



OHIO AUDITOR OF STATE
KEITH FABER



**PORTSMOUTH CITY SCHOOL DISTRICT
SCIOTO COUNTY**

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SCIOTO COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Title I 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 Notes 3 and 11 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 March 7, 2019, 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

March 7, 2019

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Portsmouth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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, 2018. 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 increased \$10,422,357 mainly due to a decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments and assumed no cost of living increases.

The School District provided a one percent base salary increase during the fiscal year.

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 2018?" 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 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

Portsmouth City School District
Management's Discussion and Analysis
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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, extracurricular activities, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. 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, Title I Special Revenue Fund, the Bond Retirement Debt Service Fund, and Permanent Improvement Capital Project 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.

Fiduciary Funds - The School District's fiduciary funds are a private purpose trust fund and an agency fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

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 2018 and fiscal year 2017:

Portsmouth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1
Net Position

	2018	Restated 2017	Change
<u>Assets:</u>			
Current and Other Assets	\$14,548,096	\$14,493,924	\$54,172
Capital Assets, Net	47,116,520	48,704,756	(1,588,236)
Total Assets	61,664,616	63,198,680	(1,534,064)
<u>Deferred Outflows of Resources:</u>			
Deferred Charge on Refunding	174,454	199,376	(24,922)
Pension	7,872,793	6,649,324	1,223,469
OPEB	276,090	49,162	226,928
Total Deferred Outflows of Resources	8,323,337	6,897,862	1,425,475
<u>Liabilities:</u>			
Current and Other Liabilities	2,586,900	2,709,590	(122,690)
Long-Term Liabilities:			
Due Within One Year	1,386,441	368,210	1,018,231
Due In More Than One Year:			
Net Pension Liability	26,808,417	36,852,257	(10,043,840)
OPEB Liability	5,988,571	7,497,684	(1,509,113)
Other Amounts	9,567,376	11,283,713	(1,716,337)
Total Liabilities	46,337,705	58,711,454	(12,373,749)
<u>Deferred Inflows of Resources:</u>			
Deferred Gain on Refunding	78,352	91,058	(12,706)
Property Taxes	6,056,519	5,765,072	291,447
Pension	1,439,637	610,155	829,482
OPEB	734,580	0	734,580
Total Deferred Inflows of Resources	8,309,088	6,466,285	1,842,803
<u>Net Position:</u>			
Net Investment in Capital Assets	37,956,288	39,620,901	(1,664,613)
Restricted	4,997,687	4,704,263	293,424
Unrestricted (Deficit)	(27,612,815)	(39,406,361)	11,793,546
Total Net Position	\$15,341,160	\$4,918,803	\$10,422,357

Portsmouth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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 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.

Portsmouth City School District
Management's Discussion and Analysis
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Unaudited

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$12,367,325 to \$4,918,803.

Total Assets decreased \$1,534,064 mainly due to current year depreciation exceeding current year capital asset additions.

Total liabilities decreased \$12,373,749. Net Pension Liability decreased mainly as a result of changes made during the fiscal year by the STRS Retirement System.

Total net position increased \$10,422,357. Unrestricted net position accounted for the majority share of the net position increase mainly as a result of changes made during the fiscal year by the STRS Retirement System.

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

Portsmouth City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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Table 2
Change in Net Position

	2018	2017	Increase/ (Decrease)
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,086,545	\$1,064,614	\$21,931
Operating Grants, Contributions, and Interest	6,709,355	7,270,617	(561,262)
Total Program Revenues	7,795,900	8,335,231	(539,331)
General Revenues:			
Property Taxes	6,133,577	6,426,318	(292,741)
Grants and Entitlements not Restricted to Specific Programs	19,371,773	19,771,652	(399,879)
Contributions and Donations	100	500	(400)
Investment Earnings	14,295	3,396	10,899
Miscellaneous	120,031	137,596	(17,565)
Total General Revenues	25,639,776	26,339,462	(699,686)
Total Revenues	33,435,676	34,674,693	(1,239,017)
Program Expenses:			
Instruction:			
Regular	12,635,379	17,365,724	(4,730,345)
Special	2,752,679	6,842,260	(4,089,581)
Vocational	139,094	213,655	(74,561)
Student Intervention Services	71,675	76,177	(4,502)
Support Services:			
Pupils	152,942	1,398,118	(1,245,176)
Instructional Staff	524,358	1,000,128	(475,770)
Board of Education	21,193	27,059	(5,866)
Administration	1,211,285	1,859,159	(647,874)
Fiscal	851,551	932,542	(80,991)
Business	100,230	87,479	12,751
Operation and Maintenance of Plant	2,355,231	2,573,913	(218,682)
Pupil Transportation	523,239	567,912	(44,673)
Central	12,853	163,375	(150,522)
Operation of Non-Instructional Services	1,428,098	1,803,201	(375,103)
Extracurricular Activities	(56,114)	457,994	(514,108)
Interest and Fiscal Charges	289,626	459,126	(169,500)
Total Expenses	23,013,319	35,827,822	(12,814,503)
Change in Net Position	10,422,357	(1,153,129)	\$11,575,486
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	4,918,803	N/A	
<i>Net Position End of Year</i>	\$15,341,160	\$4,918,803	

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$49,162 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$941,216. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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Management's Discussion and Analysis
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Total 2018 program expenses under GASB 75	\$23,013,319
Negative OPEB expense under GASB 75	941,216
2018 contractually required contribution	<u>60,245</u>
Adjusted 2018 program expenses	24,014,780
Total 2017 program expenses under GASB 45	<u>35,827,822</u>
Decrease in program expenses not related to OPEB	<u><u>(\$11,813,042)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 10) As a result of these changes, pension expense decreased from \$2,786,322 in fiscal year 2017 to a negative pension expense of \$8,626,228 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$3,586,294)
Special	(2,738,012)
Vocational	(87,725)
Student Intervention Services	(1,787)
Support Services:	
Pupils	(872,277)
Instructional Staff	(237,752)
Board of Education	(743)
Administration	(484,791)
Fiscal	(17,440)
Business	(2,416)
Operation and Maintenance of Plant	(67,228)
Pupil Transportation	(15,681)
Central	(63,848)
Operation of	
Non-Instructional Services:	
Food Service Operations	(28,961)
Community Services	(52,041)
Extracurricular Activities	<u>(369,232)</u>
Total Expenses	<u><u>(\$8,626,228)</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.

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Management's Discussion and Analysis
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Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenue were \$7,795,900 for fiscal year 2018. The most significant decrease in program revenues was in Operating Grants, Contributions, and Interest which was a result of a decrease in grant monies received.

General revenues were \$25,639,776 for fiscal year 2018. The majority of these revenues are in the form of Grants and Entitlements not Restricted to Specific Programs and Property Taxes. General revenues decreased due to losing State foundation as a result of the decrease in student enrollment.

Expenses for the School District decreased \$12,814,503. This decrease is mainly due to the decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments and assumed no cost of living increases.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions, including interest, offsetting those services. Regular Instruction, which represents expenses for general classroom instruction, receives revenues to offset its costs. Another of these programs is Special Instruction which provides for its costs primarily in the form of operating grants restricted for special instruction. Another program which receives a large amount of revenues to offset costs is Operation of Non-Instructional Services. This is primarily due to cafeteria sales and State and federal subsidies and donated commodities for food service.

The School District's Funds

Information about the School District's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32,926,212 and expenditures of \$33,898,124. The net change in fund balance for the fiscal year in the General Fund was a decrease of \$426,177 which was due to raises.

The Bond Retirement Debt Service Fund balance decreased \$223,704. This was the result of revenues for the fiscal year, consisting of property taxes, homestead and rollback reimbursements, being less than the School District's annual debt payments.

The Permanent Improvement Capital Project Fund balance increased \$300,574 due to property taxes, homestead and rollback reimbursements being greater than current fiscal year capital improvement expenditures.

The Title I Special Revenue Fund balance decreased \$213,314 due to grant money received being less than the School District's expenditures.

Portsmouth City School District
Management's Discussion and Analysis
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Unaudited

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 2018, 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 \$91,931 in revenues from the original budget to the final budget, which is insignificant. 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 increase in expenditures from the original to the final budget was \$445,459, which is significant and is mainly due to the one percent base pay increase for employees. There was a difference of \$192,308 in actual expenditures made from the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$47,116,520 invested in capital assets (net of accumulated depreciation). Additions to capital assets include various land improvements, furniture, fixtures, and equipment and vehicles. For further information regarding the School District's capital assets, refer to Note 8 in the Notes to the Basic Financial Statements.

Debt

At June 30, 2018, the School District had \$9,020,000 in bonds, \$1,110,000 of which is due within one year. At fiscal year-end, the School District's ending capital lease liability was \$236,334. 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.

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Portsmouth City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,230,738
Accounts Receivable	2,426
Accrued Interest Receivable	6,013
Intergovernmental Receivable	1,589,936
Prepaid Items	24,345
Inventory Held for Resale	34,212
Materials and Supplies Inventory	21,468
Property Taxes Receivable	7,638,958
Capital Assets:	
Land and Paintings	7,590,892
Depreciable Capital Assets, Net	39,525,628
<i>Total Assets</i>	61,664,616
<u>Deferred Outflows of Resources:</u>	
Deferred Charges on Refunding	174,454
Pension	7,872,793
OPEB	276,090
<i>Total Deferred Outflows of Resources</i>	8,323,337
<u>Liabilities:</u>	
Accounts Payable	98,892
Accrued Wages and Benefits Payable	2,062,425
Intergovernmental Payable	386,574
Accrued Interest Payable	14,507
Matured Compensated Absences Payable	14,792
Claims Payable	9,710
Long-Term Liabilities:	
Due Within One Year	1,386,441
Due in More Than One Year:	
Net Pension Liability (See Note 10)	26,808,417
Net OPEB Liability (See Note 11)	5,988,571
Other Amounts	9,567,376
<i>Total Liabilities</i>	46,337,705
<u>Deferred Inflows of Resources:</u>	
Deferred Gain on Refunding	78,352
Property Taxes	6,056,519
Pension	1,439,637
OPEB	734,580
<i>Total Deferred Inflows of Resources</i>	8,309,088
<u>Net Position:</u>	
Net Investment in Capital Assets	37,956,288
Restricted for:	
Debt Service	1,364,208
Capital Projects	1,275,797
Food Service Operations	201,331
Special Donations	64,470
Facilities Maintenance	1,403,530
State Grants	99,012
Federal Grants	589,339
Unrestricted (Deficit)	(27,612,815)
<i>Total Net Position</i>	\$15,341,160

See accompanying notes to the basic financial statements

Portsmouth City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$12,635,379	\$580,672	\$80,232	(\$11,974,475)
Special	2,752,679	138,356	4,905,059	2,290,736
Vocational	139,094	0	74,137	(64,957)
Student Intervention Services	71,675	0	0	(71,675)
Support Services:				
Pupils	152,942	12,607	50,960	(89,375)
Instructional Staff	524,358	1,319	115,772	(407,267)
Board of Education	21,193	0	0	(21,193)
Administration	1,211,285	52,221	202,622	(956,442)
Fiscal	851,551	0	0	(851,551)
Business	100,230	65,216	0	(35,014)
Operation and Maintenance of Plant	2,355,231	100,912	0	(2,254,319)
Pupil Transportation	523,239	0	10,101	(513,138)
Central	12,853	0	0	(12,853)
Operation of Non-Instructional Services:				
Food Service Operations	1,093,503	52,497	1,041,309	303
Other	334,595	0	227,239	(107,356)
Extracurricular Activities	(56,114)	82,745	1,924	140,783
Interest and Fiscal Charges	289,626	0	0	(289,626)
Total Governmental Activities	\$23,013,319	\$1,086,545	\$6,709,355	(15,217,419)

General Revenues:

Property Taxes Levied for:	
General Purposes	4,810,464
Debt Service	882,042
Capital Outlay	441,071
Grants and Entitlements not Restricted to Specific Programs	19,371,773
Contributions and Donations	100
Investment Earnings	14,295
Miscellaneous	120,031
Total General Revenues	25,639,776
Change in Net Position	10,422,357
<i>Net Position at Beginning of Year - Restated (See Note 3)</i>	4,918,803
Net Position at End of Year	\$15,341,160

See accompanying notes to the basic financial statements

Portsmouth City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Title I Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$1,104,978	\$0	\$1,140,331	\$1,118,241	\$1,775,992	\$5,139,542
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	38,498	0	0	0	0	38,498
Receivables:						
Property Taxes	5,853,326	0	1,118,658	559,378	107,596	7,638,958
Accounts	2,426	0	0	0	0	2,426
Intergovernmental	94,135	944,534	0	0	551,267	1,589,936
Accrued Interest	6,013	0	0	0	0	6,013
Interfund	815,049	0	0	0	0	815,049
Prepaid Items	12,215	9,564	0	0	2,566	24,345
Materials and Supplies Inventory	13,637	0	0	0	7,831	21,468
Inventory Held for Resale	0	0	0	0	34,212	34,212
Total Assets	\$7,940,277	\$954,098	\$2,258,989	\$1,677,619	\$2,479,464	\$15,310,447
<u>Liabilities:</u>						
Accounts Payable	\$92,858	\$0	\$0	\$134	\$5,900	\$98,892
Accrued Wages and Benefits Payable	1,783,889	152,209	0	0	126,327	2,062,425
Intergovernmental Payable	329,274	25,108	0	0	32,192	386,574
Interfund Payable	0	412,938	0	0	402,111	815,049
Matured Compensated Absences Payable	14,792	0	0	0	0	14,792
Total Liabilities	2,220,813	590,255	0	134	566,530	3,377,732
<u>Deferred Inflows of Resources:</u>						
Property Taxes	4,650,395	0	880,274	440,186	85,664	6,056,519
Unavailable Revenue	1,037,408	944,534	201,967	100,984	555,528	2,840,421
Total Deferred Inflows of Resources	5,687,803	944,534	1,082,241	541,170	641,192	8,896,940
<u>Fund Balances:</u>						
Nonspendable	25,852	9,564	0	0	10,397	45,813
Restricted	38,498	0	1,176,748	1,136,315	1,701,674	4,053,235
Committed	246,906	0	0	0	40,385	287,291
Assigned	78,086	0	0	0	2,400	80,486
Unassigned (Deficit)	(357,681)	(590,255)	0	0	(483,114)	(1,431,050)
Total Fund Balances (Deficit)	31,661	(580,691)	1,176,748	1,136,315	1,271,742	3,035,775
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$7,940,277	\$954,098	\$2,258,989	\$1,677,619	\$2,479,464	\$15,310,447

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, 2018*

Total Governmental Fund Balances \$3,035,775

**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	7,537,849	
Paintings	53,043	
Depreciable capital assets	64,918,250	
Accumulated depreciation	<u>(25,392,622)</u>	
Total capital assets		47,116,520

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	1,342,360	
Intergovernmental	1,493,991	
Accrued Interest	2,720	
Accounts	<u>1,350</u>	
Total		2,840,421

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (14,507)

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 174,454

Deferred inflows of resources represent deferred gains on refunding which do not provide current financial resources and, therefore are not reported in the funds. (78,352)

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

Deferred Outflows - Pension	7,872,793	
Deferred Outflows - OPEB	276,090	
Deferred Inflows - Pension	(1,439,637)	
Deferred Inflows - OPEB	(734,580)	
Net Pension Liability	(26,808,417)	
Net OPEB Liability	<u>(5,988,571)</u>	
Total		(26,822,322)

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	(9,020,000)	
Capital leases	(236,334)	
Compensated absences	<u>(1,697,483)</u>	
Total		(10,953,817)

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. 42,988

Net Position of Governmental Activities \$15,341,160

Portsmouth City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2018

	General Fund	Title I Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property Taxes	\$4,746,937	\$0	\$886,957	\$443,527	\$86,243	\$6,163,664
Intergovernmental	22,079,318	1,292,976	123,568	61,784	1,928,895	25,486,541
Investment Earnings	14,354	0	0	0	71	14,425
Tuition and Fees	838,237	0	0	0	13,049	851,286
Extracurricular Activities	95,248	0	0	0	70,886	166,134
Rentals	19,526	0	0	0	0	19,526
Charges for Services	8,801	0	0	0	39,448	48,249
Contributions and Donations	24,655	0	0	0	31,701	56,356
Miscellaneous	115,919	0	0	0	4,112	120,031
Total Revenues	27,942,995	1,292,976	1,010,525	505,311	2,174,405	32,926,212
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	16,474,953	0	0	42,715	80,611	16,598,279
Special	4,018,879	1,377,909	0	0	515,274	5,912,062
Vocational	225,791	0	0	0	0	225,791
Student Intervention Services	74,774	1,014	0	0	0	75,788
Support Services:						
Pupils	1,175,327	96	0	0	44,774	1,220,197
Instructional Staff	691,929	92,665	0	0	21,139	805,733
Board of Education	22,904	0	0	0	0	22,904
Administration	1,429,645	0	0	0	158,795	1,588,440
Fiscal	789,017	0	54,902	12,184	5,401	861,504
Business	94,572	0	0	0	0	94,572
Operation and Maintenance of Plant	2,363,416	0	0	2,070	24,534	2,390,020
Pupil Transportation	515,918	0	0	0	2,239	518,157
Central	95,688	0	0	0	0	95,688
Operation of Non-Instructional Services:						
Food Service Operations	1,988	0	0	0	1,028,553	1,030,541
Other	0	37,945	0	0	329,173	367,118
Extracurricular Activities	284,145	0	0	0	84,971	369,116
Capital Outlay	205,722	0	0	193,284	0	399,006
Debt Service:						
Principal Retirement	92,265	0	100,000	32,806	0	225,071
Interest and Fiscal Charges	13,622	0	174,327	5,188	0	193,137
Capital Appreciation Bond Accretion	0	0	905,000	0	0	905,000
Total Expenditures	28,570,555	1,509,629	1,234,229	288,247	2,295,464	33,898,124
Excess of Revenues Over (Under) Expenditures	(627,560)	(216,653)	(223,704)	217,064	(121,059)	(971,912)
<u>Other Financing Sources (Uses):</u>						
Inception of Capital Leases	205,722	0	0	83,510	0	289,232
Transfers In	0	3,339	0	0	1,000	4,339
Transfers Out	(4,339)	0	0	0	0	(4,339)
Total Other Financing Sources (Uses)	201,383	3,339	0	83,510	1,000	289,232
Net Change in Fund Balances	(426,177)	(213,314)	(223,704)	300,574	(120,059)	(682,680)
Fund Balances (Deficit) at Beginning of Year	457,838	(367,377)	1,400,452	835,741	1,391,801	3,718,455
Fund Balances at End of Year (Deficit)	<u>\$31,661</u>	<u>(\$580,691)</u>	<u>\$1,176,748</u>	<u>\$1,136,315</u>	<u>\$1,271,742</u>	<u>\$3,035,775</u>

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, 2018*

Net Change in Fund Balances - Total Governmental Funds (\$682,680)

**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	356,865	
Depreciation expense	<u>(1,937,053)</u>	
Excess of depreciation over capital outlay expense		(1,580,188)

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		(8,048)
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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	(30,087)	
Intergovernmental	538,303	
Investment Earnings	(102)	
Tuition and Fees	<u>1,350</u>	
Total		509,464

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

Pension	1,811,599	
OPEB	<u>60,245</u>	
Total		1,871,844

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	8,626,228	
OPEB	<u>941,216</u>	
Total		9,567,444

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Position, the debt is reported as a liability.

Inception of capital lease		(289,232)
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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	25,000	
Payment of Capital Appreciation Bond Accretion	980,000	
Capital lease payments	<u>125,071</u>	
Total		1,130,071

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	15,643	
Amortization of deferred charges/gain on refunding	(12,216)	
Accretion on bonds	<u>(99,916)</u>	
Total		(96,489)

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:

Increase in compensated absences payable		(42,817)
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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		<u>42,988</u>
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Change in Net Position of Governmental Activities \$10,422,357

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, 2018*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,784,538	\$4,912,736	\$4,912,736	\$0
Intergovernmental	22,485,893	22,159,043	22,159,062	19
Investment Earnings	31,070	30,851	30,851	0
Tuition and Fees	838,172	838,237	838,237	0
Rentals	19,527	19,526	19,526	0
Charges for Services	3,379	106,954	2,840	(104,114)
Contributions and Donations	0	100	100	0
Miscellaneous	20,243	23,444	23,440	(4)
<i>Total Revenues</i>	28,182,822	28,090,891	27,986,792	(104,099)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	16,263,341	16,395,701	16,368,799	26,902
Special	3,839,650	4,049,935	4,009,398	40,537
Vocational	180,236	226,349	223,128	3,221
Student Intervention Services	49,031	86,894	75,843	11,051
Support Services:				
Pupils	1,152,118	1,170,441	1,161,510	8,931
Instructional Staff	700,523	741,292	727,422	13,870
Board of Education	24,476	25,503	25,437	66
Administration	1,509,967	1,530,471	1,523,514	6,957
Fiscal	808,946	791,320	789,437	1,883
Business	46,600	45,746	45,346	400
Operation and Maintenance of Plant	2,450,451	2,340,725	2,318,309	22,416
Pupil Transportation	474,471	531,446	529,424	2,022
Central	156,736	151,570	100,020	51,550
Operation of Non-Instructional Services:				
Food Services Operations	1,125	2,064	2,058	6
Other	89	935	0	935
Extracurricular Activities	244,414	257,241	255,680	1,561
<i>Total Expenditures</i>	27,902,174	28,347,633	28,155,325	192,308
Excess of Revenues Over (Under) Expenditures	280,648	(256,742)	(168,533)	88,209
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	25,099	75,769	75,769	0
Advances In	0	452,767	452,767	0
Advances Out	(456,106)	(123,672)	(123,672)	0
<i>Total Other Financing Sources (Uses)</i>	(431,007)	404,864	404,864	0
Net Change in Fund Balance	(150,359)	148,122	236,331	88,209
Fund Balance at Beginning of Year	1,007,795	1,007,795	1,007,795	0
Prior Year Encumbrances Appropriated	34,765	34,765	34,765	0
Fund Balance at End of Year	\$892,201	\$1,190,682	\$1,278,891	\$88,209

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)*
Title I Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$2,227,127	\$1,292,976	\$1,292,976	\$0
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	1,345,961	1,444,885	1,444,885	0
Vocational	0	1,014	1,014	0
Support Services:				
Pupils	0	96	96	0
Instructional Staff	185,540	98,420	98,420	0
Operation of Non-Instructional Services:				
Other	38,290	37,577	37,577	0
<i>Total Expenditures</i>	<u>1,569,791</u>	<u>1,581,992</u>	<u>1,581,992</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	657,336	(289,016)	(289,016)	0
<u>Other Financing Uses:</u>				
Advances Out	0	(124,579)	(124,579)	0
Net Change in Fund Balance	657,336	(413,595)	(413,595)	0
Fund Balance (Deficit) at Beginning of Year	(57,959)	(57,959)	(57,959)	0
Prior Year Encumbrances Appropriated	57,959	57,959	57,959	0
Fund Balance (Deficit) at End of Year	<u>\$657,336</u>	<u>(\$413,595)</u>	<u>(\$413,595)</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Portsmouth City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2018

	<u>Self-Insurance</u>
<u>Assets:</u>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$52,698
<u>Liabilities:</u>	
Current Liabilities:	
Claims Payable	<u>9,710</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$42,988</u></u>

See accompanying notes to the basic financial statements

Portsmouth City School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Position
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2018*

	<u>Self-Insurance</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$104,114</u>
<u>Operating Expenses:</u>	
Purchased Services	8,622
Claims	<u>52,504</u>
<i>Total Operating Expenses</i>	<u>61,126</u>
<i>Change in Net Position</i>	42,988
<i>Net Position at Beginning of Year</i>	<u>0</u>
<i>Net Position at End of Year</i>	<u><u>\$42,988</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, 2018

	<u>Self-Insurance</u>
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$104,114
Cash Payments to Suppliers for Goods and Services	(8,622)
Cash Payments for Claims	<u>(42,794)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	52,698
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>0</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$52,698</u></u>
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating Income	\$42,988
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Claims Payable	<u>9,710</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$52,698</u></u>

See accompanying notes to the basic financial statements

Portsmouth City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$185	\$7,636
<u>Liabilities:</u>		
Undistributed Monies	0	\$7,636
<u>Net Position:</u>		
Held in Trust for Scholarships	\$185	

See accompanying notes to the basic financial statements

Portsmouth City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
	Scholarships
<u>Additions:</u>	
Gifts and Donations	\$752
<u>Deductions:</u>	
Scholarships	730
<i>Change in Net Position</i>	22
<i>Net Position at Beginning of Year</i>	163
<i>Net Position at End of Year</i>	\$185

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, 2018

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 77 non-certificated employees, 150 certificated full-time personnel and 15 administrative employees who provide services to 1,754 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 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
Coalition of Rural and Appalachian Schools

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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. Fiduciary funds are reported by type.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 three categories; governmental, proprietary, and fiduciary.

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.

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.

Title I Fund

To account for and report federal grants restricted to the special needs of educationally deprived children.

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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students; and two agency funds, one used for the Ohio High School Athletic Association tournament and the second is used to account for student managed activity programs.

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.

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.

The private purpose trust fund is reported using the flow of economic resources measurement focus.

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 and the financial statements of the fiduciary funds 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"

Portsmouth City School District
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For the Fiscal Year Ended June 30, 2018

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, charges for services, grants, and accrued interest.

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, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, accounts, 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 18. 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).

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 2018, the School District's investments were limited to a Money Market Mutual Fund, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, Federal Home Loan Bank Discount Notes, Federal Home Loan Mortgage Bonds, 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.

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 2018 amounted to \$14,354, which includes \$7,210 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.

Portsmouth City School District
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For the Fiscal Year Ended June 30, 2018

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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 expended/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 \$1,000. 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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	5 - 10 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Vehicles	8 - 10 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.

Portsmouth City School District
Notes to the Basic Financial Statements
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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 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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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

Portsmouth City School District
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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 for employee benefits, and 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. 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

Transfers within governmental activities are eliminated on the government-wide financial statements.

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.

Portsmouth City School District
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For the Fiscal Year Ended June 30, 2018

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, other than the agency fund, 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 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 entire fiscal year, including amounts automatically carried over from prior fiscal years.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used to debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The effect of this implementation on net position as reported at June 30, 2017 is presented in the following table.

Net Position June 30, 2017	\$12,367,325
Adjustments:	
Net OPEB Liability	(7,497,684)
Deferred Outflow - Payments Subsequent to Measurement Date	49,162
Restated Net Position June 30, 2017	\$4,918,803

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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 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).

Portsmouth City School District
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3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
6. Budgetary revenues and expenditures of the 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 Title I Special Revenue Fund.

Net Change in Fund Balance	General	Title I Fund
GAAP Basis	(\$426,177)	(\$213,314)
Adjustments:		
Revenue Accruals	29,544	0
Expenditure Accruals	274,945	(71,706)
Encumbrances	(37,422)	(657)
Decrease in Fair Value of Investments - 2018	34,247	0
Decrease in Fair Value of Investments - 2017	(16,323)	0
Transfers	3,339	(3,339)
Advances	329,095	(124,579)
Excess of revenues over expenditures for the Uniform School Supplies Fund	223	0
Excess of revenues under expenditures for the Rotary Fund	832	0
Excess of revenues under expenditures for the Public School Support Fund	699	0
Excess of revenues over expenditures for the Print Shop Fund	(12,171)	0
Excess of revenues over expenditures for the Faculty/Memorial Fund	(134)	0
Change in Fund Balance for the Severance Fund	55,634	0
Budget Basis	\$236,331	(\$413,595)

Note 5 – Deposits and Investments

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

Active deposits are public deposits 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.

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.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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

1. United States Treasury notes, bills, bonds, 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. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty 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; and
8. Written repurchase agreements in the securities described in (1) or (2) 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.

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. An investment must mature within five years from the 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, 2018, the School District had the following investments:

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Notes to the Basic Financial Statements
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Measurement/Investment	Measurement Amount	Maturity		S&P Rating	Percent of Total Investments
		Less than 1	1 - 4		
Fair Value - Level One Inputs					
Money Market Mutual Fund	\$14,343	\$14,343	\$0	AAAm	N/A
Fair Value - Level Two Inputs					
Federal Home Loan Bank Bonds	963,185	0	963,185	AA+	37.07%
Federal Home Loan Mortgage Bond	243,235	0	243,235	AA+	9.36%
Federal National Mortgage Association Note	211,184	0	211,184	AA+	8.13%
Federal Home Loan Mortgage Bonds	339,075	0	339,075	AA+	13.05%
Negotiable Certificates of Deposit	827,075	349,591	477,484	N/A	31.83%
Total Fair Value - Level Two Inputs	<u>2,583,754</u>	<u>349,591</u>	<u>2,234,163</u>		
Total Investments	<u>\$2,598,097</u>	<u>\$363,934</u>	<u>\$2,234,163</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, 2018. 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.

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.

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.

Portsmouth City School District
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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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 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, 2018, are available to finance fiscal year 2018 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, 2018 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, 2018, was \$240,079 and is recognized as revenue: \$181,975 in the General Fund, \$36,417 in the Bond Retirement Debt Service Fund, \$18,208 in the Permanent Improvement Fund and \$3,479 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2017, was \$452,625 and was recognized as revenue: \$347,774 in the General Fund, \$65,674 in the Bond Retirement Debt Service Fund and \$39,177 in the Nonmajor Governmental Funds.

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.

Portsmouth City School District
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The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$228,894,450	90.32%	\$226,487,570	89.94%
Public Utility Personal	24,518,360	9.68%	25,342,390	10.06%
Total Assessed Value	\$253,412,810	100.00%	\$251,829,960	100.00%
Tax rate per \$1,000 of assessed valuation	\$26.34		\$26.38	

Note 7 – Receivables

Receivables at June 30, 2018, 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:

	Amount
<u>Governmental Activities:</u>	
Early Childhood Preschool	\$28,510
IDEA-B	288,468
Title I	944,534
Early Childhood Special Education	11,911
Title II-A	151,044
Title IV-A	27,241
Title V-B, Rural and Low-Income	42,314
Due from Other Schools	6,500
Ohio Bureau of Workers Compensation Refund	62,878
State Employees Retirement System	12,382
Foundation Adjustment	14,154
Total Intergovernmental Receivable	\$1,589,936

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Note 8 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Additions	Deductions	Balance at 6/30/18
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$7,537,849	\$0	\$0	\$7,537,849
Paintings	53,043	0	0	53,043
Total Capital Assets Not Being Depreciated	7,590,892	0	0	7,590,892
Capital Assets Being Depreciated:				
Land Improvements	5,282,121	26,509	0	5,308,630
Buildings and Improvements	52,261,594	0	0	52,261,594
Furniture, Fixtures, and Equipment	3,398,687	246,846	(338,428)	3,307,105
Vehicles	888,999	83,510	0	972,509
Textbooks	3,068,412	0	0	3,068,412
Total Capital Assets Being Depreciated	64,899,813	356,865	(338,428)	64,918,250
Less Accumulated Depreciation:				
Land Improvements	(2,565,051)	(270,225)	0	(2,835,276)
Buildings and Improvements	(14,895,422)	(1,395,545)	0	(16,290,967)
Furniture, Fixtures, and Equipment	(2,779,238)	(199,624)	330,380	(2,648,482)
Vehicles	(775,067)	(4,537)	0	(779,604)
Textbooks	(2,771,171)	(67,122)	0	(2,838,293)
Total Accumulated Depreciation	(23,785,949)	(1,937,053) *	330,380	(25,392,622)
Total Capital Assets Being Depreciated, Net	41,113,864	(1,580,188)	(8,048)	39,525,628
Governmental Activities Capital Assets, Net	\$48,704,756	(\$1,580,188)	(\$8,048)	\$47,116,520

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

Instruction:	
Regular	\$690,918
Special	416,563
Vocational	21,962
Support Services:	
Pupils	66,386
Instructional Staff	55,889
Administration	268,861
Fiscal	26,006
Business	7,163
Operation and Maintenance of Plant	127,673
Pupil Transportation	41,046
Operation of Non-Instructional Services:	
Food Service Operations	126,320
Other	35,025
Extracurricular Activities	53,241
Total Depreciation Expense	\$1,937,053

The School District's total capital assets being depreciated amount above includes \$3,300,886 in fully depreciated capital assets.

Note 9 – Risk Management

Property and Liability

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

(continued)

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

(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.

Workers' Compensation

For fiscal year 2018, 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 its 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 \$9,710 reported in the internal service fund at June 30, 2018, 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 prior fiscal year is as follows:

	<u>Beginning of Fiscal Year</u>	<u>Fiscal Year Claims</u>	<u>Claims Payments</u>	<u>End of Fiscal Year</u>
2018	\$0	\$52,504	\$42,794	\$9,710

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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 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 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 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 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. Resulting adjustments to the net pension/OPEB liability 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.

Portsmouth City School District
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The proportionate share of each plan’s unfunded benefits is presented as a 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.

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, annual cost-of-living adjustments, 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 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 year 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

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The School District's contractually required contribution to SERS was \$387,219 for fiscal year 2018. Of this amount, \$23,723 is reported as an intergovernmental payable.

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 retirement 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.

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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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 goes to the DC Plan and the remaining 2 percent goes 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 after termination of employment at age 50 or later.

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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, 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. 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. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,424,380 for fiscal year 2018. Of this amount, \$195,265 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, 2017, 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	0.09390280%	0.08956301%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.09143040%</u>	<u>0.08985670%</u>	
Change in Proportionate Share	<u>-0.00247240%</u>	<u>0.00029369%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,462,765	\$21,345,652	\$26,808,417
Pension Expense	(\$246,706)	(\$8,379,522)	(\$8,626,228)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$235,099	\$824,268	\$1,059,367
Changes of assumptions	282,483	4,668,529	4,951,012
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	20,117	30,698	50,815
School District contributions subsequent to the measurement date	<u>387,219</u>	<u>1,424,380</u>	<u>1,811,599</u>
Total Deferred Outflows of Resources	<u>\$924,918</u>	<u>\$6,947,875</u>	<u>\$7,872,793</u>

Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$172,038	\$172,038
Net difference between projected and actual earnings on pension plan investments	25,931	704,431	730,362
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>127,051</u>	<u>410,186</u>	<u>537,237</u>
Total Deferred Outflows of Resources	<u>\$152,982</u>	<u>\$1,286,655</u>	<u>\$1,439,637</u>

\$1,811,599 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$175,814	\$823,155	\$998,969
2020	279,554	1,781,424	2,060,978
2021	56,698	1,251,687	1,308,385
2022	<u>(127,349)</u>	<u>380,574</u>	<u>253,225</u>
Total	<u>\$384,717</u>	<u>\$4,236,840</u>	<u>\$4,621,557</u>

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.

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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 pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage 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 investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the 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.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash 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	\$7,580,897	\$5,462,765	\$3,688,396

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

Portsmouth City School District
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	July 1, 2017	July 1, 2016
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 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.

For the July 1, 2017, actuarial valuation, 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 the July 1, 2016, 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.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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Asset Class	Target Allocation	Long-Term Expected Rate of Return *
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	100.00 %	

* 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, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2017. 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, 2017.

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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$30,598,265	\$21,345,652	\$13,551,712

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, 2018, two members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

Portsmouth City School District
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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 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 2018, .5 percent of covered payroll 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 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$45,904.

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 \$60,245 for fiscal year 2018. Of this amount, \$46,783 is reported as an intergovernmental payable.

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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, 2020. The Plan is included in the report of STRS which can be obtained by visiting 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. Nearly all health care plan enrollees, for the most recent year, 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 the fiscal year ended June 30, 2018, 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 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability 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	0.09499930%	0.08956301%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.09250880%</u>	<u>0.08985670%</u>	
Change in Proportionate Share	<u>-0.00249050%</u>	<u>0.00029369%</u>	
Proportionate Share of the Net			
OPEB Liability	\$2,482,693	\$3,505,878	\$5,988,571
OPEB Expense	\$126,344	(\$1,067,560)	(\$941,216)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$202,382	\$202,382
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	13,463	13,463
School District contributions subsequent to the measurement date	<u>60,245</u>	<u>0</u>	<u>60,245</u>
Total Deferred Outflows of Resources	<u>\$60,245</u>	<u>\$215,845</u>	<u>\$276,090</u>
Deferred Inflows of Resources			
Changes of assumptions	\$235,595	\$282,410	\$518,005
Net difference between projected and actual earnings on OPEB plan investments	6,556	149,850	156,406
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>60,169</u>	<u>0</u>	<u>60,169</u>
Total Deferred Inflows of Resources	<u>\$302,320</u>	<u>\$432,260</u>	<u>\$734,580</u>

\$60,245 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$108,800)	(\$48,557)	(\$157,357)
2020	(108,800)	(48,557)	(157,357)
2021	(83,080)	(48,557)	(131,637)
2022	(1,640)	(48,558)	(50,198)
2023	0	(11,095)	(11,095)
Thereafter	<u>0</u>	<u>(11,091)</u>	<u>(11,091)</u>
Total	<u>(\$302,320)</u>	<u>(\$216,415)</u>	<u>(\$518,735)</u>

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 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 pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 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 3.56 percent, as of June 30, 2017 (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 (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$2,998,168	\$2,482,693	\$2,074,305

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$2,014,519	\$2,482,693	\$3,102,329

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, 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
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 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, 2017, 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, 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.

Also since the prior measurement date, 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 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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.

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Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$4,706,583	\$3,505,878	\$2,556,926
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$2,435,733	\$3,505,878	\$4,914,311

Portsmouth City School District
Notes to the Basic Financial Statements
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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. Administrators can accumulate a maximum of the number of contract days plus 15. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 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 Anthem. 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 13 percent of healthcare premiums. Classified employees pay six 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.

Note 13 – Leases – Lessee Disclosure

During fiscal year 2018, the School District entered into new capital leases for a passenger bus and copiers. In prior fiscal years, the School District entered into a capital lease for a passenger bus. 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.

The passenger buses and copiers acquired by lease were capitalized in the amounts of \$83,510 and \$205,722, respectively, during fiscal year 2018, which is equal to the present value of the minimum lease payments at the time of acquisition. In prior fiscal years, a bus lease was capitalized in the amount of \$89,097. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2018 totaled \$125,071 and were paid from the General Fund and the Permanent Improvement Fund.

Portsmouth City School District
Notes to the Basic Financial Statements
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The assets acquired through the capital lease as of June 30, 2018, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Furniture, Fixtures, and Equipment	\$205,722	(\$96,335)	\$109,387
Vehicles	172,607	(30,209)	142,398
Totals	\$378,329	(\$126,544)	\$251,785

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, 2018:

Fiscal Year Ending June 30,	Total Payments
2019	\$94,312
2020	94,312
2021	42,758
2022	20,712
Total Outstanding Lease Liability	252,094
Less: Amount Representing Interest	(15,760)
Present Value of Net Minimum Lease Payments	\$236,334

In prior fiscal years, the School District entered into noncancelable operating leases for the use of a stadium and postage machines. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in fiscal year 2018 totaled \$11,551 in the General Fund.

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

Fiscal Year Ending June 30,	Total Payments
2019	\$10,000
2020	10,000
2021	10,000
2022	10,000
2023	10,000
2024-2028	50,000
2029-2033	50,000
2034-2038	47,500
Total	\$197,500

Portsmouth City School District
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Note 14 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

	Restated Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Due Wthin One Year
Governmental Activities:					
General Obligation Bonds:					
2007 School Improvement Refunding Bonds:					
Capital Appreciation Bonds 24.46%	\$75,000	\$0	\$75,000	\$0	\$0
Accretion on Capital Appreciation Bonds	805,084	99,916	905,000	0	0
2017 Various Purpose School Improvement Refunding Bonds:					
Term Bonds 1.93%	9,045,000	0	25,000	9,020,000	1,110,000
Total General Obligation Bonds	9,925,084	99,916	1,005,000	9,020,000	1,110,000
Net Pension Liability:					
STRS	29,979,438	0	8,633,786	21,345,652	0
SERS	6,872,819	0	1,410,054	5,462,765	0
Total Net Pension Liability	36,852,257	0	10,043,840	26,808,417	0
Net OPEB Liability:					
STRS	4,789,853	0	1,283,975	3,505,878	0
SERS	2,707,831	0	225,138	2,482,693	0
Total Net OPEB Liability	7,497,684	0	1,509,113	5,988,571	0
Capital Leases	72,173	289,232	125,071	236,334	86,135
Compensated Absences	1,654,666	300,880	258,063	1,697,483	190,306
Total Governmental Activities Long-Term Obligations	\$56,001,864	\$690,028	\$12,941,087	\$43,750,805	\$1,386,441

2007 School Improvement Refunding Bonds - On October 11, 2006, the School District issued \$9,800,000 in general obligation bonds for the purpose of advance refunding a portion of the 2002 Classroom Facilities General Obligation Serial Bonds.

The serial bonds of the 2007 School Improvement General Obligation Refunding Bonds, issued at \$9,400,000 with maturity dates of December 1, 2007, to December 1, 2012, and December 1, 2018, to December 1, 2024, are subject to optional redemption, in whole or in part on any date in any order of maturity and by lot within a maturity at the option of the issuer on or after December 1, 2016, at the redemption price of 100 percent.

The above amounts of refunded bonds have been defeased and are not reported in the accompanying basic financial statements.

Portsmouth City School District
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For the Fiscal Year Ended June 30, 2018

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. At June 30, 2018, \$9,020,000 of the refunded bonds were still outstanding.

The capital appreciation bonds of the 2007 School Improvement General Obligation Refunding Bonds, issued at \$75,000, are not subject to prior redemption. The capital appreciation bonds matured and were retired during fiscal year 2018 in the amount of \$980,000. Accretion on the capital appreciation bonds for fiscal year 2018 was \$99,916.

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 \$14,821,444 with an unvoted debt margin of \$251,830 at June 30, 2018.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Total
2019	\$1,110,000	\$163,375	\$1,273,375
2020	1,180,000	141,276	1,321,276
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
2024-2025	2,790,000	54,137	2,844,137
Total	<u>\$9,020,000</u>	<u>\$636,130</u>	<u>\$9,656,130</u>

Note 15 – Interfund Activity

Advances

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		<u>General Fund</u>
Payable	Title I	\$412,938
	Nonmajor	
	Governmental Funds	402,111
	Total	<u>\$815,049</u>

General Fund advances are made to move 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.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Transfers

Transfers made during the fiscal year ended June 30, 2018, were as follows:

		Transfers From
		<u>General Fund</u>
To	Title I	\$3,339
	Nonmajor	
	Governmental Funds	1,000
	Total	\$4,339

Transfers were made to Title I and the Nonmajor Special Revenue Funds to support programs accounted for in those funds.

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 \$84,629 for services provided during the fiscal year. Financial information can be obtained from META Solutions, David Varda, CFO, 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.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a board which is composed of 14 members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the coalition 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’s membership fee was \$650 for fiscal year 2018.

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.

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, 2017	\$0
Current Fiscal Year Set-aside Requirement	299,846
Current Fiscal Year Offsets	(619,688)
Qualifying Disbursements	(209,332)
Set-aside Balance as of June 30, 2018	(\$529,174)
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.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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	\$37,422
Permanent Improvement	34,375
Title I	657
Nonmajor Governmental Funds	<u>23,674</u>
Total	<u>\$96,128</u>

Note 19 – Accountability

At June 30, 2018, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Special Revenue:	
District Managed Student Activities	\$60,493
Early Childhood Preschool	102,155
Title VI-B	113,379
Title I	580,691
Early Childhood Special Education	4,526
Title VI-R	173,462
Miscellaneous Federal Grants	<u>26,533</u>
Total	<u>\$1,061,239</u>

The deficits in nonmajor special revenue funds were due to accruals in GAAP. 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.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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	Bond Retirement Fund	Permanent Improvement Fund	Title I Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$12,215	\$0	\$0	\$9,564	\$2,566	\$24,345
Inventory	13,637	0	0	0	7,831	21,468
<i>Total Nonspendable</i>	25,852	0	0	9,564	10,397	45,813
<i>Restricted for</i>						
Bus Purchases	38,498	0	0	0	0	38,498
Capital Acquisitions	0	0	1,136,315	0	0	1,136,315
Debt Payment	0	1,176,748	0	0	0	1,176,748
Food Service Operations	0	0	0	0	193,500	193,500
Special Donations	0	0	0	0	24,085	24,085
Facilities Maintenance	0	0	0	0	1,385,077	1,385,077
Auxillary Service Non Public	0	0	0	0	46,523	46,523
SchoolNet Praise	0	0	0	0	6,227	6,227
CTAE Career Tech	0	0	0	0	714	714
Miscellaneous State Grants	0	0	0	0	45,548	45,548
<i>Total Restricted</i>	38,498	1,176,748	1,136,315	0	1,701,674	4,053,235
<i>Committed to</i>						
Future Severance Payments	246,906	0	0	0	0	246,906
Special Donations	0	0	0	0	40,385	40,385
<i>Total Committed</i>	246,906	0	0	0	40,385	287,291
<i>Assigned to</i>						
Purchases on Order	44,816	0	0	0	0	44,816
Public School Support	33,270	0	0	0	0	33,270
Staff Development	0	0	0	0	2,400	2,400
<i>Total Assigned</i>	78,086	0	0	0	2,400	80,486
<i>Unassigned (Deficit)</i>	(357,681)	0	0	(590,255)	(483,114)	(1,431,050)
<i>Total Fund Balances (Deficit)</i>	\$31,661	\$1,176,748	\$1,136,315	(\$580,691)	\$1,271,742	\$3,035,775

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, 2018, if applicable, cannot be determined at this time.

Portsmouth City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018 foundation funding for the School District and does not anticipate any further FTE adjustments for fiscal year 2018. The School District has recorded a receivable in the amount of \$7,077.

Litigation

The School District is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings has yet to be determined and the amount of the liability, if any, is not measurable.

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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 Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.09143040%	0.09390280%	0.09464540%
School District's Proportionate Share of the Net Pension Liability	\$5,462,765	\$6,872,819	\$5,400,557
School District's Covered Payroll	\$3,189,186	\$2,700,257	\$2,855,136
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	171.29%	254.52%	189.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

*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

2015	2014
0.09338500%	0.09338500%
\$4,726,162	\$5,553,306
\$2,671,664	\$2,573,351
176.90%	215.80%
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 Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.09250880%	0.09499930%
School District's Proportionate Share of the Net OPEB Liability	\$2,482,693	\$2,707,831
School District's Covered Payroll	\$3,189,186	\$2,700,257
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	77.85%	100.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

*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
 School Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.08985670%	0.08956301%	0.09179633%
School District's Proportionate Share of the Net Pension Liability	\$21,345,652	\$29,979,438	\$25,369,820
School District's Covered Payroll	\$9,615,021	\$9,851,600	\$9,518,857
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	222.00%	304.31%	266.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

*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

2015	2014
0.09214759%	0.09214759%
\$22,413,482	\$26,698,794
\$9,421,000	\$10,217,431
237.91%	261.31%
74.70%	69.30%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08985670%	0.08956301%
School District's Proportionate Share of the Net OPEB Liability	\$3,505,878	\$4,789,853
School District's Covered Payroll	\$9,615,021	\$9,851,600
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	36.46%	48.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

*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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$387,219	\$446,486	\$378,036	\$376,307
Contributions in Relation to the Contractually Required Contribution	<u>(387,219)</u>	<u>(446,486)</u>	<u>(378,036)</u>	<u>(376,307)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,868,289	\$3,189,186	\$2,700,257	\$2,855,136
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	60,245	49,162	47,380	72,365
Contributions in Relation to the Contractually Required Contribution	<u>(60,245)</u>	<u>(49,162)</u>	<u>(47,380)</u>	<u>(72,365)</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>2.10%</u>	<u>1.54%</u>	<u>1.75%</u>	<u>2.53%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.60%</u>	<u>15.54%</u>	<u>15.75%</u>	<u>15.71%</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

2014	2013	2012	2011	2010	2009
\$370,293	\$356,152	\$369,610	\$338,528	\$401,594	\$254,936
<u>(370,293)</u>	<u>(356,152)</u>	<u>(369,610)</u>	<u>(338,528)</u>	<u>(401,594)</u>	<u>(254,936)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,671,664	\$2,573,351	\$2,748,031	\$2,693,141	\$2,965,986	\$2,590,814
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
49,816	47,403	54,516	77,592	53,362	146,558
<u>(49,816)</u>	<u>(47,403)</u>	<u>(54,516)</u>	<u>(77,592)</u>	<u>(53,362)</u>	<u>(146,558)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.86%</u>	<u>1.84%</u>	<u>1.98%</u>	<u>2.88%</u>	<u>1.80%</u>	<u>5.66%</u>
<u>15.72%</u>	<u>15.68%</u>	<u>15.43%</u>	<u>15.45%</u>	<u>15.34%</u>	<u>15.50%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,424,380	\$1,346,103	\$1,379,224	\$1,332,640
Contributions in Relation to the Contractually Required Contribution	<u>(1,424,380)</u>	<u>(1,346,103)</u>	<u>(1,379,224)</u>	<u>(1,332,640)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$10,174,143	\$9,615,021	\$9,851,600	\$9,518,857
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
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>

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$1,224,730	\$1,328,266	\$1,224,760	\$1,316,529	\$1,323,659	\$1,280,381
<u>(1,224,730)</u>	<u>(1,328,266)</u>	<u>(1,224,760)</u>	<u>(1,316,529)</u>	<u>(1,323,659)</u>	<u>(1,280,381)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,421,000	\$10,217,431	\$9,421,231	\$10,127,146	\$10,181,992	\$9,849,085
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$94,210	\$102,174	\$94,212	\$101,271	\$101,820	\$98,491
<u>(94,210)</u>	<u>(102,174)</u>	<u>(94,212)</u>	<u>(101,271)</u>	<u>(101,820)</u>	<u>(98,491)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</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, 2018

Net Pension Liability

Changes in Assumptions - SERS

For 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.

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 new 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

Amounts reported for fiscal year 2018 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 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, 2018

For 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 for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
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 2018	3.63 percent
Fiscal year 2017	2.98 percent

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.

Also 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 2019.

**PORTSMOUTH CITY SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Grant Year	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2017-2018	\$ 0	\$ 63,769
Cash Assistance:				
School Breakfast Program	10.553	2017-2018	0	273,786
National School Lunch Program	10.555	2017-2018	0	732,059
Total Child Nutrition Cluster			<u>0</u>	<u>1,069,614</u>
Fresh Fruit and Vegetable Program	10.582	2017-2018	<u>0</u>	<u>61,031</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>1,130,645</u>
U.S. DEPARTMENT OF EDUCATION				
Direct Program				
Impact Aid	84.041	2017 2018	0 0	3,616 18,151
Total Impact Aid			<u>0</u>	<u>21,767</u>
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies	84.010	2017 2018	0 0	271,254 1,310,082
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>1,581,336</u>
Special Education Cluster:				
Special Education Grants to States	84.027	2017 2018	0 0	72,161 446,783
Special Education Preschool Grants	84.173	2017 2018	0 0	585 3,919
Total Special Education Cluster			<u>0</u>	<u>523,448</u>
Rural Education	84.358	2017 2018	0 0	45,897 26,814
Total Rural Education			<u>0</u>	<u>72,711</u>
Supporting Effective Instruction State Grants	84.367	2017 2018	0 0	35,946 131,822
Total Supporting Effective Instruction State Grants			<u>0</u>	<u>167,768</u>
Student Support and Academic Enrichment Program	84.424	2018	<u>0</u>	<u>2,493</u>
Total U.S. Department of Education			<u>0</u>	<u>2,369,523</u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 3,500,168</u>

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, 2018**

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, 2018. 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



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, (the School District) as of and for the year ended June 30, 2018, 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 March 7, 2019 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

March 7, 2019

OHIO AUDITOR OF STATE KEITH FABER



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 the 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 the Portsmouth City School District's major federal program for the year ended June 30, 2018. 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 programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal programs 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 programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the 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 programs for the year ended June 30, 2018.

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

March 7, 2019

**PORTSMOUTH CITY SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553 & 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER



PORTSMOUTH CITY SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2019**