	1,216,850	0	838,930	2,996,476
Other receivables, net	0	0	0	3,136	3,136
Due from other funds	1,895,879	0	672,000	1,550,542	4,118,421
Inventories	0	0	0	78,705	78,705
Total assets	\$ 6,245,495	\$ 1,218,004	\$ 1,674,307	\$ 5,856,473	\$ 14,994,279
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 2,051,070	\$ 0	0	\$ 703,012	\$ 2,754,082
Due to other funds	296,465	1,218,001	1,672,000	931,955	4,118,421
Unearned revenue	0	0	0	14,761	14,761
Total Liabilities	2,347,535	1,218,001	1,672,000	1,649,728	6,887,264
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	0	0	0	78,705	78,705
<b>Restricted:</b>					
Debt service	0	0	0	1,723,439	1,723,439
Capital projects	0	0	0	1,783,242	1,783,242
Unemployment benefits	0	0	0	167,676	167,676
Other purposes	0	0	0	432,166	432,166
<b>Committed:</b>					
<b>Assigned:</b>					
Other purposes	624,497	3	2,307	21,517	648,324
Unassigned	3,273,463	0	0	0	3,273,463
Total Fund Balances	3,897,960	3	2,307	4,206,745	8,107,015
Total Liabilities and Fund Balances	\$ 6,245,495	\$ 1,218,004	1,674,307	\$ 5,856,473	\$ 14,994,279

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

**GULFPORT SCHOOL DISTRICT**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 8,107,015

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

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

Land	\$	2,359,527	
Construction in progress		17,079	
Buildings		74,267,079	
Building improvements		974,829	
Improvements other than buildings		2,972,254	
Mobile equipment		654,224	
Furniture and equipment		3,955,507	
Intangible assets		164,559	
Accumulated depreciation		<u>(23,868,720)</u>	61,496,338

2. Prepaid items are assets for the governmental activities 644,718

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

General obligation bonds		(9,990,000)	
Notes payable		(1,322,892)	
Certificates of participation		(13,771,000)	
Capital lease obligations		(3,355,067)	
Compensated absences		(359,547)	
Unamortized premiums		22,501	
Accrued interest payable		<u>(254,658)</u>	(29,030,663)

**Net assets of governmental activities** \$ 41,217,408

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, 2011

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	FEMA/MEMA Fund	Sweep Fund		
<b>Revenues:</b>					
Local sources	\$ 20,845,239	\$ 3	\$ 2,307	\$ 3,377,176	\$ 24,224,725
State sources	21,398,905	0	0	1,405,111	22,804,016
Federal sources	233,649	0	0	11,302,682	11,536,331
Sixteenth section sources	0	0	0	505,700	505,700
<b>Total Revenues</b>	<b>42,477,793</b>	<b>3</b>	<b>2,307</b>	<b>16,590,669</b>	<b>59,070,772</b>
<b>Expenditures:</b>					
Instruction	20,541,749	0	0	7,172,802	27,714,551
Support services	16,487,391	0	0	3,655,875	20,143,266
Noninstructional services	0	0	0	2,895,587	2,895,587
Facilities acquisition and construction	0	0	0	19,821	19,821
Debt service:					
Principal	1,696,082	0	0	2,518,120	4,214,202
Interest	777,660	0	0	303,828	1,081,488
Other	4,250	0	0	1,500	5,750
<b>Total Expenditures</b>	<b>39,507,132</b>	<b>0</b>	<b>0</b>	<b>16,567,533</b>	<b>56,074,665</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>2,970,661</b>	<b>3</b>	<b>2,307</b>	<b>23,136</b>	<b>2,996,107</b>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	3,515	0	0	0	3,515
Operating transfers in	3,163,805	0	0	956,554	4,120,359
Operating transfers out	(3,175,649)	0	0	(944,710)	(4,120,359)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,329)</b>	<b>0</b>	<b>0</b>	<b>11,844</b>	<b>3,515</b>
<b>Net Change in Fund Balances</b>	<b>2,962,332</b>	<b>3</b>	<b>2,307</b>	<b>34,980</b>	<b>2,999,622</b>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	962,216	0	0	4,580,107	5,542,323
Prior period adjustments	(26,588)	0	0	(430,332)	(456,920)
July 1, 2010, as restated	935,628	0	0	4,149,775	5,085,403
<b>Increase (Decrease) in reserve for inventory</b>				<b>21,990</b>	<b>21,990</b>
<b>June 30, 2011</b>	<b>\$ 3,897,960</b>	<b>\$ 3</b>	<b>\$ 2,307</b>	<b>\$ 4,206,745</b>	<b>\$ 8,107,015</b>

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

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, 2011

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,999,622

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 856,107	
Depreciation expense	<u>(2,030,006)</u>	(1,173,899)

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

(4,207)

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

Payments of debt principal	4,214,202	
Forgiveness of Debt	14,018,066	
Accrued interest payable	(136,016)	
Amortization of Intangible Asset	<u>(64,355)</u>	18,031,897

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in prepaid expenses	644,718	
Change in compensated absences	7,190	
Change in inventory reserve	21,990	
Amortization of deferred charges, premiums and discounts	<u>(8,400)</u>	<u>665,498</u>

Change in net assets of governmental activities \$ 20,518,911

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

**GULFPORT SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**June 30, 2011**

**Exhibit E**

	<u>Private-Purpose Trust</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 186,787
Total Assets	<u>\$ -</u>	<u>\$ 186,787</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ -	\$ 13,553
Due to student clubs	-	173,234
Total Liabilities	<u>-</u>	<u>\$ 186,787</u>
<b>Net Assets</b>		
Reserved for endowments	-	
Held in trust	<u>-</u>	
Total Net Assets	<u>\$ -</u>	

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

**GULFPORT SCHOOL DISTRICT**

**Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2011**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ -
Total Additions	-
<b>Deductions</b>	
Refunds	962
Total Deductions	962
Change in Net Assets	(962)
<b>Net Assets</b>	
July 1, 2010	962
June 30, 2011	\$ -

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

In February 2009 the GASB issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

**B. Financial Reporting Entity**

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

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

**Blended component unit**

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements**

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

The Statement of Net Assets presents the District's non-fiduciary 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 of 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.

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

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

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. 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 Grants Fund** - This Special Revenue Fund is used to account for construction of school district buildings and facilities.

**Sweep Fund** - This Special Revenue Fund is used to account for interfund loans between the General Fund Bank Account and the Special Revenue Fund Bank Account.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

The District's fiduciary fund only includes the School Club Accounts.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

**FIDUCIARY FUNDS**

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

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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.

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders, and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**F. Assets, liabilities, and net assets/fund balances**

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Assets, liabilities, and net assets/fund balances (Continued)**

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes.

6. Capital Assets.

Capital assets includes land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Assets, liabilities, and net assets/fund balances (Continued)**

Capital assets 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 table below.

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

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

The following schedule details the capitalization thresholds:

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

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

(\*\*) The estimated useful life is the life of the associated loan. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

**7. Compensated Absences.**

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

The liability for these compensated absences is recorded as 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 liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Assets, liabilities, and net assets/fund balances (Continued)**

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

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

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

**9. Fund Balances**

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action is a resolution approved by the Board.

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

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Assets, liabilities, and net assets/fund balances (Continued)**

**9. Fund Balances (Continued)**

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

**Note 2 Cash and Cash Equivalents**

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

*Deposits.* The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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 \$7,797,541 and \$186,787, respectively. The bank balance was \$8,983,977.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the District's bank balance of \$8,983,977 was exposed to custodial credit risk.

As of June 30, 2011, the district had no investments

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 3 - Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 223,879.00
	Sweep Fund	1,672,000
Sweep Fund	Other governmental funds	672,000
Other governmental funds	FEMA/MEMA Fund	1,218,001
	General Fund	296,465
	Other governmental funds	36,076
Total		<u>\$ 4,118,421</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. Also, during the year, the district loaned Insurance Recovery Fund monies to the FEMA/MEMA Grants Fund until federal reimbursement is received.

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 956,554
General Fund	General Fund	2,219,095
Other governmental funds	General Fund	944,710
Total		<u>\$ 4,120,359</u>

Inter-fund transfers were made by the General Fund to various Special Revenue Funds to cover deficits. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 4 - Capital Assets**

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

	Balance <u>7/1/2010</u>	Additions	Retirements	Completed Construction	Adjustments*	Balance 6/30/2011
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 2,359,527	0				2,359,527
Construction in progress	14,336,195	19,821		(14,038,723)	(300,214)	17,079
<b>Total non-depreciable capital assets</b>	<u>16,695,722</u>	<u>19,821</u>	<u>0</u>	<u>(14,038,723)</u>	<u>(300,214)</u>	<u>2,376,606</u>
<u>Depreciable capital assets:</u>						
Buildings	60,228,356			14,038,723		74,267,079
Building improvements	974,829					974,829
Improvements other than buildings	2,972,254					2,972,254
Mobile equipment	691,535		37,311			654,224
Furniture and equipment	3,172,906	836,286	47,560		(6,125)	3,955,507
Intangible asset					357,625	357,625
<b>Total depreciable capital assets</b>	<u>68,039,880</u>	<u>836,286</u>	<u>84,871</u>	<u>14,038,723</u>	<u>351,500</u>	<u>83,181,518</u>
<u>Less accumulated depreciation for</u>						
Buildings	18,255,750	1,371,935				19,627,685
Building improvements	116,979	38,993				155,972
Improvements other than buildings	412,244	118,890				531,134
Mobile equipment	528,922	34,694	33,580			530,036
Furniture and equipment	2,607,504	465,494	47,084		(2,021)	3,023,893
Intangible asset		64,355			128,711	193,066
<b>Total accumulated depreciation</b>	<u>21,921,399</u>	<u>2,094,361</u>	<u>80,664</u>	<u>0</u>	<u>126,690</u>	<u>24,061,786</u>
<b>Total depreciable capital assets, net</b>	<u>46,118,481</u>	<u>(1,258,075)</u>	<u>4,207</u>	<u>14,038,723</u>	<u>224,810</u>	<u>59,119,732</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 62,814,203</u>	<u>(1,238,254)</u>	<u>4,207</u>	<u>0</u>	<u>(75,404)</u>	<u>61,496,338</u>

An adjustment to Construction in Progress was required because this account included Furniture and Equipment. An adjustment to Furniture and Equipment (and corresponding accumulated depreciation) was required due to the duplication of an addition in a prior year. The adjustment for Intangible Asset (and corresponding accumulated depreciation) was made due to the prior netting of this asset against deferred charges.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 4 - Capital Assets (Continued)**

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 1,769,326
Support Services	248,549
Non-instructional	76,486
Total Depreciation Expense	\$ 2,094,361

Commitments under construction contracts at June 30, 2011, are summarized as follows:

	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
Governmental Activities		
Twenty-Eighth Street Elementary	\$ 14,336,196	-
Support Services Building	-	-
Admiral Galley	17,079	
Total	\$ 14,353,275	-

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 7/1/2011	Amounts due within one year
A. General obligation bonds payable	\$ 11,890,000	-	1,900,000	\$ 9,990,000	\$ 1,900,000
B. Certificates of participation payable	14,886,000	-	1,115,000	13,771,000	1,114,000
C. Three mill notes payable	973,477	-	233,070	740,407	239,805
D. Shortfall notes payable	13,503,849	-	12,921,364	582,485	212,144
E. Obligations under energy efficiency lease	4,112,755	-	757,688	3,355,067	788,094
F. Compensated absences payable	366,737	-	7,190	359,547	17,977
<b>Total</b>	<b>45,732,818</b>	<b>-</b>	<b>16,934,312</b>	<b>28,798,506</b>	<b>4,272,020</b>
Unamortized bond discount/premium	(30,901)	8,400	-	(22,501)	-
Total reported on Statement of Net Assets	<u>\$ 45,701,917</u>	<u>8,400</u>	<u>16,934,312</u>	<u>\$ 28,776,005</u>	<u>\$ 4,272,020</u>

**A. General obligation bonds payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 General obligation bonds, Issue 2009A	1-2.5%	5/28/2009	10/1/2015	\$ 4,020,000	2,950,000
2 General obligation bonds, Issue 2009B	1-2.75%	5/28/2009	4/1/2016	<u>9,740,000</u>	<u>7,040,000</u>
<b>Total</b>				<u>\$ 13,760,000</u>	<u>9,990,000</u>

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

Details of the district's June 30, 2011 general obligation bonded indebtedness are as follows:

1. Bond issue of 2009A

Year Ending June 30	Principal	Interest	Total
2012	\$ 570,000	55,000	\$ 625,000
2013	580,000	45,650	625,650
2014	585,000	34,725	619,725
2015	600,000	22,125	622,125
2016	615,000	7,688	622,688
Total	<u>\$ 2,950,000</u>	<u>165,188</u>	<u>\$ 3,115,188</u>

This debt will be retired from the Debt Service Fund.

2. Bond issue of 2009B

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,330,000	159,238	\$ 1,489,238
2013	1,385,000	135,963	1,520,963
2014	1,415,000	108,263	1,523,263
2015	1,440,000	76,425	1,516,425
2016	1,470,000	40,425	1,510,425
Total	<u>\$ 7,040,000</u>	<u>520,314</u>	<u>\$ 7,560,314</u>

This debt will be retired from the Debt Service Fund.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,900,000	214,238 \$	2,114,238
2013	1,965,000	181,613	2,146,613
2014	2,000,000	142,988	2,142,988
2015	2,040,000	98,550	2,138,550
2016	2,085,000	48,113	2,133,113
Total	\$ 9,990,000	685,502 \$	10,675,502

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 2.78% of property assessments as of October 1, 2010.

**B. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 General Obligation Lease Series 2008	4.09%	8/4/2008	3/1/2023	\$ 10,000,000	8,571,000
2 General Obligation Lease Series 2009	3.99%	5/22/2009	5/1/2024	6,000,000	5,200,000
Total				\$ 16,000,000	13,771,000

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

Details of the district's June 30, 2011 certificates of participation are as follows:

1. Certificates of participation issued 8/4/2008

Year Ending June 30	Principal	Interest	Total
2012	\$ 714,000	350,554	\$ 1,064,554
2013	714,000	321,351	1,035,351
2014	714,000	292,149	1,006,149
2015	715,000	262,946	977,946
2016	714,000	233,703	947,703
2017-2021	3,571,000	730,351	4,301,351
2022-2023	1,429,000	87,649	1,516,649
<b>Total</b>	<b>\$ 8,571,000</b>	<b>2,278,703</b>	<b>\$ 10,849,703</b>

This debt will be retired from the General Fund.

2. Certificates of participation issue of 5/22/2009

Year Ending June 30	Principal	Interest	Total
2012	\$ 400,000	207,480	\$ 607,480
2013	400,000	191,520	591,520
2014	400,000	175,560	575,560
2015	400,000	159,600	559,600
2016	400,000	143,640	543,640
2017 - 2021	2,000,000	478,800	2,478,800
2022 - 2024	1,200,000	95,760	1,295,760
<b>Total</b>	<b>\$ 5,200,000</b>	<b>1,452,360</b>	<b>\$ 6,652,360</b>

This debt will be retired from the General Fund.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,114,000	558,034	\$ 1,672,034
2013	1,114,000	512,871	1,626,871
2014	1,114,000	467,709	1,581,709
2015	1,115,000	422,546	1,537,546
2016	1,114,000	377,343	1,491,343
2017 – 2021	5,571,000	1,209,151	6,780,151
2022 – 2024	2,629,000	183,409	2,812,409
<b>Total</b>	<b>\$ 13,771,000</b>	<b>3,731,063</b>	<b>\$ 17,502,063</b>

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 Three mill series 2009	2.89%	1/28/2009	1/28/2014	\$ 1,200,000	\$ 740,407
<b>Total</b>				<b>\$ 1,200,000</b>	<b>\$ 740,407</b>

Details of the district's June 30, 2011 three mill notes payable are as follows:

Three mill notes payable issued 9/13/2005

Year Ending June 30	Principal	Interest	Total
2012	\$ 239,805	21,398	\$ 261,203
2013	246,736	14,467	261,203
2014	253,866	7,337	261,203
<b>Total</b>	<b>\$ 740,407</b>	<b>43,202</b>	<b>\$ 783,609</b>

This debt will be retired from the Three Mill Debt Service Fund.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

**D. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Note					
1 Series 2007	4.14%	7/24/2007	7/24/2012	\$ 478,495	\$ 191,398
2 Series 2008	4.47%	8/28/2008	8/28/2013	433,128	271,148
3 Series 2009	4.33%	8/20/2009	8/20/2014	149,924	119,939
4 Community Disaster Loan	3.12%	10/20/2006	10/20/2011	12,712,920	-
Total				<u>\$ 13,774,467</u>	<u>\$ 582,485</u>

Details of the district's June 30, 2011 shortfall notes payable are as follows:

1. Shortfall notes payable issued Series 2007

Year Ending June 30	Principal	Interest	Total
2012	\$ 95,699	7,924	\$ 103,623
2013	95,699	3,962	99,661
Total	<u>\$ 191,398</u>	<u>11,886</u>	<u>\$ 203,284</u>

This debt will be retired from the Debt Service Shortfall Fund.

2. Shortfall notes payable issued Series 2008

Year Ending June 30	Principal	Interest	Total
2012	\$ 86,460	12,120	\$ 98,580
2013	90,325	8,256	98,581
2014	94,363	4,217	98,580
Total	<u>\$ 271,148</u>	<u>24,593</u>	<u>\$ 295,741</u>

This debt will be retired from the Debt Service Shortfall Fund.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

3. Shortfall notes payable issued Series 2009

Year Ending June 30	Principal	Interest	Total
2012	\$ 29,985	5,189	\$ 305,174
2013	29,985	3,891	303,876
2014	29,985	2,594	302,579
2015	29,984	1,297	301,281
<b>Total</b>	<b>\$ 119,939</b>	<b>12,971</b>	<b>\$ 1,212,910</b>

This debt will be retired from the Debt Service Shortfall Fund.

4. Community Disaster Loan

Since the fiscal year 2006 the school district borrowed \$12,712,920 from the U.S. Department of Homeland Security (FEMA) under the Community Disaster Loan program. This was a shortfall note and its purpose was to provide funds for a shortfall in the local budget that was caused because of damages to properties and tax assessments and related tax collections as a result of Hurricane Katrina in August, 2005.

Pursuant to HR 2206 – Public Law 110-28, FEMA forgave the Community Disaster Loan for Gulfport School District.

Total Shortfall Notes Payable for all notes:

Year Ending June 30	Principal	Interest	Total
2012	\$ 212,144	25,233	\$ 237,377
2013	216,009	16,109	232,118
2014	124,348	6,811	131,159
2015	29,984	1,297	31,281
<b>Total</b>	<b>\$ 582,485</b>	<b>49,450</b>	<b>\$ 631,935</b>

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

**E. Obligations under energy efficiency lease**

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 HVAC Equipment & Lighting	3.83%	3/28/2003	3/1/2013	\$ 2,466,383	\$ 554,922
2 HVAC Equipment & Lighting	4.11%	5/15/2006	4/1/2016	5,114,976	2,800,145
Total				\$ 7,581,359	\$ 3,355,067

Details of the district's June 30, 2011 energy efficiency lease payable are as follows:

1. Obligations under energy efficiency lease issued 3/28/2003.

Year Ending June 30	Principal	Interest	Total
2012	\$ 272,247	21,254	\$ 293,501
2013	282,675	10,826	293,501
Total	\$ 554,922	32,080	\$ 587,002

This debt will be retired from the General Fund.

2. Obligations under energy efficiency lease issued May 15, 2006

Year Ending June 30	Principal	Interest	Total
2012	\$ 515,847	115,086	\$ 630,933
2013	537,049	93,885	630,934
2014	559,122	71,812	630,934
2015	582,101	48,832	630,933
2016	606,026	24,908	630,934
Total	\$ 2,800,145	354,523	\$ 3,154,668

This debt will be retired from the General Fund.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 5 - Long-term Liabilities (Continued)**

Total obligations under energy efficiency lease payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012 \$	788,094	136,339	\$ 924,433
2013	819,724	104,711	924,435
2014	559,122	71,812	630,934
2015	582,101	48,832	630,933
2016	<u>606,026</u>	<u>24,908</u>	<u>630,934</u>
Total \$	<u>3,355,067</u>	<u>386,602</u>	<u>\$ 3,741,669</u>

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

The agreement authorized the borrowing of \$7,581,359 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

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

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

**F. Compensated absences payable**

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

**Note 6 - Short-Term Financing**

During the fiscal year ended June 30, 2011, the school district participated in the following short-term financing(s) for the purpose of easing cash flow constraints:

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

The school district issued a revenue anticipation note payable to Hancock Bank and the proceeds from such issuance are accounting for as a current liability in the General fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 6 - Short-Term Financing (Continued)**

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2011 are as follows:

Description	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011
1 Tax Anticipation Loan	\$ -	2,250,000	2,250,000	\$ -
Total	\$ -	2,250,000	2,250,000	\$ -

**Note 7 - Other Commitments**

Commitments under construction contracts are described in Note 4.

**Note 8 - Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$3,787,884, \$4,011,994 and \$4,214,124, respectively, which equaled the required contributions for each year.

**Note 9 - Prior Period Adjustments/Exhibits**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)	Amount
1 To correctly state Construction in Progress	\$ (300,214)
2 To correctly state Furniture and Equipment	(4,104)
3 To adjust FEMA Overpayment against Due to Insurance	(456,920)
Total	<u>\$ (761,238)</u>

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 9 - Prior Period Adjustments/Exhibits (Continued)**

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

Major Funds	Explanation(s)	Amount
General Fund	To reclassify Educable Child expenditures to match revenue	\$ 26,588
Other governmental funds	To adjust FEMA Overpayment against Due to Insurance	(456,920)
	To reclassify Educable Child expenditures to match revenue	(26,588)
	Total	<u>\$ (456,920)</u>

**Note 10 Contingencies**

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

Litigation.

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

**Note 11 - Contingent Liabilities**

During August 2008 and May 2010, the district issued \$16,000,000 in general certificates of participation for capital improvements.

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

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 12 - Risk Management**

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note - 13 Trust Certificates**

A trust agreement dated August 4, 2008 was executed by and between the school district and Gulfport School District Leasing Authority, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$16,000,000. Approximately \$16,000,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

GULFPORT SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**Note 14 - Insurance Loss Recoveries**

The Gulfport School District received \$3,515 in insurance loss recoveries related to damage sustained by a lightning strike at Anniston Elementary School. In the Statement of Activities, the insurance loss recoveries were reported as Other General Revenues and the expenditures were reported under the Support Services Function.

**Note 15 - Special Items**

On November 15, 2010, the Gulfport School District was forgiven of their Community Disaster Loan amounting to \$12,712,920 and all accrued interest associated with this debt of \$1,305,146.

**Note 16 - Subsequent Events**

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Gulfport School District evaluated the activity of the district through March 23, 2012, (the date the financial statements were available to be issued), and determined that the following subsequent event required disclosure in the notes to the financial statements:

On November 7, 2011 Gulfport School District approved the issuance of a Tax Anticipation Note in the amount of \$1,500,000.

GULFPORT SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

GULFPORT SCHOOL DISTRICT

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**GULFPORT SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 21,473,656	\$ 21,057,072	\$ 20,845,239	\$ (416,584)	\$ (211,833)
State sources	22,690,181	21,363,556	21,398,905	(1,326,625)	35,349
Federal sources	269,021	307,108	233,649	38,087	(73,459)
<b>Total Revenues</b>	<b>44,432,858</b>	<b>42,727,736</b>	<b>42,477,793</b>	<b>(1,705,122)</b>	<b>(249,943)</b>
<b>Expenditures:</b>					
Instruction	23,621,081	21,070,193	20,541,749	2,550,888	528,444
Support services	17,797,137	17,739,041	16,487,391	58,096	1,251,650
Debt service:					
Principal	1,621,082	1,721,082	1,696,082	(100,000)	25,000
Interest	766,123	786,660	777,660	(20,537)	9,000
Other	2,500	5,500	4,250	(3,000)	1,250
<b>Total Expenditures</b>	<b>43,807,923</b>	<b>41,322,476</b>	<b>39,507,132</b>	<b>2,485,447</b>	<b>1,815,344</b>
Excess (Deficiency) of Revenues over (under) Expenditures	624,935	1,405,260	2,970,661	780,325	1,565,401
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		3,515	3,515	3,515	0
Indirect cost		76,000		76,000	(76,000)
Operating transfers in	2,726,664	2,991,610	3,163,805	264,946	172,195
Operating transfers out	(2,796,664)	(3,240,437)	(3,175,649)	(443,773)	64,788
<b>Total Other Financing Sources (Uses)</b>	<b>(70,000)</b>	<b>(169,312)</b>	<b>(8,329)</b>	<b>(99,312)</b>	<b>160,983</b>
<b>Net Change in Fund Balances</b>	<b>554,935</b>	<b>1,235,948</b>	<b>2,962,332</b>	<b>681,013</b>	<b>1,726,384</b>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported		962,216	962,216	962,216	0
Prior period adjustments			(26,588)	0	(26,588)
July 1, 2010, as restated	0	962,216	935,628	962,216	(26,588)
Increase (Decrease) in reserve for inventory				0	0
<b>June 30, 2011</b>	<b>\$ 554,935</b>	<b>\$ 2,198,164</b>	<b>\$ 3,897,960</b>	<b>\$ 1,643,229</b>	<b>\$ 1,699,796</b>

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

GULFPORT SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 FEMA/MEMA Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ 3	\$ -	\$ 3
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
<b>Expenditures:</b>					
Facilities acquisition and construction		500		(500)	500
<b>Total Expenditures</b>	<u>-</u>	<u>500</u>	<u>-</u>	<u>(500)</u>	<u>500</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>-</u>	<u>(500)</u>	<u>3</u>	<u>(500)</u>	<u>503</u>
<b>Other Financing Sources (Uses):</b>					
Total Other Financing Sources (Uses)	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>(500)</u>	<u>3</u>	<u>(500)</u>	<u>503</u>
<b>Fund Balances:</b>					
July 1, 2010				-	-
<b>June 30, 2011</b>	<u>\$ -</u>	<u>\$ (500)</u>	<u>\$ 3</u>	<u>\$ (500)</u>	<u>\$ 503</u>

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

**GULFPORT SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Sweep Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$	\$	\$ 2,307	\$ 0	\$ 2,307
Total Revenues	0	0	2,307	0	2,307
<b>Expenditures:</b>					
Total Expenditures	0	0	0	0	0
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	2,307	0	2,307
<b>Other Financing Sources (Uses):</b>					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	2,307	0	2,307
<b>Fund Balances:</b>					
July 1, 2010	0	0	0	0	0
Increase (Decrease) in reserve for inventory	0	0	0	0	0
June 30, 2011	\$ 0	\$ 0	\$ 2,307	\$ 0	\$ 2,307

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

GULFPORT SCHOOL DISTRICT  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

GULFPORT SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

**GULFPORT SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 635,229
National school lunch program	10.555	1,836,237
Summer food service program for children	10.559	127,207
Total child nutrition cluster		<u>2,598,673</u>
Total passed-through Mississippi Department of Education		<u>2,598,673</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,598,673</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	56,872
<b>Total U.S. Department of Defense</b>		<u>56,872</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	107,966
<b>Total Federal Communications Commission</b>		<u>107,966</u>
<b><u>U.S. Department of Education</u></b>		
Passed through Mississippi Board for Community and Junior Colleges Adult Ed - Basic Grant to states		<u>33,576</u>
Direct Program:		
Impact Aid	84.041	<u>138,087</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	54,008
Safe and drug-free schools and communities- state grants	84.186	33,605
Hurricane education recovery act programs	84.938	404,477
Improving literacy through school libraries	84.364	55,040
Improving teacher quality	84.367	479,584
English language acquisition grants	84.365	46,747
Subtotal		<u>1,073,461</u>
Education Technology State Grants Cluster:		
Education technology state grants - ARRA	84.386	37,141
Education technology state grants	84.318	20,238
Total Education Technology cluster		<u>57,379</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	2,270,158
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	1,005,529
Total Title I cluster		<u>3,275,687</u>
Special education cluster:		
Special education - grants to states	84.027	920,536
Special education - preschool grants	84.173	31,745
ARRA - Special education grants to states, Recovery Act	84.391	795,997
ARRA - Special education - preschool grants, Recovery Act	84.392	14,435
Total special education cluster		<u>1,762,713</u>

**GULFPORT SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	1,366,758
ARRA - State Fiscal Stabilization Fund - Government services, Recovery Act	84.397	1,020,612
Total State Fiscal Stabilization Fund cluster		<u>2,387,370</u>
Total passed-through Mississippi Department of Education		<u>8,556,610</u>
<b>Total U.S. Department of Education</b>		<u><u>8,728,273</u></u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Health and Human Services:		
Medical assistance program	93.778	1,163
Total passed-through Mississippi Department of Health and Human Services		<u>1,163</u>
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	38,690
Total passed-through Mississippi Department of Education		<u>38,690</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><u>39,853</u></u>
<b><u>Corporation for National and Community Service</u></b>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	4,695
Total passed-through Mississippi Department of Education		<u>4,695</u>
<b>Total Corporation for National and Community Service</b>		<u><u>4,695</u></u>
Total for All Federal Awards		<u><u>\$ 11,536,332</u></u>

**NOTES TO SCHEDULE**

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

GULFPORT SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2011

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 38,866,321	29,919,315	1,406,850	2,757,657	4,782,499
Other	17,208,344	4,311,001	250,053	137,611	12,509,679
Total	\$ 56,074,665	34,230,316	1,656,903	2,895,268	17,292,178
Total number of students *	5,324				
Cost per student	\$ 10,532	6,429	311	544	3,248

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions. Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function Support Services - School Administration

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

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

GULFPORT SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

**GULFPORT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 20,845,239	\$ 19,837,069	\$ 19,456,688	\$ 16,926,465
State sources	21,398,905	21,034,062	23,403,115	24,916,771
Federal sources	233,649	308,744	387,593	286,230
Sixteenth section sources		5,800		
<b>Total Revenues</b>	<b>42,477,793</b>	<b>41,185,675</b>	<b>43,247,396</b>	<b>42,129,466</b>
<b>Expenditures:</b>				
Instruction	20,541,749	24,560,597	26,450,697	27,177,201
Support services	16,487,391	18,290,601	19,141,849	20,834,598
Debt service:				
Principal	1,696,082	1,695,346	719,292	689,244
Interest	777,660	852,330	536,330	253,033
Other	4,250	3,000		
<b>Total Expenditures</b>	<b>39,507,132</b>	<b>45,401,874</b>	<b>46,848,168</b>	<b>48,954,076</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,970,661	(4,216,199)	(3,600,772)	(6,824,610)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued			2,637,920	2,900,000
Capital leases issued				79,000
Insurance recovery	3,515	5,796		
Operating transfers in	3,163,805	2,924,810	546,168	474,940
Operating transfers out	(3,175,649)	(1,359,217)	(1,246,771)	(1,924,700)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,329)</b>	<b>1,571,389</b>	<b>1,937,317</b>	<b>1,529,240</b>
<b>Net Change in Fund Balances</b>	<b>2,962,332</b>	<b>(2,644,810)</b>	<b>(1,663,455)</b>	<b>(5,295,370)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	962,216	3,590,839	5,254,294	10,549,664
Prior period adjustments	(26,588)	16,187		
Beginning of period, as restated	935,628	3,607,026	5,254,294	10,549,664
<b>End of Period</b>	<b>\$ 3,897,960</b>	<b>\$ 962,216</b>	<b>\$ 3,590,839</b>	<b>\$ 5,254,294</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 24,224,725	\$ 23,230,458	\$ 23,093,765	\$ 19,987,378
State sources	22,804,016	22,402,961	25,564,326	26,219,623
Federal sources	11,536,331	10,039,851	9,692,038	8,559,387
Sixteenth section sources	505,700	522,886	447,353	358,930
<b>Total Revenues</b>	<b>59,070,772</b>	<b>56,196,156</b>	<b>58,797,482</b>	<b>55,125,318</b>
<b>Expenditures:</b>				
Instruction	27,714,551	31,439,080	31,739,056	31,894,600
Support services	20,143,266	21,474,286	22,072,209	26,253,261
Noninstructional services	2,895,587	2,881,279	3,238,968	3,108,761
Sixteenth section				
Facilities acquisition and construction	19,821	6,504,672	11,096,256	1,778,911
Debt service:				
Principal	4,214,202	4,163,292	15,963,273	3,419,154
Interest	1,081,488	1,140,953	1,688,658	1,017,821
Other	5,750	66,026		
<b>Total Expenditures</b>	<b>56,074,665</b>	<b>67,669,588</b>	<b>85,798,420</b>	<b>67,472,508</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,996,107	(11,473,432)	(27,000,938)	(12,347,190)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		149,924	4,271,048	2,900,000
Capital leases issued			16,000,000	79,000
Insurance recovery	3,515	5,796	1,449,712	2,300
Refunding bonds issued			13,760,000	
Operating transfers in	4,120,359	11,389,449	9,657,439	2,399,640
Other financing sources		328,425		
Operating transfers out	(4,120,359)	(11,389,449)	(9,657,439)	(2,399,640)
Other financing uses				
<b>Total Other Financing Sources (Uses)</b>	<b>3,515</b>	<b>484,145</b>	<b>35,480,760</b>	<b>2,981,300</b>
<b>Net Change in Fund Balances</b>	<b>2,999,622</b>	<b>(10,989,287)</b>	<b>8,479,822</b>	<b>(9,365,890)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	5,542,323	16,545,197	8,046,371	17,684,133
Prior period adjustments	(456,920)	(18,566)		(239,164)
Beginning of period, as restated	5,085,403	16,526,631	8,046,371	17,444,969
Increase (Decrease) in reserve for inventory	21,990	4,979	19,004	(32,708)
<b>End of Period</b>	<b>\$ 8,107,015</b>	<b>\$ 5,542,323</b>	<b>\$ 16,545,197</b>	<b>\$ 8,046,371</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
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, 2011, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated March 23, 2011. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Membership in:*

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section  
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards***  
Page 2

However, we noted a certain immaterial instance of noncompliance or other matter that we reported to management of the school district in a separate letter dated March 23, 2012, which is included in this report.

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.

Walter McDuff & Oppie

Pascagoula, Mississippi  
March 23, 2012



# Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

Jack A. Oppie, CPA  
C. Scott Rankin, CPA

Lindsey M. Henley, CPA  
Carolyn H. Rossignol, CPA  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Gulfport School District

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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**Independent Auditor's Report on Compliance with  
Requirements That Could Have a Direct and Material  
Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
Page 2**

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

*Wolfe, McDuff & Oppie*

Pascagoula, Mississippi  
March 23, 2012

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

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

Superintendent and School Board  
Gulfport School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gulfport School District as of and for the year ended June 30, 2011, which collectively comprise Gulfport School District's basic financial statements and have issued our report thereon dated March 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$9,275 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 instance of noncompliance with other state laws and regulations. Our findings and recommendations and your response are as follows:

Finding 2011-01:

Per letter dated June 9, 2009, the state treasurer selected People's Bank as the depository for the School District's checking accounts for fiscal years 2010 - 2012. While the school district was not precluded from utilizing the other five banks that participated in the bidding process for the investment of excess funds, a different bank was used as the bank for the district maintenance, activity, food services, and construction funds.

**Independent Auditor's Report on Compliance  
with State Laws and Regulations  
Page 2**

Recommendations:

We recommend the school district comply with the state treasurer's selection or obtain written permission to deviate from the selection.

Response:

The State Treasurer's Office made a recommendation that was taken into consideration during our selection process. However, we also based our decision on multiple layers of on-line banking security features that were not available through other institutions.

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

The Gulfport School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.

*Walfe, McDuff & Oppie*

Pascagoula, Mississippi  
March 23, 2012

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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GULFPORT SCHOOL DISTRICT  
 Summary of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

- Financial Statements:
1. Type of auditor's report issued on the financial statements: Unqualified
  2. Noncompliance material to financial statements noted? No
  3. Internal control over financial reporting:
    - a. Material weaknesses identified? No
    - b. Significant deficiencies identified that are not considered to be material weaknesses? None Noted

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified
5. Internal control over major programs:
  - a. Material weaknesses identified? No
  - b. Significant deficiencies identified that are not considered to be material weaknesses? None Noted
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.394	ARRA-State Fiscal Stabilization Fund – Education state grants
84.397	ARRA-State Fiscal Stabilization Fund – Government services
84.010	Title I grants to local educational agencies
84.389	ARRA-Title I grants to local educational agencies
84.938	Hurricane education recovery act programs
84.027	Special education – grants to states
84.173	Special education – preschool grants
84.391	ARRA – Special education – grants to states
84.392	ARRA – Special education – preschool grants
84.027	IDEA Educational Interpreter

8. Dollar threshold used to distinguish between type A and type B programs: \$346,090
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year findings and questioned costs 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  
Summary of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

The results of our tests did not disclose any financial statement findings.

Section III: Federal Award Findings and Questioned Costs

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

**SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS**

GULFPORT SCHOOL DISTRICT  
Summary of Prior Federal Findings  
For the Year Ended June 30, 2011

Prior Year Finding Reference

Correction Action Taken

08-08

This finding is still under investigation. The matter has not been corrected. Questionable costs reported on the June 30, 2007 financial statements in the amount of \$1,773,426 have still not been received as of the date of this report.

Auditor follow up:

No change in finding.