



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

**Portsmouth City School District**  
Scioto County

Financial Forecast  
For The Fiscal Year Ending June 30, 2001

Local Government Services Division

Portsmouth City School District  
Fiscal Watch Analysis

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**CERTIFICATION**

Certification is hereby made that, based upon the requirement set forth in Section 3316.03(A), Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the General Fund of the Portsmouth City School District, Scioto County, Ohio, as requested by the Board of Education by resolution passed on October 5, 2000 and that forecast reflects an operating deficit of \$826,000. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecasted operating deficit of \$826,000 for the fiscal year ending June 30, 2001, includes \$579,000 restricted for statutory reserves. The cash reserves consist of a textbooks and instructional materials reserve of \$178,000, capital improvements reserve of \$74,000, a DPIA reserve of \$250,000 and a bus purchase reserve of \$77,000. The forecasted operating deficit represents 4.7 percent of the prior fiscal year's operating revenues of the general fund.

Senate Bill 345, effective April 10, 2001, eliminates the requirement for school districts to maintain a budget reserve. Any monies on hand in the school district's budget reserve at that time may, at the discretion of the board, be returned to the district's general fund or may be left in the account to offset any future deficits. The forecasted operating deficit includes the use of the budget reserve.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2002 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The projected operating deficit could be reduced to the extent tax advances are received prior to June 30, 2001 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2001.

Under Section 3316.03(A)(4), the Auditor of State may declare a school district in a state of fiscal watch if the operating deficit exceeds 2 percent but does not exceed 8 percent of the general fund operating revenues for the prior fiscal year and the voters have not approved a levy that would eliminate the fiscal watch conditions in the next succeeding fiscal year. No declaration of fiscal watch for the Portsmouth City School District will be issued by the Auditor of State under Section 3316.03(A)(4), Revised Code.

Christine L. Hansen, CPA  
Chief of Local Government Services

April 19, 2001



**STATE OF OHIO**  
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We have examined the accompanying forecasted schedule of revenues, expenditures and changes in fund balance of the general fund of the Portsmouth City School District for the fiscal year ending June 30, 2001. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purpose of determining whether the Portsmouth City School District meets the criteria for fiscal watch under Section 3316.03(A) of the Ohio Revised Code, and to enable the Auditor of State to certify the operating deficit to the State Department of Education and should not be used for any other purpose.

In our opinion, the forecasted schedule referred to above is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the years ended June 30, 1998, 1999, and 2000 (from which the historical data are derived) were audited by the Auditor of State's Office. The financial statements for the year ended June 30, 1998, 1999, and 2000, included unqualified opinions and were dated December 9, 1998, November 29, 1999, and December 8, 2000, respectively.

JIM PETRO  
Auditor of State

February 27, 2001

**Portsmouth City School District**  
**Scioto County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Year Ending June 30, 2001 Forecasted**

	<b>Fiscal Year 2001 Forecasted</b>
<b>Revenues</b>	
General Property Tax	\$3,483,000
Tangible Personal Property Tax	731,000
Unrestricted Grants-in-Aid	10,723,000
Restricted Grants-in-Aid	1,687,000
Property Tax Allocation	482,000
All Other Revenues	553,000
Total Revenues	<u>17,659,000</u>
<b>Other Financing Sources</b>	
Advances-In	62,000
All Other Financing Sources	<u>12,000</u>
Total Other Financing Sources	<u>74,000</u>
Total Revenues and Other Financing Sources	<u>17,733,000</u>
<b>Expenditures</b>	
Personal Services	10,453,000
Employees' Retirement/Insurance Benefits	4,057,000
Purchased Services	2,918,000
Supplies and Materials	567,000
Capital Outlay	139,000
Debt Service:	
Principal-Asbestos Loan	14,000
Other Objects	<u>315,000</u>
Total Expenditures	<u>18,463,000</u>
<b>Other Financing Uses</b>	
Operating Transfers-Out	36,000
Advances-Out	8,000
All Other Financing Uses	<u>5,000</u>
Total Other Financing Uses	<u>49,000</u>
Total Expenditures and Other Financing Uses	<u>18,512,000</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(779,000)
Cash Balance July 1	<u>787,000</u>
Cash Balance (Deficit) June 30	8,000
Estimated Encumbrances June 30	<u>255,000</u>
Unencumbered Fund Balance (Deficit) June 30	(247,000)
<b>Reservations of Fund Balance</b>	
Textbooks and Instructional Materials	178,000
Capital Improvements	74,000
DPIA	250,000
Bus Purchases	<u>77,000</u>
Subtotal	<u>579,000</u>
<b>Unencumbered / Unreserved Fund Balance (Deficit) June 30</b>	<b><u>(826,000)</u></b>

**Portsmouth City School District**  
**Scioto County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Years Ended June 30, 1998, 1999 and 2000 Actual;**  
**Fiscal Year Ending June 30, 2001 Forecasted**

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
<b>Revenues</b>				
General Property Tax	\$3,382,000	\$3,527,000	\$3,498,000	\$3,483,000
Tangible Personal Property Tax	659,000	706,000	737,000	731,000
Unrestricted Grants-in-Aid	11,575,000	11,457,000	10,833,000	10,723,000
Restricted Grants-in-Aid	136,000	1,183,000	1,569,000	1,687,000
Property Tax Allocation	482,000	481,000	480,000	482,000
All Other Revenues	591,000	572,000	531,000	553,000
<b>Total Revenues</b>	<b>16,825,000</b>	<b>17,926,000</b>	<b>17,648,000</b>	<b>17,659,000</b>
<b>Other Financing Sources</b>				
Operating Transfers-In	48,000	2,000	0	0
Advances-In	95,000	44,000	3,000	62,000
All Other Financing Sources	124,000	6,000	8,000	12,000
<b>Total Other Financing Sources</b>	<b>267,000</b>	<b>52,000</b>	<b>11,000</b>	<b>74,000</b>
<b>Total Revenues and Other Financing Sources</b>	<b>17,092,000</b>	<b>17,978,000</b>	<b>17,659,000</b>	<b>17,733,000</b>
<b>Expenditures</b>				
Personal Services	10,241,000	10,671,000	10,712,000	10,453,000
Employees' Retirement/Insurance Benefits	3,352,000	3,591,000	3,689,000	4,057,000
Purchased Services	2,008,000	2,471,000	2,711,000	2,918,000
Supplies and Materials	390,000	421,000	503,000	567,000
Capital Outlay	178,000	169,000	139,000	139,000
Debt Service:				
Principal-Asbestos Loan	14,000	14,000	14,000	14,000
Other Objects	272,000	267,000	296,000	315,000
<b>Total Expenditures</b>	<b>16,455,000</b>	<b>17,604,000</b>	<b>18,064,000</b>	<b>18,463,000</b>
<b>Other Financing Uses</b>				
Operating Transfers-Out	84,000	145,000	44,000	36,000
Advances-Out	8,000	66,000	5,000	8,000
All Other Financing Uses	7,000	0	19,000	5,000
<b>Total Other Financing Uses</b>	<b>99,000</b>	<b>211,000</b>	<b>68,000</b>	<b>49,000</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>16,554,000</b>	<b>17,815,000</b>	<b>18,132,000</b>	<b>18,512,000</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	538,000	163,000	(473,000)	(779,000)
Cash Balance July 1	559,000	1,097,000	1,260,000	787,000
Cash Balance (Deficit) June 30	1,097,000	1,260,000	787,000	8,000
Estimated Encumbrances June 30	118,000	238,000	136,000	255,000
Unencumbered Fund Balance (Deficit) June 30	979,000	1,022,000	651,000	(247,000)
<b>Reservations of Fund Balance</b>				
Textbooks and Instructional Materials	0	12,000	37,000	178,000
Capital Improvements	0	9,000	91,000	74,000
Budget Reserve	114,000	114,000	114,000	0
DPIA	214,000	312,000	252,000	250,000
Bus Purchases	0	0	48,000	77,000
<b>Subtotal</b>	<b>328,000</b>	<b>447,000</b>	<b>542,000</b>	<b>579,000</b>
<b>Unencumbered / Unreserved Fund Balance (Deficit) June 30</b>	<b>\$651,000</b>	<b>\$575,000</b>	<b>\$109,000</b>	<b>(\$826,000)</b>

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 1 - NATURE AND LIMITATIONS OF THE FORECAST**

This financial forecast presents, to the best of the Portsmouth City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 27, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

This forecast was prepared to assist in determining whether the Portsmouth City School District (the School District) meets the criteria for fiscal watch under Section 3316.03(A) of the Ohio Revised Code and to allow the Auditor of State to certify the operating deficit to the State Department of Education and should not be used for any other purpose.

**NOTE 2 - NATURE OF THE PRESENTATION**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State law also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and textbooks funds and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences with the audited financial statements for the fiscal years ended June 30, 1998, 1999, and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$15,952,000	\$16,431,000	\$16,309,000
DPIA	1,337,000	1,778,000	1,458,000
Textbooks	48,000	48,000	140,000
Debt Service Activity Related to General Fund Supported Debt	14,000	14,000	14,000
Less Other Funds Included for External Reporting Purposes	(259,000)	(293,000)	(262,000)
Total Revenues and Other Sources per Forecast	<u>\$17,092,000</u>	<u>\$17,978,000</u>	<u>\$17,659,000</u>
			Continued

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 2 - NATURE OF THE PRESENTATION** (Continued)

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Expenditures and Other Uses			
General Fund as Previously Reported	\$15,569,000	\$16,564,000	\$16,882,000
Less Encumbrances	(118,000)	(238,000)	(136,000)
DPIA	1,332,000	1,679,000	1,518,000
Textbooks	19,000	78,000	136,000
Debt Service Activity Related to			
General Fund Supported Debt	14,000	14,000	14,000
Less Other Funds Included for External Reporting Purposes	(262,000)	(282,000)	(282,000)
Total Expenditures and Other Uses per Forecast	<u>16,554,000</u>	<u>17,815,000</u>	<u>18,132,000</u>
Excess of Revenues and Other Source Over (Under) Expenditures and Other Uses	538,000	163,000	(473,000)
Cash Fund Balance at Beginning of Fiscal Year	<u>559,000</u>	<u>1,097,000</u>	<u>1,260,000</u>
Cash Fund Balance at End of Fiscal Year	1,097,000	1,260,000	787,000
Encumbrances at Fiscal Year End	<u>(118,000)</u>	<u>(238,000)</u>	<u>(136,000)</u>
Unencumbered Fund Balance at Fiscal Year End	<u><u>\$979,000</u></u>	<u><u>\$1,022,000</u></u>	<u><u>\$651,000</u></u>

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. - Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. - Fund Accounting**

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:



Portsmouth City School District  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 disbursed or transferred in accordance with Ohio law.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund**

Enterprise Fund - The enterprise fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund**

Agency Fund - The agency fund accounts for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**C. - Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Scioto County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Portsmouth City School District  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**NOTE 4 - GENERAL OPERATING ASSUMPTIONS**

The Portsmouth City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

**NOTE 5 - SIGNIFICANT ASSUMPTIONS FOR REVENUES AND OTHER FINANCING SOURCES**

**A. - General and Tangible Personal Property Taxes**

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Scioto County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exemption from taxation on the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for all other revenues.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 5 - SIGNIFICANT ASSUMPTIONS FOR REVENUES AND OTHER FINANCING SOURCES**

(Continued)

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Current Expense	1976	Continuing	18.07
General Operating	1988	Continuing	6.40
General Operating	1979	Continuing	6.40
Inside Unvoted	N/A	Continuing	3.66
Total Tax Rate			<u>34.53</u>

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Scioto County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates, the School District anticipates receiving \$3,483,000 in real estate tax revenue during fiscal year 2001, which is consistent with prior years.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Scioto County Auditor. Based upon these estimates, the School District anticipates receiving \$731,000 in tangible personal property tax revenue, which is consistent with prior years.

**B. - Unrestricted Grants-in-Aid**

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

In 1998, State law set the base cost per pupil at \$4,063 for fiscal year 1999 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated decrease of \$110,000 is caused by the number of pupils attending other schools under an open enrollment program as well as a decrease in unrestricted DPIA revenues from 50 percent to 25 percent.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 5 - SIGNIFICANT ASSUMPTIONS FOR REVENUES AND OTHER FINANCING SOURCES**

(Continued)

**C. - Restricted Grants-in-Aid**

Restricted grants-in-aid consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$1,658,000 and \$29,000, respectively. The increase of \$118,000 is a result of the percentage of restricted DPIA revenue increasing from 50 percent in fiscal year 2000 to 75 percent in fiscal year 2001.

**D. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollbacks and homestead).

Property tax allocation revenue is based on information provided by the Scioto County Auditor and is consistent with prior fiscal years.

**E. - All Other Revenues**

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Tuition	\$0	\$1,000	\$1,000
Transportation	13,000	6,000	(7,000)
Interest on Investments	179,000	130,000	(49,000)
Latchkey Fees	40,000	20,000	(20,000)
Rent	7,000	6,000	(1,000)
Donations	1,000	1,000	0
Excess Costs	0	54,000	54,000
All Miscellaneous	9,000	103,000	94,000
Personal Property Exemption	117,000	109,000	(8,000)
Miscellaneous Grants	164,000	123,000	(41,000)
Sale of Fixed Assets	1,000	0	(1,000)
<b>Totals</b>	<b>\$531,000</b>	<b>\$553,000</b>	<b>\$22,000</b>

Interest on Investments has decreased over the prior year due to less cash available to invest. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

Portsmouth City School District  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**NOTE 5 - SIGNIFICANT ASSUMPTIONS FOR REVENUES AND OTHER FINANCING SOURCES**

(Continued)

Latchkey Fees decreased during fiscal year 2001 due to the general fund now accounting for only the morning program. In prior years, the general fund accounted for both the morning and afternoon programs. Starting in fiscal year 2001, the 21<sup>st</sup> century federal grant fund is accounting for the afternoon program.

Excess costs for services provided in fiscal year 2000 were billed and collected in fiscal year 2001. No excess costs were collected in the prior fiscal year because funding levels covered the cost of services.

All miscellaneous revenue has increased this year due to the extended summer school during fiscal year 2001 and the Workers' Compensation refund of \$53,000 that the School District will be receiving during fiscal year 2001.

**F. - Other Financing Sources**

Advances - In - Advances-in represents amounts loaned to other funds in the current or prior fiscal year(s) which are being repaid to the general fund in the forecast year. During fiscal year 2001, the general fund will receive \$62,000 which represents the repayment of advances from the athletics fund and the Ohio school facilities commission repairs fund.

All Other Financing Sources - This category consists solely of refunds from prior year expenditures. Thus far in the forecast period, \$12,000 has been refunded to the School District.

**NOTE 6 - SIGNIFICANT ASSUMPTIONS FOR EXPENDITURES AND OTHER FINANCING USES**

**A. - Personal Services**

Personal services expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis. Historically, the certified, classified, and administrative staff levels have remained approximately the same.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of July 1, 1998, to June 30, 2001, and allows for approximately two percent base increases each year as well as step increases. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period from September 1, 1999, to August 31, 2001, and allows for increases of two percent in each year of the contract. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 204 days for certified staff and up to 200 days for classified staff, to be paid at the employee's current per diem rate.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 6 - SIGNIFICANT ASSUMPTIONS FOR EXPENDITURES AND OTHER FINANCING USES** (Continued)

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Certified Salaries	\$8,066,000	\$7,707,000	(\$359,000)
Classified Salaries	1,567,000	1,545,000	(22,000)
Substitute Salaries	225,000	206,000	(19,000)
Supplemental and Personal Service Contracts	312,000	441,000	129,000
Severance Pay	414,000	417,000	3,000
Other Salaries and Wages	128,000	137,000	9,000
	\$10,712,000	\$10,453,000	(\$259,000)

The significant decreases in certified salaries are due to the non-renewal of a various teaching contracts for fiscal year 2001. These decreases would have been larger had it not been for off-setting base and step increases.

Other salaries and wages are made up of overtime and board member salaries.

Personal service contracts increased due to the School District now hiring more of their staff under personal service contracts as well as raises that were given on these contracts. The increase in personal service contracts is offset by a decrease in supplemental contracts as the School District attempts to reduce spending by not renewing several supplemental contracts.

**B. - Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums.

Medicare benefits are based on the employer's rate of 1.45 percent and the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 6 - SIGNIFICANT ASSUMPTIONS FOR EXPENDITURES AND OTHER FINANCING USES** (Continued)

Presented below is a comparison of fiscal year 2000 and the forecast period:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Employer's Retirement	\$1,464,000	\$1,455,000	(\$9,000)
Health Care Insurance	2,118,000	2,392,000	274,000
Workers' Compensation	16,000	89,000	73,000
Medicare	77,000	88,000	11,000
Unemployment	5,000	24,000	19,000
Reimbursement	4,000	4,000	0
Other Retirement and Benefits	5,000	5,000	0
	<u>\$3,689,000</u>	<u>\$4,057,000</u>	<u>\$368,000</u>

The decrease in employer's retirement is due to staff reductions offset by the variance between estimated and actual salaries, which is the basis for employer's retirement costs.

The increase in health care insurance is based largely on rates that went up significantly during fiscal year 2001.

Unemployment costs increased due to the teachers that were non-renewed drawing unemployment compensation.

**C. - Purchased Services**

Purchased services expenditures forecasted in the amount of \$2,918,000 are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Professional and Technical Services	\$142,000	\$130,000	(\$12,000)
Property Services	362,000	414,000	52,000
Travel and Meeting Expenses	19,000	21,000	2,000
Communication Costs	54,000	74,000	20,000
Utility Services	268,000	318,000	50,000
Printing	15,000	15,000	0
Tuition Payments	1,846,000	1,930,000	84,000
Pupil Transportation Costs	5,000	16,000	11,000
	<u>\$2,711,000</u>	<u>\$2,918,000</u>	<u>\$207,000</u>

Purchased services are anticipated to go up in part due to increased expenditures for maintenance and repair for the School District's aging buildings, rising utility and fuel costs, tuition due to open enrollment, and sending students to specialized schools offering services not provided by the School District.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 6 - SIGNIFICANT ASSUMPTIONS FOR EXPENDITURES AND OTHER FINANCING USES** (Continued)

**D. - Supplies and Materials**

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$236,000	\$351,000	\$115,000
Operations, Maintenance, and Repair	130,000	132,000	2,000
Textbooks	137,000	84,000	(53,000)
	<u>\$503,000</u>	<u>\$567,000</u>	<u>\$64,000</u>

Generally, expenditures in supplies and materials are expected to increase in fiscal year 2001. The increase is primarily due to increased expenditures in instructional supplies. In fiscal year 2000, the School District purchased a complete series of new textbooks for the elementary students. In fiscal year 2001, fewer textbooks will be purchased.

**E. - Capital Outlay**

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$139,000. The capital outlay expenditures are expected to remain consistent with expenditures in the prior fiscal year.

**F. - Debt Service**

General fund supported debt consists of the EPA Asbestos Loan. The loan is interest free and will be retired during fiscal year 2008.

**G. - Other Objects**

Other objects include dues, fees, liability insurance, county auditor and treasurer fees, and county educational service center costs. The School District is projecting \$315,000 of expenditures in this area in fiscal year 2001. The most significant increases are in the charges for the annual audit, county auditor's fees, and increased membership dues.



Portsmouth City School District  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**NOTE 6 - SIGNIFICANT ASSUMPTIONS FOR EXPENDITURES AND OTHER FINANCING USES** (Continued)

**H. - Other Financing Uses**

Operating Transfers - Out - The School District expects to transfer \$36,000 from the general fund to other funds. One significant transfer will be made to the education management information systems fund in the amount of \$20,000.

Advances - Out - Advances-out are forecasted in the amount of \$8,000 during fiscal year 2001.

**I. - Spending Reserve**

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

**NOTE 7 - ENCUMBRANCES**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

The STRS advance, which historically is not encumbered by the District until July, is included in this forecast as encumbrances at June 30, 2001 in the amount of \$115,000.

**NOTE 8 - RESERVATIONS OF FUND BALANCE**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 8 - RESERVATIONS OF FUND BALANCE** (Continued)

**A. - Textbooks and Instructional Materials**

	Fiscal Year 2001
Balance at Beginning of Fiscal Year	\$37,000
Current Year Set-Aside Requirement	332,000
Current Year Offsets	0
Qualifying Disbursements	191,000
Set-Aside Reserve Balance at Fiscal Year End	\$178,000

**B. - Capital Acquisition and Improvements**

	Fiscal Year 2001
Balance at Beginning of Fiscal Year	\$91,000
Current Year Set-Aside Requirement	332,000
Current Year Offsets	0
Qualifying Disbursements	349,000
Set-Aside Reserve Balance at Fiscal Year End	\$74,000

**C. - Budget Reserve**

The School District is required to establish a budget reserve and set aside one percent of certain revenues in each year there is a growth of three percent or more in these revenues. Each year the School District meets the criteria the required balance in the budget reserve increases by the one percent contribution for the current year until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts are required to credit any refund from the Bureau of Workers' Compensation to the budget reserve. Workers' Compensation refunds may reduce the contribution required in the current and/or future periods.

Senate Bill 345, effective April 10, eliminates the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in SB 345, including the offset of a budget deficit. The School District anticipates expending the existing balance of \$114,000 in the budget reserve during the forecast period.

Portsmouth City School District  
 Summary of Significant Forecast Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2001

**NOTE 8 - RESERVATIONS OF FUND BALANCE** (Continued)

**D. - Disadvantaged Pupil Impact Aid (DPIA)**

DPIA resources will be consumed by the related programs during fiscal year 2001. The District anticipates leaving a carry-over balance of \$250,000 which represents the estimated salaries and benefits to be paid during July and August of fiscal year 2002.

**E. Bus Purchases**

The School District receives State Foundation monies earmarked for the purchase of school buses. The amount reserved for this purpose at fiscal year end is projected to be \$77,000.

**NOTE 9 - LEVIES**

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past ten years the School District has placed no new levies on the ballot.

**NOTE 10 - CAPITAL LEASES**

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future long-term minimum lease payments required under the capital leases.

Fiscal Year Ending June 30,	Governmental Funds	Proprietary Fund
2001	\$101,809	\$4,266
2002	65,965	4,265
2003	4,128	1,066
2004	3,061	0
2005	1,275	0
Total	176,238	9,597
Less: Amount Representing Interest	(4,092)	(1,119)
Present Value of Net Minimum Lease Payments	<u>\$172,146</u>	<u>\$8,478</u>

Portsmouth City School District  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**NOTE 10 - CAPITAL LEASES** (Continued)

Capital leases will be paid from the general fund, the Title VI-B special revenue fund, the schoolnet capital projects fund, and the food services enterprise fund. The capital lease payments of the general fund are reflected as purchased services expenditures in the forecast.

**NOTE 11 - PENDING LITIGATION**

At fiscal year end, the School District was party to several legal proceedings. One suit is outstanding against the School District for alleged age discrimination. As of the date of this report, this suit is still pending and no liability, if any, can be determined.

Two additional suits were outstanding against the School District at fiscal year end for alleged improper treatment and loss of pay. On October 27, 1998, a former administrative employee of the School District was found liable in one of the above suits for improper treatment of a School District employee and the related loss of pay. As of the date of this report, the School District has no legal liability, however the case is on appeal. The second suit is still pending and no liability, if any, can be determined.

**NOTE 12 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. For the fiscal year ending June 30, 2001, the School District anticipates receiving \$10,723,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

Portsmouth City School District  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**NOTE 12 - STATE SCHOOL FUNDING DECISION** (Continued)

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of the financial forecast, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operation.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
APRIL 23, 2001**