



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PORTSMOUTH CITY SCHOOL DISTRICT  
 SCIOTO COUNTY  
 JUNE 30, 2020**

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SCIOTO COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Portsmouth City School District  
Scioto County  
724 Findlay Street  
Portsmouth, Ohio 45662

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portsmouth City School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Portsmouth City School District, Scioto County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and School Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
June 14, 2021

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***Portsmouth City School District***  
***Management's Discussion and Analysis***  
***For the Fiscal Year Ended June 30, 2020***  
***Unaudited***

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The discussion and analysis of the Portsmouth City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements, and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

The School District's total net position decreased \$1,781,053.

Deferred outflows decreased mainly due to changes in assumptions and benefits associated with the Statewide pension systems, including the associated deferred outflows and inflows

Capital Assets, Net also decreased mainly due to a change in the School District's capitalization threshold, which resulted in a decrease in capital assets being reported.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Portsmouth City School District as a financial whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be

**Portsmouth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has only one kind of activity:

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds, which are the General Fund, the School Facilities Maintenance Special Revenue Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Improvement Fund.

**Governmental Funds** – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** – Proprietary funds use the same basis of accounting as business-type activities. The Internal Service Fund is used to report the dental benefits provided to the School District's employees.

#### **The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal year 2020 and fiscal year 2019:

**Portsmouth City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

Table 1  
**Net Position**

	2020	Restated 2019	Change
<b><u>Assets:</u></b>			
Current and Other Assets	\$14,000,256	\$13,919,230	\$81,026
Net OPEB Asset	1,456,696	1,437,990	18,706
Capital Assets, Net	43,214,734	45,361,586	(2,146,852)
<b>Total Assets</b>	<b>58,671,686</b>	<b>60,718,806</b>	<b>(2,047,120)</b>
<b><u>Deferred Outflows of Resources:</u></b>			
Deferred Charge on Refunding	124,610	149,532	(24,922)
Pension	4,452,975	6,225,286	(1,772,311)
OPEB	412,469	285,569	126,900
<b>Total Deferred Outflows of Resources</b>	<b>4,990,054</b>	<b>6,660,387</b>	<b>(1,670,333)</b>
<b><u>Liabilities:</u></b>			
Current and Other Liabilities	2,596,189	2,483,666	112,523
Long-Term Liabilities:			
Due Within One Year	1,468,373	1,465,676	2,697
Due In More Than One Year:			
Net Pension Liability	24,600,658	24,700,573	(99,915)
OPEB Liability	2,211,672	2,456,843	(245,171)
Other Amounts	6,875,940	8,317,170	(1,441,230)
<b>Total Liabilities</b>	<b>37,752,832</b>	<b>39,423,928</b>	<b>(1,671,096)</b>
<b><u>Deferred Inflows of Resources:</u></b>			
Deferred Gain on Refunding	52,940	65,646	(12,706)
Property Taxes	6,548,346	6,374,171	174,175
Pension	1,656,923	2,006,932	(350,009)
OPEB	2,528,929	2,605,693	(76,764)
<b>Total Deferred Inflows of Resources</b>	<b>10,787,138</b>	<b>11,052,442</b>	<b>(265,304)</b>
<b><u>Net Position:</u></b>			
Net Investment in Capital Assets	36,495,845	37,385,273	(889,428)
Restricted	5,159,766	4,706,525	453,241
Unrestricted (Deficit)	(26,533,841)	(25,188,975)	(1,344,866)
<b>Total Net Position</b>	<b>\$15,121,770</b>	<b>\$16,902,823</b>	<b>(\$1,781,053)</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit

**Portsmouth City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total Assets decreased \$2,047,120 mainly due to current year depreciation and deletions (which included effect of capital asset threshold change during the year) exceeding current year capital asset additions.

Total liabilities decreased \$1,671,096. During fiscal year 2020, the School District made their required debt payments.

Total net position decreased \$1,781,053 Unrestricted Net Position for governmental activities decreased, mainly due to changes in assumptions and benefits associated with the statewide pension systems.

Table 2 shows the changes in net position for fiscal years 2020 and 2019.

Table 2  
**Change in Net Position**

	2020	Restated 2019	Increase/ (Decrease)
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services and Sales	\$937,737	\$1,121,015	(\$183,278)
Operating Grants, Contributions, and Interest	7,976,332	7,139,329	837,003
<b>Total Program Revenues</b>	<b>8,914,069</b>	<b>8,260,344</b>	<b>653,725</b>
General Revenues:			
Property Taxes	6,577,477	6,423,112	154,365
Grants and Entitlements not Restricted to Specific Programs	18,624,721	19,218,936	(594,215)
Investment Earnings	84,933	78,788	6,145
Miscellaneous	559,218	200,227	358,991
<b>Total General Revenues</b>	<b>25,846,349</b>	<b>25,921,063</b>	<b>(74,714)</b>
<b>Total Revenues</b>	<b>\$34,760,418</b>	<b>\$34,181,407</b>	<b>\$579,011</b>

(continued)

**Portsmouth City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

Table 2  
**Change in Net Position**  
(continued)

	2020	Restated 2019	Increase/ (Decrease)
<b><u>Program Expenses:</u></b>			
Instruction:			
Regular	\$17,742,725	\$16,255,273	\$1,487,452
Special	6,625,518	5,738,028	887,490
Vocational	287,769	170,876	116,893
Student Intervention Services	22,436	25,171	(2,735)
Support Services:			
Pupils	1,605,322	1,010,240	595,082
Instructional Staff	1,162,310	908,515	253,795
Board of Education	27,074	20,857	6,217
Administration	2,080,224	1,811,612	268,612
Fiscal	831,271	827,508	3,763
Business	88,126	100,807	(12,681)
Operation and Maintenance of Plant	2,608,057	2,587,595	20,462
Pupil Transportation	628,384	643,379	(14,995)
Central	109,042	203,517	(94,475)
Operation of Non-Instructional Services	1,752,183	1,717,665	34,518
Extracurricular Activities	814,763	424,539	390,224
Interest and Fiscal Charges	156,267	181,983	(25,716)
<b>Total Expenses</b>	<b>36,541,471</b>	<b>32,627,565</b>	<b>3,913,906</b>
Change in Net Position	(1,781,053)	1,553,842	(\$3,334,895)
<i>Net Position Beginning of Year</i>	<u>16,902,823</u>	<u>15,348,981</u>	
<i>Net Position End of Year</i>	<u><u>\$15,121,770</u></u>	<u><u>\$16,902,823</u></u>	

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services and sales, and operating grants, contributions and interest.

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue were \$8,914,069 for fiscal year 2020. The most significant increase in program revenues was in Operating Grants, Contributions, and Interest, which was a result of an increase in grant monies received mainly from new Student Wellness and Success Grant.

General revenues were \$25,846,349 for fiscal year 2020. The majority of these revenues are in the form of Grants and Entitlements not Restricted to Specific Programs and Property Taxes. General revenues decreased mainly due to a reduction in State foundation.

Expenses for the School District increased \$3,913,906 primarily due to changes in assumptions and changes in benefits by the Statewide pension systems.

**Portsmouth City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$34,821,428 and expenditures of \$35,002,003. The net change in fund balance for the fiscal year in the General Fund was a decrease of \$561,155. Expenditures continued to outpace revenues during the fiscal year.

The School Facilities Maintenance Special Revenue Fund balance increased \$81,826 due to the revenues outpacing expenditures.

The Bond Retirement Debt Service Fund balance decreased \$317,554. This was the result of current fiscal year debt payments exceeding revenues.

The Permanent Improvement Capital Project Fund balance increased \$403,778 due to property taxes and homestead and rollback reimbursements being greater than current fiscal year capital improvement expenditures.

**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2020, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects a decrease of \$821,563 in revenues from the original budget to the final budget. There was a decrease in actual revenues received compared to the final budget due to the School District receiving less revenue than projected.

The total decrease in expenditures from the original to the final budget was \$1,857,376, which is significant. There was a difference of \$1,407,029 in actual expenditures compared to the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2020, the School District had \$43,214,734 invested in capital assets (net of accumulated depreciation). For further information regarding the School District's capital assets, refer to Note 8 in the Notes to the Basic Financial Statements.

***Portsmouth City School District***  
***Management's Discussion and Analysis***  
***For the Fiscal Year Ended June 30, 2020***  
***Unaudited***

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***Debt***

At June 30, 2020, the School District had \$6,730,000 in bonds, \$1,260,000 of which is due within one year. At fiscal year-end, the School District's ending capital lease liability was \$60,559. For further information regarding the School District's long-term obligations, refer to Notes 13 and 14 in the Notes to the Basic Financial Statements.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Dianna Reedy, at Portsmouth City School District, 724 Findlay Street, Portsmouth, Ohio 45662, or e-mail at [dianna.reedy@portsmouthtrojans.net](mailto:dianna.reedy@portsmouthtrojans.net).

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**Portsmouth City School District**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,774,187
Accounts Receivable	81,842
Accrued Interest Receivable	4,221
Intergovernmental Receivable	841,646
Prepaid Items	75,801
Inventory Held for Resale	27,159
Materials and Supplies Inventory	8,332
Property Taxes Receivable	8,187,068
Net OPEB Asset (See Note 11)	1,456,696
Capital Assets:	
Land and Paintings	7,533,399
Depreciable Capital Assets, Net	35,681,335
<i>Total Assets</i>	58,671,686
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charges on Refunding	124,610
Pension	4,452,975
OPEB	412,469
<i>Total Deferred Outflows of Resources</i>	4,990,054
<b><u>Liabilities:</u></b>	
Accounts Payable	40,920
Accrued Wages and Benefits Payable	2,136,550
Intergovernmental Payable	366,384
Accrued Interest Payable	10,824
Matured Compensated Absences Payable	23,712
Claims Payable	17,799
Long-Term Liabilities:	
Due Within One Year	1,468,373
Due in More Than One Year:	
Net Pension Liability (See Note 10)	24,600,658
Net OPEB Liability (See Note 11)	2,211,672
Other Amounts	6,875,940
<i>Total Liabilities</i>	37,752,832
<b><u>Deferred Inflows of Resources:</u></b>	
Deferred Gain on Refunding	52,940
Property Taxes	6,548,346
Pension	1,656,923
OPEB	2,528,929
<i>Total Deferred Inflows of Resources</i>	10,787,138
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	36,495,845
Restricted for:	
Debt Service	766,823
Capital Projects	2,020,241
Other Purposes	65,000
Food Service Operations	285,869
Special Donations	52,814
Facilities Maintenance	1,554,964
State Grants	197,760
Federal Grants	206,600
Student Activities	9,695
Unrestricted (Deficit)	(26,533,841)
<i>Total Net Position</i>	\$15,121,770

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	Program Revenues		Net (Expense)	
	Expenses	Charges for Services and Sales	Revenue and Changes in Net Position	
		Operating Grants, Contributions, and Interest	Governmental Activities	
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$17,742,725	\$521,498	\$129,341	(\$17,091,886)
Special	6,625,518	113,385	5,320,334	(1,191,799)
Vocational	287,769	0	74,137	(213,632)
Student Intervention Services	22,436	0	0	(22,436)
Support Services:				
Pupils	1,605,322	0	470,086	(1,135,236)
Instructional Staff	1,162,310	2,263	196,548	(963,499)
Board of Education	27,074	0	0	(27,074)
Administration	2,080,224	50,872	263,215	(1,766,137)
Fiscal	831,271	0	0	(831,271)
Business	88,126	28,781	0	(59,345)
Operation and Maintenance of Plant	2,608,057	93,417	0	(2,514,640)
Pupil Transportation	628,384	0	13,795	(614,589)
Central	109,042	0	0	(109,042)
Operation of Non-Instructional Services:				
Food Service Operations	1,132,550	46,216	941,432	(144,902)
Other	619,633	0	564,418	(55,215)
Extracurricular Activities	814,763	81,305	3,026	(730,432)
Interest and Fiscal Charges	156,267	0	0	(156,267)
<b>Total Governmental Activities</b>	<b>\$36,541,471</b>	<b>\$937,737</b>	<b>\$7,976,332</b>	<b>(27,627,402)</b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	5,068,515
Debt Service	945,597
Classroom Facilities Maintenance	90,574
Capital Outlay	472,791
Grants and Entitlements not Restricted to	
Specific Programs	18,624,721
Investment Earnings	84,933
Miscellaneous	559,218
<b>Total General Revenues</b>	<b>25,846,349</b>
Change in Net Position	(1,781,053)
<i>Net Position at Beginning of Year - Restated (Note 3)</i>	16,902,823
<b>Net Position at End of Year</b>	<b>\$15,121,770</b>

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2020*

	General Fund	School Facilities Maintenance Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>						
Equity in Pooled Cash and Cash Equivalents	\$162,013	\$1,534,008	\$530,439	\$1,779,470	\$610,716	\$4,616,646
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	42,546	0	0	0	0	42,546
Receivables:						
Property Taxes	6,015,560	106,003	1,134,669	930,836	0	8,187,068
Accounts	5,977	0	0	74,575	1,290	81,842
Intergovernmental	18,968	0	0	0	822,678	841,646
Accrued Interest	4,221	0	0	0	0	4,221
Interfund	508,422	0	0	0	0	508,422
Prepaid Items	10,289	0	0	0	65,512	75,801
Materials and Supplies Inventory	0	0	0	0	8,332	8,332
Inventory Held for Resale	0	0	0	0	27,159	27,159
<b>Total Assets</b>	<b>\$6,767,996</b>	<b>\$1,640,011</b>	<b>\$1,665,108</b>	<b>\$2,784,881</b>	<b>\$1,535,687</b>	<b>\$14,393,683</b>
<b><u>Liabilities:</u></b>						
Accounts Payable	\$32,456	\$1,174	\$0	\$0	\$7,290	\$40,920
Accrued Wages and Benefits Payable	1,755,612	0	0	0	380,938	2,136,550
Intergovernmental Payable	316,436	0	0	0	49,948	366,384
Interfund Payable	0	0	0	0	508,422	508,422
Matured Compensated Absences Payable	23,712	0	0	0	0	23,712
<b>Total Liabilities</b>	<b>2,128,216</b>	<b>1,174</b>	<b>0</b>	<b>0</b>	<b>946,598</b>	<b>3,075,988</b>
<b><u>Deferred Inflows of Resources:</u></b>						
Property Taxes	4,769,826	83,873	887,461	807,186	0	6,548,346
Unavailable Revenue	1,005,380	17,701	198,792	99,397	822,678	2,143,948
<b>Total Deferred Inflows of Resources</b>	<b>5,775,206</b>	<b>101,574</b>	<b>1,086,253</b>	<b>906,583</b>	<b>822,678</b>	<b>8,692,294</b>
<b><u>Fund Balances:</u></b>						
Nonspendable	10,289	0	0	0	73,844	84,133
Restricted	42,546	1,537,263	578,855	1,878,298	480,369	4,517,331
Committed	316,641	0	0	0	40,589	357,230
Assigned	30,235	0	0	0	0	30,235
Unassigned (Deficit)	(1,535,137)	0	0	0	(828,391)	(2,363,528)
<b>Total Fund Balances (Deficit)</b>	<b>(1,135,426)</b>	<b>1,537,263</b>	<b>578,855</b>	<b>1,878,298</b>	<b>(233,589)</b>	<b>2,625,401</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$6,767,996</b>	<b>\$1,640,011</b>	<b>\$1,665,108</b>	<b>\$2,784,881</b>	<b>\$1,535,687</b>	<b>\$14,393,683</b>

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2020*

**Total Governmental Fund Balances** \$2,625,401

**Amounts reported for governmental activities in the  
 Statement of Net Position are different because:**

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

Land	7,497,183	
Paintings	36,216	
Depreciable capital assets	63,010,397	
Accumulated depreciation	<u>(27,329,062)</u>	
Total capital assets		43,214,734

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent property taxes	1,319,448	
Intergovernmental	822,678	
Accrued Interest	<u>1,822</u>	
Total		2,143,948

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (10,824)

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 124,610

Deferred inflows of resources represent deferred gains on refunding which do not provide current financial resources and, therefore are not reported in the funds. (52,940)

The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in governmental funds:

Net OPEB Asset	1,456,696	
Deferred Outflows - Pension	4,452,975	
Deferred Outflows - OPEB	412,469	
Deferred Inflows - Pension	(1,656,923)	
Deferred Inflows - OPEB	(2,528,929)	
Net Pension Liability	(24,600,658)	
Net OPEB Liability	<u>(2,211,672)</u>	
Total		(24,676,042)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds	(6,730,000)	
Capital leases	(60,559)	
Compensated absences	<u>(1,553,754)</u>	
Total		(8,344,313)

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 97,196

*Net Position of Governmental Activities* \$15,121,770

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General Fund	School Facilities Maintenance Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>						
Property Taxes	\$5,042,709	\$90,447	\$939,617	\$469,800	\$0	\$6,542,573
Intergovernmental	21,469,525	10,086	117,923	58,963	4,858,194	26,514,691
Investment Earnings	89,145	0	0	0	57	89,202
Tuition and Fees	755,003	0	0	0	13,629	768,632
Extracurricular Activities	49,919	0	0	0	64,485	114,404
Rentals	19,526	0	0	0	0	19,526
Charges for Services	2,588	0	0	0	32,587	35,175
Contributions and Donations	10,194	0	0	0	80,755	90,949
Miscellaneous	204,237	0	0	434,575	7,464	646,276
<b>Total Revenues</b>	<b>27,642,846</b>	<b>100,533</b>	<b>1,057,540</b>	<b>963,338</b>	<b>5,057,171</b>	<b>34,821,428</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	16,645,635	0	0	0	103,832	16,749,467
Special	3,632,920	0	0	0	2,299,832	5,932,752
Vocational	236,623	0	0	0	0	236,623
Student Intervention Services	22,087	0	0	0	0	22,087
Support Services:						
Pupils	1,038,083	0	0	0	0	1,038,083
Instructional Staff	876,921	0	0	0	442,719	1,319,640
Board of Education	26,527	0	0	0	194,674	221,201
Administration	1,601,855	0	0	0	243,535	1,845,390
Fiscal	701,649	5,018	53,817	26,908	0	787,392
Business	78,401	0	0	0	0	78,401
Operation and Maintenance of Plant	2,367,398	13,689	0	32,464	5,717	2,419,268
Pupil Transportation	526,937	0	0	48,000	0	574,937
Central	109,042	0	0	0	0	109,042
Operation of Non-Instructional Services:						
Food Service Operations	900	0	0	0	980,649	981,549
Other	0	0	0	0	467,838	467,838
Extracurricular Activities	282,705	0	0	359,450	105,845	748,000
Capital Outlay	0	0	0	54,744	0	54,744
Debt Service:						
Principal Retirement	54,668	0	1,180,000	34,972	0	1,269,640
Interest and Fiscal Charges	1,650	0	141,277	3,022	0	145,949
<b>Total Expenditures</b>	<b>28,204,001</b>	<b>18,707</b>	<b>1,375,094</b>	<b>559,560</b>	<b>4,844,641</b>	<b>35,002,003</b>
Excess of Revenues Over (Under) Expenditures	(561,155)	81,826	(317,554)	403,778	212,530	(180,575)
Net Change in Fund Balances	(561,155)	81,826	(317,554)	403,778	212,530	(180,575)
Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)	(574,271)	1,455,437	896,409	1,474,520	(446,119)	2,805,976
Fund Balances at End of Year (Deficit)	(\$1,135,426)	\$1,537,263	\$578,855	\$1,878,298	(\$233,589)	\$2,625,401

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2020*

**Net Change in Fund Balances - Total Governmental Funds** (\$180,575)

**Amounts reported for governmental activities in the  
Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. 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 asset additions	78,313	
Depreciation expense	(1,820,806)	
Excess of depreciation over capital outlay expense		(1,742,493)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.

Loss on disposal of capital assets		(404,359)
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Total

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	34,904	
Intergovernmental	(4,625)	
Investment Earnings	(4,231)	
Miscellaneous	(87,058)	
Total		(61,010)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	1,863,876	
OPEB	41,503	
Total		1,905,379

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension expense in the Statement of Activities.

Pension	(3,186,263)	
OPEB	426,038	
Total		(2,760,225)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

General obligation bonds principal payments	1,180,000	
Capital lease payments	89,640	
Total		1,269,640

Amortization of bond premiums, deferred charges on the refunding of debt, accretion on bonds, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Accrued interest	1,898	
Amortization of deferred charges/gain on refunding	(12,216)	
Total		(10,318)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable		168,893
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Internal service funds used by management to charge the costs of insurance and workers' compensation to individuals funds are not reported in the entity-wide Statement of Activities. The net income of the internal service funds is reported with governmental activities.

Change in Net Position		34,015
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*Change in Net Position of Governmental Activities* (\$1,781,053)

**Portsmouth City School District**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b><u>Revenues:</u></b>				
Property Taxes	\$5,722,053	\$5,605,678	\$4,975,119	(\$630,559)
Intergovernmental	21,723,092	21,235,005	21,537,806	302,801
Investment Earnings	37,696	54,167	54,939	772
Tuition and Fees	894,793	732,453	742,897	10,444
Rentals	19,226	19,251	19,526	275
Charges for Services	63,709	9,944	2,588	(7,356)
Contributions and Donations	0	501	501	0
Miscellaneous	35,280	17,287	17,534	247
<b>Total Revenues</b>	<b>28,495,849</b>	<b>27,674,286</b>	<b>27,350,910</b>	<b>(323,376)</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	16,997,037	15,841,954	16,736,143	(894,189)
Special	3,969,594	3,536,364	3,735,971	(199,607)
Vocational	183,300	219,704	232,105	(12,401)
Student Intervention Services	13,950	35,715	37,731	(2,016)
Support Services:				
Pupils	1,131,667	972,886	1,027,799	(54,913)
Instructional Staff	701,252	1,145,688	1,210,355	(64,667)
Board of Education	21,935	24,986	26,396	(1,410)
Administration	1,670,257	1,597,304	1,687,463	(90,159)
Fiscal	773,871	681,052	719,493	(38,441)
Business	49,256	47,802	50,500	(2,698)
Operation and Maintenance of Plant	2,527,512	2,278,252	2,406,848	(128,596)
Pupil Transportation	571,937	492,918	520,739	(27,821)
Central	353,185	233,952	109,032	124,920
Operation of Non-Instructional Services:				
Food Services Operations	916	852	900	(48)
Extracurricular Activities	266,596	265,460	280,443	(14,983)
<b>Total Expenditures</b>	<b>29,232,265</b>	<b>27,374,889</b>	<b>28,781,918</b>	<b>(1,407,029)</b>
Excess of Revenues Over (Under) Expenditures	(736,416)	299,397	(1,431,008)	(1,730,405)
<b><u>Other Financing Sources:</u></b>				
Proceeds from Sale of Capital Assets	1,234	2,814	2,814	0
Refund of Prior Year Expenditures	91,958	172,395	172,395	0
<b>Total Other Financing Sources</b>	<b>93,192</b>	<b>175,209</b>	<b>175,209</b>	<b>0</b>
Net Change in Fund Balance	(643,224)	474,606	(1,255,799)	(1,730,405)
Fund Balance at Beginning of Year	571,187	571,187	571,187	0
Prior Year Encumbrances Appropriated	70,671	70,671	70,671	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>(\$1,366)</b>	<b>\$1,116,464</b>	<b>(\$613,941)</b>	<b>(\$1,730,405)</b>

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Budget Basis)  
School Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property Taxes	\$91,520	\$88,454	\$89,349	\$895
Intergovernmental	10,335	9,987	10,086	99
<i>Total Revenues</i>	<u>101,855</u>	<u>98,441</u>	<u>99,435</u>	<u>994</u>
<b><u>Expenditures:</u></b>				
Current:				
Support Services:				
Fiscal	5,308	5,018	5,018	0
Operation and Maintenance of Plant	27,148	12,350	12,515	(165)
<i>Total Expenditures</i>	<u>32,456</u>	<u>17,368</u>	<u>17,533</u>	<u>(165)</u>
Net Change in Fund Balance	69,399	81,073	81,902	829
Fund Balance at Beginning of Year	1,452,098	1,452,098	1,452,098	0
Prior Year Encumbrances Appropriated	<u>8</u>	<u>8</u>	<u>8</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$1,521,505</u></u>	<u><u>\$1,533,179</u></u>	<u><u>\$1,534,008</u></u>	<u><u>\$829</u></u>

See accompanying notes to the basic financial statements



**Portsmouth City School District**  
**Statement of Fund Net Position**  
**Internal Service Fund**  
**June 30, 2020**

	<u>Self-Insurance</u>
<b><u>Assets:</u></b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$114,995
<b><u>Liabilities:</u></b>	
Current Liabilities:	
Claims Payable	<u>17,799</u>
<b><u>Net Position:</u></b>	
Unrestricted	<u><u>\$97,196</u></u>

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Statement of Revenues,  
 Expenses and Change in Fund Net Position  
 Internal Service Fund  
 For the Fiscal Year Ended June 30, 2020*

	<u>Self-Insurance</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	<u>\$164,287</u>
<b><u>Operating Expenses:</u></b>	
Purchased Services	16,527
Claims	<u>113,745</u>
<i>Total Operating Expenses</i>	<u>130,272</u>
<i>Change in Net Position</i>	34,015
<i>Net Position at Beginning of Year</i>	<u>63,181</u>
<i>Net Position at End of Year</i>	<u><u>\$97,196</u></u>

See accompanying notes to the basic financial statements

**Portsmouth City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2020

	<u>Self-Insurance</u>
<b>Increase in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Interfund Services Provided	\$164,287
Cash Payments to Suppliers for Goods and Services	(16,527)
Cash Payments for Claims	<u>(114,218)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	33,542
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>81,453</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$114,995</u></u>
<b>Reconciliation of Operating Income to Net</b>	
<b>Cash Provided by Operating Activities:</b>	
Operating Income	\$34,015
<b>Adjustments to Reconcile Operating Income to</b>	
<b>Net Cash Provided by Operating Activities:</b>	
Changes in Assets and Liabilities:	
Decrease in Claims Payable	<u>(473)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$33,542</u></u>

See accompanying notes to the basic financial statements

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***Portsmouth City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 – Description of the School District and Reporting Entity**

Portsmouth City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District serves an area of approximately 16 square miles. It is located in Scioto County and includes portions of Porter and Vernon Townships. It is staffed by 79 non-certificated employees, 148 certificated full-time personnel and 17 administrative employees who provide services to 1,724 students and other community members. The School District currently operates three instructional buildings and one administration building.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Portsmouth City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The following activities are included within the reporting entity:

*Parochial Schools* - Within the School District boundaries, Notre Dame Elementary and Notre Dame High School are operated as private schools. Portsmouth STEM Academy is now located within the School District boundaries. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a nonmajor special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:  
Metropolitan Educational Technology Association (META)  
Scioto County Career Technical Center

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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Insurance Purchasing Pool:  
Ohio SchoolComp Group Retrospective Rating Program

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the Portsmouth City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented in a single column on the face of the proprietary fund statement.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories; governmental and proprietary.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

School Facilities Maintenance Fund – This fund accounts for and reports property taxes restricted to expenditures for the maintenance and upkeep of classroom facilities.

Bond Retirement Debt Service Fund – The Bond Retirement Fund accounts for and reports property taxes restricted for the payment of general obligation bond principal and interest.

Permanent Improvement Fund – This fund is to account for and report all restricted transactions relating to the acquiring, constructing, or improving facilities within the School District.

The nonmajor governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

*Proprietary Fund*

Proprietary fund reporting focuses on the determination of operating income, changes in Net Position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. The School District's internal service fund is used to account for dental benefits provided to employees.

**Measurement Focus**

*Government-wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows / outflows of resources, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, tuition and fees, grants, and accrued interest.



**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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*Deferred Outflows/Inflows of Resources:*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding and pension and OPEB plans reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include a deferred gain on refunding, property taxes, pension and OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the governmental-wide statement of net position (See Notes 10 and 11).

*Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The School District is legally required to set money aside for bus purchases. Any unspent balance is presented on the balance sheet as "Restricted Assets: Cash and Cash Equivalents."

During fiscal year 2020, the School District's investments were limited to a Money Market Mutual Fund and negotiable certificates of deposit. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price. Investments in United States Treasury Securities and negotiable certificates of deposit are reported at fair value which is based on quoted market prices.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2020 amounted to \$89,145, which includes \$86,912 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set aside by the School District for bus purchases.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable/Payable”. Interfund balances are eliminated on the Statement of Net Position.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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All reported capital assets, except land and paintings, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	5 - 10 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Vehicles	8 years
Textbooks	5 - 20 years

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences and claims that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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**Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance also includes amounts for future severance payments and donations for scholarships for which the use is established by the Board of Education.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Assigned amounts in the General Fund also include amounts to be assigned by principals for extracurricular activities.

*Unassigned* - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

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Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Position**

Net Position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes include federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriations passed by the Board of Education during the fiscal year, including all supplemental appropriations.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are classified as non-operating.

**Note 3 – Change in Accounting Principles and Restatement of Fund Balance/Net Position**

**Change in Accounting Principles**

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented GASB Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and all funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Restatement of Fund Balances and Net Position**

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2019:

	Governmental Activities	Private Purpose Trust
Net Position, June 30, 2019	\$16,892,227	\$474
Adjustments:		
GASB 84	10,596	(474)
Restated Net Position, June 30, 2019	\$16,902,823	\$0

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	General Fund	School Facilities Maintenance	Bond Retirement	Permanent Improvement	Nonmajor Funds	Total
Fund Balances (Deficit), June 30, 2019	(\$574,745)	\$1,455,437	\$896,409	\$1,474,520	(\$456,241)	\$2,795,380
Adjustments:						
GASB 84	474	0	0	0	10,122	10,596
Restated Fund Balances, (Deficit) June 30, 2019	(\$574,271)	\$1,455,437	\$896,409	\$1,474,520	(\$446,119)	\$2,805,976

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting no beginning assets or liabilities. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$10,122.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund and the School Facilities Maintenance Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

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*Notes to the Basic Financial Statements*  
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4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
5. Budgetary revenues and expenditures of the Special Trust, Uniform School Supplies, Rotary, Public School Support, Print Shop, Faculty/Memorial Fund, and Severance Special Revenue Funds are classified to the General Fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and School Facilities Maintenance Special Revenue Fund.

Net Change in Fund Balance		
	General Fund	School Facilities Maintenance Fund
GAAP Basis	(\$561,155)	\$81,826
Adjustments:		
Revenue Accruals	(10,676)	(1,098)
Expenditure Accruals	29,081	1,174
Encumbrances	(748,553)	0
Increase in Fair Value of Investments - 2020	(35,108)	0
Decrease in Fair Value of Investments - 2019	(3,235)	0
Excess of revenues over (under) expenditures:		
Special Trust Fund	342	0
Uniform School Supplies Fund	570	0
Rotary Fund	(2,109)	0
Public School Support Fund	1,865	0
Print Shop Fund	3,237	0
Faculty/Memorial Fund	(323)	0
Change in Fund Balance for the Severance Fund	70,265	0
Budget Basis	(\$1,255,799)	\$81,902

**Note 5 – Deposits and Investments**

Monies held by the School District are classified by State Statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.



**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the

**Portsmouth City School District**  
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date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments are reported at fair value. As of June 30, 2020, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	S&P Rating	Percent of Total Investments
Fair Value - Level One Inputs:				
Money Market Mutual Fund	\$394,913	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	<u>2,067,108</u>	Less than five years	N/A	N/A
Total Investments	<u><u>\$2,462,021</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District’s recurring fair value measurements as of June 30, 2020. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District’s remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment. The School District does not have a formal policy regarding interest rate risk.

*Credit Risk*

The Standard and Poor’s rating of the School District’s investments is listed in the table above. The School District’s investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States Government sponsored enterprises. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The School District’s negotiable CDs are covered by FDIC.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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*Concentration of Credit Risk*

The School District's investment policy places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of the total investments is listed in the table above.

*Custodial Credit Risk*

The School District's balance of investments are held by the trust department of its banking institution in the School District's name. The School District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

**Note 6 – Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2020, was \$319,274 and is recognized as revenue: \$242,176 in the General Fund, \$48,416 in the Bond Retirement Debt Service Fund, \$24,253 in the Permanent Improvement Fund, and \$4,429 in the School Facilities Maintenance Fund. The amount available as an advance at June 30, 2019, \$230,135 and is recognized as revenue: \$174,586 in the General Fund, \$34,842 in the Bond Retirement Debt Service Fund, \$17,376 in the Permanent Improvement Fund, and \$3,331 in the Nonmajor Governmental Funds.

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On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources-unavailable revenue.

The assessed values upon which fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$225,638,520	89.43%	\$229,982,400	89.94%
Public Utility Personal	26,667,660	10.57%	25,734,710	10.06%
Total Assessed Value	\$252,306,180	100.00%	\$255,717,110	100.00%
Tax rate per \$1,000 of assessed valuation	\$39.03		\$39.03	

**Note 7 – Receivables**

Receivables at June 30, 2020, consisted of property taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Early Childhood Preschool	\$30,358
Elementary and Secondary School Emergency Relief Fund	1,468
IDEA-B	230,404
IDEA-B Restoration	52,261
Title I	287,061
Title I Supplemental	65,000
Early Childhood Special Education	19,272
Title II-A	70,047
Title IV-A	48,368
Ohio School Climate	2,380
Innovative Strategies	16,059
Due from Other Schools	13,006
School Employees Retirement System Refund	5,962
Total Intergovernmental Receivable	\$841,646

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**Note 8 – Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at 6/30/19	Additions	Deductions	Balance at 6/30/20
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$7,537,849	\$0	(\$40,666)	\$7,497,183
Paintings	53,043	0	(16,827)	36,216
Total Capital Assets Not Being Depreciated	<u>7,590,892</u>	<u>0</u>	<u>(57,493)</u>	<u>7,533,399</u>
Capital Assets Being Depreciated:				
Land Improvements	5,308,630	0	(8,822)	5,299,808
Buildings and Improvements	52,261,594	30,313	0	52,291,907
Furniture, Fixtures, and Equipment	3,433,279	0	(2,073,715)	1,359,564
Vehicles	957,546	48,000	(6,250)	999,296
Textbooks	3,068,412	0	(8,590)	3,059,822
Total Capital Assets Being Depreciated	<u>65,029,461</u>	<u>78,313</u>	<u>(2,097,377)</u>	<u>63,010,397</u>
Less Accumulated Depreciation:				
Land Improvements	(3,105,444)	(269,280)	5,711	(3,369,013)
Buildings and Improvements	(17,686,512)	(1,396,151)	0	(19,082,663)
Furniture, Fixtures, and Equipment	(2,796,241)	(88,711)	1,734,943	(1,150,009)
Vehicles	(777,704)	(23,846)	1,267	(800,283)
Textbooks	(2,892,866)	(42,818)	8,590	(2,927,094)
Total Accumulated Depreciation	<u>(27,258,767)</u>	<u>(1,820,806)</u>	<u>1,750,511</u>	<u>(27,329,062)</u>
Total Capital Assets Being Depreciated, Net	<u>37,770,694</u>	<u>(1,742,493)</u>	<u>(346,866)</u>	<u>35,681,335</u>
Governmental Activities Capital Assets, Net	<u>\$45,361,586</u>	<u>(\$1,742,493)</u>	<u>(\$404,359)</u>	<u>\$43,214,734</u>

**Portsmouth City School District**  
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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$670,610
Special	416,258
Vocational	15,749
Support Services:	
Pupils	66,355
Instructional Staff	53,739
Administration	201,807
Fiscal	26,016
Business	6,504
Operation and Maintenance of Plant	121,478
Pupil Transportation	62,870
Operation of Non-Instructional Services:	
Food Service Operations	113,570
Other	19,923
Extracurricular Activities	45,927
Total Depreciation Expense	\$1,820,806

The School District's total capital assets being depreciated amount above includes \$3,800,024 in fully depreciated capital assets.

**Note 9 – Risk Management**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains comprehensive insurance coverage with a private carrier for real property, building contents, vehicles, general liability, boiler and machinery, and builder's risk.

Coverage provided by the Hunter-Williams Insurance Agency is as follows:

Building and Contents (including Boiler and Machinery and Inland Marine) - replacement cost (\$1,000 deductible)	\$87,364,710
Auto Liability:	
Liability - Any Auto	1,000,000
Medical Payments	15,000
Uninsured/Underinsured Motorists Coverage	1,000,000
Comprehensive - All (\$500 deductible)	Actual Cash Value
Collision - All (\$500 deductible)	Actual Cash Value
Hired Car Physical Damage	75,000
Comprehensive	Actual Cash Value
Collision	Actual Cash Value
	<i>(continued)</i>

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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(continued)

General Liability:	
Each Occurrence Limit	\$1,000,000
Damage to Premises Rented - Limit	300,000
Medical Expense Limit (any one person)	15,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
General Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Computer Fraud	100,000
Excess Liability:	
Liability Limit - Each Accident	4,000,000
Liability Policy Aggregate	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior fiscal year.

**Workers' Compensation**

For fiscal year 2020, the School District participated in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool (See Note 16). The intent of the GRRP is to reward participants that are able to keep their claims costs below a predetermined amount. As part of the GRRP, school districts join together as a group. Each school district continues to pay its own individual premium to the State. However, each school district has the opportunity to receive retrospective premium adjustments (refunds or assessments) at 12, 24, and 36 months after the end of the policy year. At the end of each policy year, the Bureau of Workers' Compensation (BWC) will take a snap-shot of the incurred claims losses (indemnity, medical, and reserves) for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by BWC. Each group limits the maximum assessment by selecting a premium cap between five percent and 100 percent of merit rated premium. Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRRP.

**Dental Benefits**

Starting January 1, 2018, dental benefits are offered to employees through a self-insurance internal service fund and it's administered by Guardian Dental. Prior to January 1, 2018, monthly dental premiums were paid to Guardian Dental, who in turn paid the claims on the School District's behalf.

The information presented below represents an estimate of dental claims. The claims liability of \$17,799 reported in the internal service fund at June 30, 2020, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

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	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2019	\$9,710	\$138,805	\$130,243	\$18,272
2020	18,272	113,745	114,218	17,799

**Note 10 – Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

**Net Pension Liability/Net OPEB Liability**

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.



**Portsmouth City School District**  
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**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$433,670 for fiscal year 2020, none of which is reported as an intergovernmental payable.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
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**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member’s DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,430,206 for fiscal year 2020. Of this amount, \$239,940 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.08772280%	0.08948856%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.08608470%</u>	<u>0.08795202%</u>	
Change in Proportionate Share	<u>-0.00163810%</u>	<u>-0.00153654%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,150,599	\$19,450,059	\$24,600,658
Pension Expense	\$629,402	\$2,556,861	\$3,186,263

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$130,608	\$158,356	\$288,964
Changes of assumptions	0	2,284,785	2,284,785
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	15,350	15,350
School District contributions subsequent to the measurement date	433,670	1,430,206	1,863,876
Total Deferred Outflows of Resources	\$564,278	\$3,888,697	\$4,452,975
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$0	\$84,195	\$84,195
Net difference between projected and actual earnings on pension plan investments	66,115	950,614	1,016,729
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	136,245	419,754	555,999
Total Deferred Inflows of Resources	\$202,360	\$1,454,563	\$1,656,923

\$1,863,876 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$31,698	\$1,006,857	\$1,038,555
2022	(136,545)	156,746	20,201
2023	(4,399)	(215,920)	(220,319)
2024	37,494	56,245	93,739
Total	(\$71,752)	\$1,003,928	\$932,176

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly

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incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate**

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash

**Portsmouth City School District**  
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flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$7,217,830	\$5,150,599	\$3,416,966

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate

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of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$28,424,097	\$19,450,059	\$11,853,079

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**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2020, two members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 11 – Defined Benefit OPEB Plans**

See Note 10 for a description of the net OPEB liability.

**Plan Description - School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$41,503.



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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$41,503 for fiscal year 2020, which is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.08855820%	0.08948856%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.08794660%</u>	<u>0.08795202%</u>	
Change in Proportionate Share	<u>-0.00061160%</u>	<u>-0.00153654%</u>	
Proportionate Share of the			
Net OPEB (Asset)	\$0	(\$1,456,696)	(\$1,456,696)
Net OPEB Liability	\$2,211,672	\$0	\$2,211,672
OPEB Expense	\$23,215	(\$449,253)	(\$426,038)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$32,465	\$132,060	\$164,525
Changes of assumptions	161,537	30,620	192,157
Net difference between projected and actual earnings on pension plan investments	5,309	0	5,309
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	8,975	8,975
School District contributions subsequent to the measurement date	41,503	0	41,503
Total Deferred Outflows of Resources	\$240,814	\$171,655	\$412,469
 <b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$485,889	\$74,111	\$560,000
Changes of assumptions	123,935	1,597,097	1,721,032
Net difference between projected and actual earnings on OPEB plan investments	0	91,491	91,491
Changes in Proportionate share and difference between School District contributions and proportionate share of contributions	136,621	19,785	156,406
Total Deferred Inflows of Resources	\$746,445	\$1,782,484	\$2,528,929

\$41,503 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$169,898)	(\$350,995)	(\$520,893)
2022	(91,656)	(350,996)	(442,652)
2023	(90,098)	(314,328)	(404,426)
2024	(90,351)	(301,465)	(391,816)
2025	(74,940)	(295,756)	(370,696)
Thereafter	(30,191)	2,711	(27,480)
Total	(\$547,134)	(\$1,610,829)	(\$2,157,963)

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$2,684,550	\$2,211,672	\$1,835,678
	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,771,997	\$2,211,672	\$2,795,014

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

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Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were

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calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,243,000)	(\$1,456,696)	(\$1,636,365)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,651,827)	(\$1,456,696)	(\$1,217,709)

**Note 12 – Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers earn sick leave at the rate of one and one-half days per month from August to May. Administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for teachers and 240 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 62 days for teachers and 60 days for classified employees. Administrators are paid for one-fourth of accrued, but unused sick leave with a maximum of 60.

**Insurance**

The School District provides medical insurance to all employees through Medical Mutual. Certified employees are provided with life and vision insurance through Guardian. Classified employees are provided with life and vision insurance through the Health Care Plan of AFSCME Local 2684. All certified and classified employees are provided prescription drug coverage through the Health Care Plan of AFSCME Local 2684. Certified employees pay 14 percent of healthcare premiums. Classified employees pay seven and a half percent of healthcare premiums.

**Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

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**Note 13 – Leases – Lessee Disclosure**

In prior fiscal years, the School District entered into new capital leases for passenger buses and copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Bus leases were capitalized in the amount of \$89,097 and \$83,510, respectively, and a copier lease in the amount of \$205,722. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2020 totaled \$89,640 and were paid from the General Fund and the Permanent Improvement Fund.

The assets acquired through the capital lease as of June 30, 2020, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Furniture, Fixtures, and Equipment	\$205,722	(\$199,196)	\$6,526
Vehicles	172,607	(64,731)	107,876
Totals	\$378,329	(\$263,927)	\$114,402

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	Total Payments
2021	\$42,758
2022	20,712
Total Outstanding Lease Liability	63,470
Less: Amount Representing Interest	(2,911)
Present Value of Net Minimum Lease Payments	\$60,559

In prior fiscal years, the School District entered into noncancelable operating lease for the use of a stadium. During fiscal year 2020, the School District entered into a noncancelable operating lease for the purchase of new turf for the stadium. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in fiscal year 2020 totaled \$10,000 in the General Fund.

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The following is a schedule of the future minimum operating lease payments:

Fiscal Year Ending June 30,	Total Payments
2021	\$134,605
2022	134,604
2023	134,605
2024	10,000
2025	10,000
2026-2030	50,000
2031-2035	50,000
2036-2038	27,500
Total	\$551,314

**Note 14 – Long-Term Obligations**

The changes in the School District’s long-term obligations during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/19	Additions	Deductions	Principal Outstanding 6/30/20	Due Wthin One Year
<b><u>Governmental Activities:</u></b>					
General Obligation Bonds:					
Direct Placements:					
2017 Various Purpose School					
Improvement Refunding Bonds:					
Term Bonds 1.93%	\$7,910,000	\$0	\$1,180,000	\$6,730,000	\$1,260,000
Net Pension Liability:					
STRS	19,676,526	0	226,467	19,450,059	0
SERS	5,024,047	126,552	0	5,150,599	0
Total Net Pension Liability	24,700,573	126,552	226,467	24,600,658	0
Net OPEB Liability:					
SERS	2,456,843	0	245,171	2,211,672	0
Capital Leases	150,199	0	89,640	60,559	40,580
Compensated Absences	1,722,647	13,751	182,644	1,553,754	167,793
Total Governmental Activities					
Long-Term Obligations	\$36,940,262	\$140,303	\$1,923,922	\$35,156,643	\$1,468,373

On September 6, 2016, the School District issued \$9,045,000 in Series 2017 refunding bonds in order to refund the 2007 School Improvement Refunding Bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2024. The bond issue included term bonds, in the amount of \$9,045,000. The bonds were directly placed with Branch Banking and Trust Company. At June 30, 2020, \$6,730,000 of the refunded bonds were still outstanding.



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Compensated absences will be paid from the General Fund. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the General Fund. For additional information related to the net pension/OPEB liability see Note 10 and Note 11.

The School District's overall legal debt margin was \$15,705,685 with an unvoted debt margin of \$255,717 at June 30, 2020.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2020, are as follows:

Direct Placement			
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Total
2021	\$1,260,000	\$117,730	\$1,377,730
2022	1,330,000	92,737	1,422,737
2023	1,350,000	66,875	1,416,875
2024	1,380,000	40,531	1,420,531
2025	1,410,000	13,607	1,423,607
Total	\$6,730,000	\$331,480	\$7,061,480

**Note 15 – Interfund Activity**

**Advances**

As of June 30, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

		<b>Receivable</b>
		General Fund
<b>Payable</b>	Nonmajor Governmental Funds	\$508,422

The balance of \$384,750 due to the General Fund from the nonmajor governmental funds are a result of negative cash balances in these funds. The General Fund is responsible for any deficit in these funds and interfund transactions were established to cover these expenditures. The purpose for the interfund balances is to eliminate the negative cash balances in these funds. The remaining \$123,672 due to the General Fund from the nonmajor governmental funds are a result of advancing unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

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**Note 16 – Jointly Governed Organizations and Insurance Purchasing Pool**

**Jointly Governed Organizations**

*Metropolitan Educational Technology Association (META)*

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium and a regional council of governments. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid META \$31,569 for services provided during the fiscal year. Financial information can be obtained from META Solutions, 100 Executive Drive, Marion Ohio 43302.

*Scioto County Career Technical Center*

The Scioto County Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a five member Board of Education, consisting of two representatives from the Portsmouth City School District and three representatives from the South Central Ohio Educational Service Center, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Technical Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information write to the Scioto County Career Technical Center at P.O. Box 766, Lucasville, Ohio 45648.

**Insurance Purchasing Pool**

*Ohio SchoolComp Group Retrospective Rating Program*

The School District participates in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The GRRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to CompManagement, Inc. to cover the costs of administering the program.

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 17 – Set-Aside Calculations**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The following cash basis information identifies the change in the fiscal year-end set-aside amount for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisitions
Set-aside Balance as of June 30, 2019	\$0
Current Fiscal Year Set-aside Requirement	297,947
Current Fiscal Year Offsets	(981,227)
Qualifying Disbursements	(202,763)
Set-aside Balance as of June 30, 2020	(\$886,043)
Required Set-aside Balances Carried Forward	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**Note 18 – Significant Commitments**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$748,553
Nonmajor Governmental Funds	232,267
Total	\$980,820

**Portsmouth City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 19 – Accountability**

At June 30, 2020, the following funds had a deficit fund balance:

Funds	Amounts
General Fund	\$1,135,426
Special Revenue:	
Other Local Grants	3,658
District Managed Student Activities	121,661
Early Childhood Preschool	126,147
Elementary and Secondary School Emergency Relief Fund	1,468
Title VI-B	177,954
Title I	218,116
Early Childhood Special Education	3,817
Title VI-R	77,588
Miscellaneous Federal Grants	32,470
Total	\$1,898,305

The deficits in all other funds were due to accruals in GAAP. The General Fund deficit balance exists because sufficient revenues have not been generated to cover expenditures along with accruals associated with GAAP reporting. The General Fund is liable for any deficit in the nonmajor special revenue funds and will provide transfers when cash is required not when accruals occur.

**Note 20 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	School Facilities Maintenance Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$10,289	\$0	\$0	\$0	\$65,512	\$75,801
Inventory	0	0	0	0	8,332	8,332
<i>Total Nonspendable</i>	\$10,289	\$0	\$0	\$0	\$73,844	\$84,133

(continued)

**Portsmouth City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

Fund Balances	General Fund	School Facilities Maintenance Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<b>Restricted for</b>						
Bus Purchases	\$42,546	\$0	\$0	\$0	\$0	\$42,546
Capital Acquisitions	0	0	0	1,878,298	0	1,878,298
Debt Payments	0	0	578,855	0	0	578,855
Food Service Operations	0	0	0	0	277,537	277,537
Special Donations	0	0	0	0	12,225	12,225
Facilities Maintenance	0	1,537,263	0	0	0	1,537,263
Title III	0	0	0	0	1,591	1,591
Student Managed Activities	0	0	0	0	9,695	9,695
Miscellaneous State Grants	0	0	0	0	179,321	179,321
<b>Total Restricted</b>	<b>42,546</b>	<b>1,537,263</b>	<b>578,855</b>	<b>1,878,298</b>	<b>480,369</b>	<b>4,517,331</b>
<b>Committed to</b>						
Future Severance Payments	316,641	0	0	0	0	316,641
Special Donations	0	0	0	0	40,589	40,589
<b>Total Committed</b>	<b>316,641</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,589</b>	<b>357,230</b>
<b>Assigned to</b>						
Public School Support	30,235	0	0	0	0	30,235
<b>Unassigned (Deficit)</b>	<b>(1,535,137)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(828,391)</b>	<b>(2,363,528)</b>
<b>Total Fund Balances (Deficit)</b>	<b>(\$1,135,426)</b>	<b>\$1,537,263</b>	<b>\$578,855</b>	<b>\$1,878,298</b>	<b>(\$233,589)</b>	<b>\$2,625,401</b>

**Note 21 – Contingencies**

**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2020 Foundation funding for the School District and does not anticipate any further FTE adjustments for FY20.

**Litigation**

The School District is not party to any legal proceeds.

***Portsmouth City School District***  
***Notes to the Basic Financial Statements***  
***For the Fiscal Year Ended June 30, 2020***

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**Note 22- COVID 19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or State, cannot be estimated.

**Note 23- Compliance**

Contrary to Ohio law, the School District had expenditures in excess of appropriations as of June 30, 2020 as follows: General Fund in the amount of \$1,533,465; School Facilities Maintenance Fund in the amount of \$164; Bond Retirement Fund in the amount of \$27,388, Permanent Improvement Fund in the amount of \$11,153; and Food Service Fund in the amount of \$27,656.

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**Portsmouth City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Seven Fiscal Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net Pension Liability	0.08608470%	0.08772280%	0.09143040%	0.09390280%
School District's Proportionate Share of the Net Pension Liability	\$5,150,599	\$5,024,047	\$5,462,765	\$6,872,819
School District's Covered Payroll	\$2,777,467	\$2,868,289	\$3,189,186	\$2,700,257
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	185.44%	175.16%	171.29%	254.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information



2016	2015	2014
0.09464540%	0.09338500%	0.09338500%
\$5,400,557	\$4,726,162	\$5,553,306
\$2,855,136	\$2,671,664	\$2,573,351
189.15%	176.90%	215.80%
69.16%	71.70%	65.52%

**Portsmouth City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Four Fiscal Years (1)*

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.08794660%	0.08855820%	0.09250880%	0.09499930%
School District's Proportionate Share of the Net OPEB Liability	\$2,211,672	\$2,456,843	\$2,482,693	\$2,707,831
School District's Covered Payroll	\$2,777,467	\$2,868,289	\$3,189,186	\$2,700,257
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	79.63%	85.66%	77.85%	100.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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**Portsmouth City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Seven Fiscal Years (1)*

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.08795202%	0.08948856%	0.08985670%	0.08956301%
School District's Proportionate Share of the Net Pension Liability	\$19,450,059	\$19,676,526	\$21,345,652	\$29,979,438
School District's Covered Payroll	\$10,676,786	\$10,174,143	\$9,615,021	\$9,851,600
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	182.17%	193.40%	222.00%	304.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2016	2015	2014
0.09179633%	0.09214759%	0.09214759%
\$25,369,820	\$22,413,482	\$26,698,794
\$9,518,857	\$9,421,000	\$10,217,431
266.52%	237.91%	261.31%
72.10%	74.70%	69.30%

**Portsmouth City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*State Teachers Retirement System of Ohio*  
*Last Four Fiscal Years (1)*

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.08795202%	0.08948856%	0.08985670%	0.08956301%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,456,696)	(\$1,437,990)	\$3,505,878	\$4,789,853
School District's Covered Payroll	\$10,676,786	\$10,174,143	\$9,615,021	\$9,851,600
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	(13.64)%	(14.13)%	36.46%	48.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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**Portsmouth City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$433,670	\$374,958	\$387,219	\$446,486
Contributions in Relation to the Contractually Required Contribution	<u>(433,670)</u>	<u>(374,958)</u>	<u>(387,219)</u>	<u>(446,486)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,097,643	\$2,777,467	\$2,868,289	\$3,189,186
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	41,503	66,286	60,245	49,162
Contributions in Relation to the Contractually Required Contribution	<u>(41,503)</u>	<u>(66,286)</u>	<u>(60,245)</u>	<u>(49,162)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.34%</u>	<u>2.39%</u>	<u>2.10%</u>	<u>1.54%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.34%</u>	<u>15.89%</u>	<u>15.60%</u>	<u>15.54%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information



2016	2015	2014	2013	2012	2011
\$378,036	\$376,307	\$370,293	\$356,152	\$369,610	\$338,528
(378,036)	(376,307)	(370,293)	(356,152)	(369,610)	(338,528)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,700,257	\$2,855,136	\$2,671,664	\$2,573,351	\$2,748,031	\$2,693,141
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
47,380	72,365	49,816	47,403	54,516	77,592
(47,380)	(72,365)	(49,816)	(47,403)	(54,516)	(77,592)
\$0	\$0	\$0	\$0	\$0	\$0
1.75%	2.53%	1.86%	1.84%	1.98%	2.88%
15.75%	15.71%	15.72%	15.68%	15.43%	15.45%

**Portsmouth City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,430,206	\$1,494,750	\$1,424,380	\$1,346,103
Contributions in Relation to the Contractually Required Contribution	<u>(1,430,206)</u>	<u>(1,494,750)</u>	<u>(1,424,380)</u>	<u>(1,346,103)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$10,215,757	\$10,676,786	\$10,174,143	\$9,615,021
Pension Contributions as a Percentage of Covered Payroll (1)	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$1,379,224	\$1,332,640	\$1,224,730	\$1,328,266	\$1,224,760	\$1,316,529
(1,379,224)	(1,332,640)	(1,224,730)	(1,328,266)	(1,224,760)	(1,316,529)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,851,600	\$9,518,857	\$9,421,000	\$10,217,431	\$9,421,231	\$10,127,146
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$94,210	\$102,174	\$94,212	\$101,271
<u>0</u>	<u>0</u>	<u>(94,210)</u>	<u>(102,174)</u>	<u>(94,212)</u>	<u>(101,271)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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**Portsmouth City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Net Pension Liability**

**Changes in Benefit Terms – SERS**

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

**Changes in Assumptions - SERS**

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.0 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

**Portsmouth City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Net OPEB Liability**

**Changes in Assumptions – SERS**

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

In fiscal year 2020, the discount rate was changed from 3.70% to 3.22%.

In fiscal year 2019, the discount rate was changed from 3.63% to 3.70%. The health care trend rates were also updated.

In fiscal year 2018, the discount rate was change from 2.98% to 3.63%.

In fiscal year 2017, the following assumptions were changed:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - o RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.

**Portsmouth City School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**Changes in Benefit Terms – STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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**PORTSMOUTH CITY SCHOOL DISTRICT  
SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grant Year</b>	<b>Provided Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2019-2020	\$ 0	\$ 64,679
Cash Assistance:				
School Breakfast Program	10.553	2019-2020	0	235,522
School Breakfast Program - COVID 19		2019-2020	0	47,673
National School Lunch Program	10.555	2019-2020	0	541,934
National School Lunch Program - COVID 19		2019-2020	0	98,977
Total Child Nutrition Cluster			0	988,785
Fresh Fruits and Vegetable Program	10.582	2019-2020	0	55,532
Total U.S. Department of Agriculture			0	1,044,317
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Direct Program</i>				
Impact Aid	84.041	2019 2020	0 0	21,644 3,610
Total Impact Aid			0	25,254
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2019 2020	0 0	179,403 1,528,185
Total Title I Grants to Local Educational Agencies			0	1,707,588
Special Education Cluster:				
Special Education Grants to States	84.027	2019 2020	0 0	86,884 741,354
Total Special Education Grants to States			0	828,238
Special Education 6B IDEA Restoration	84.027A	2019 2020	0 0	14,475 73,148
Total Special Education 6B IDEA Restoration			0	87,623
Special Education Preschool Grants	84.173	2020	0	6,992
Total Special Education Cluster			0	922,853
Supporting Effective Instruction State Grants	84.367	2020	0	88,987
Student Support and Academic Enrichment Program	84.424	2020	0	87,803
Total U.S. Department of Education			0	2,832,485
<b>Total Expenditures of Federal Awards</b>			<b>\$ 0</b>	<b>\$ 3,876,802</b>

The accompanying notes are an integral part of this schedule.

**PORTSMOUTH CITY SCHOOL DISTRICT  
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Portsmouth City School District (the School District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Portsmouth City School District  
Scioto County  
724 Findlay Street  
Portsmouth, Ohio 45662

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portsmouth City School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 14, 2021 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2020-001.

***School District's Response to Finding***

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
June 14, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Portsmouth City School District  
Scioto County  
724 Findlay Street  
Portsmouth, Ohio 45662

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Portsmouth City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Portsmouth City School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Portsmouth City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
June 14, 2021

**PORTSMOUTH CITY SCHOOL DISTRICT  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster - CFDA #s 84.027; 84.027A and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2020-001**

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the School District had expenditures in excess of appropriations as of June 30, 2020 as follows: General Fund, in the amount of \$1,533,465; School Facilities Maintenance Fund, in the amount of \$164; Bond Retirement Fund, in the amount of \$27,388; Permanent Improvement Fund, in the amount of \$11,153; and Food Service Fund, in the amount of \$27,656.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Education should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





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*Office of the Treasurer*

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2020

Finding Number: 2020-001  
Planned Corrective Action: In the future I will review the SETBAL and make sure to compare all expenditures to appropriations to ensure accurate expenditures before the final approval.  
Anticipated Completion Date: June 30, 2021  
Responsible Contact Person: Dianna Reedy, Treasurer



# OHIO AUDITOR OF STATE KEITH FABER



**PORTSMOUTH CITY SCHOOL DISTRICT**

**SCIOTO COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 6/29/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)