



Dave Yost • Auditor of State

Declaration of Fiscal Caution

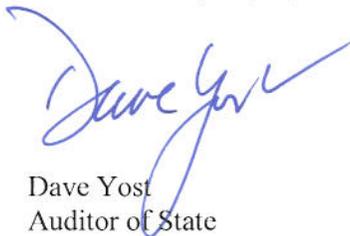
Pursuant to Section 118.025(A), Revised Code, the Auditor of State developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency of a municipal corporation, county, or township. If the Auditor of State determines that a municipal corporation, county, or township is engaging in any of those practices or that any of those conditions exist, the Auditor of State may declare a municipal corporation, county, or township to be in a state of Fiscal Caution.

The Auditor of State's guidelines for a declaration of fiscal caution include (1) unauditible financial records; (2) significant deficiencies, material weaknesses, direct and material noncompliance as disclosed in the financial audit; (3) deficit fund balances; (4) a carryover fund balance of less than one month's average expenditures for two consecutive years, and (5) a failure to reconcile accounting journals and ledgers with the treasury.

Based on a review of the City of Portsmouth's audited financial statements for 2010, the City of Portsmouth met the following fiscal caution conditions:

1. Significant deficiencies, material weaknesses, and direct and material noncompliance with Ohio law as disclosed in its financial audit including negative cash fund balances, the need to update a cost allocation plan used for allocating General Fund costs to other funds, appropriations exceeding both estimated and actual available resources in the General Fund, not certifying the availability of funds prior to making commitments; and the underfunding of the City's insurance fund which, on a cash basis, created a significant deficit fund balance;
2. Deficit fund balances at December 31, 2010 consisted of \$530,043 in the General Fund and \$9,482 and \$10,332 in the Municipal Court Grants and Rural AIDS State Grant Special Revenue Funds, respectively, as reported in the City's financial statements prepared in accordance with generally accepted accounting principles.

Accordingly, the Auditor of State hereby declares the City of Portsmouth to be in a state of Fiscal Caution under Section 118.025(A) of the Ohio Revised Code. A copy of this declaration is being submitted to David Malone, Mayor, John Haas, President of Council, and M. Trent Williams, City Auditor.



Dave Yost
Auditor of State

November 22, 2011