

Fairview Park City School District
Cuyahoga County
Year Ended: June 30, 2023
Accounting Basis: GAAP

Final 2023 Report

2023 Financial Health Indicators at a Glance:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Positive	Positive	Positive	Positive	Positive	Positive	Not Applicable	Positive	Positive	Not Applicable	Positive	Positive	Positive	Positive	Positive	Critical	Positive

Critical Outlook Financial Health Indicators: 1

Cautionary Outlook Financial Health Indicators: 0

Critical Outlook

Cautionary Outlook

Positive Outlook

Not Applicable

(Refer to the last page for definitions)

STATUTORY REQUIREMENT Pursuant to Ohio Revised Code Section 3316.03 the Ohio Department of Education and Workforce in consultation with the Auditor of State may declare a school district in fiscal caution for engaging in certain fiscal practices or budgetary conditions. In addition to these fiscal caution guidelines, the Auditor of State has developed Financial Health Indicators (FHI).

FINANCIAL HEALTH INDICATORS (FHI) are a series of financial information, percentages, and ratios gathered from annual financial statements, filed by the school districts, which are useful in predicting financial stability. FHI will be used to recognize early signs of fiscal stress at specific school districts and take a proactive approach to monitoring or assisting these school districts, rather than only a reactive approach after declaration of fiscal caution, watch, or emergency.

Sixteen(16) FHI (Indicator 10 is not applicable for school districts) have been identified as useful in determining signs of fiscal stress. Fifteen (15) of the indicators are based on information derived from the entity's audited financial statements. Indicator #17 is based on the citations/recommendations results from the most current audits.

HOW TO ANALYZE FHI No individual FHI is of use in identifying overall fiscal stress. These indicators must be considered together to obtain insight as to whether or not an entity is experiencing the signs of fiscal stress. The entity should review, in detail, any individual FHI identified as having a critical or cautionary outlook to determine areas of potential concern that would require evaluation of goals/objectives in order to ensure fiscal stability is maintained.

Important! Historically, based on entities that have been place in fiscal distress (fiscal caution, fiscal watch or fiscal emergency) reporting under the **Generally Accepted Accounting Principles (GAAP)** basis of accounting:

- Entities may experience fiscal stress when at least five (**5**) critical (red) FHIs are reflected.
- Entities may experience fiscal stress in two to three years when at least **seven (7)** critical (red) and/or cautionary (yellow) FHIs are reflected.

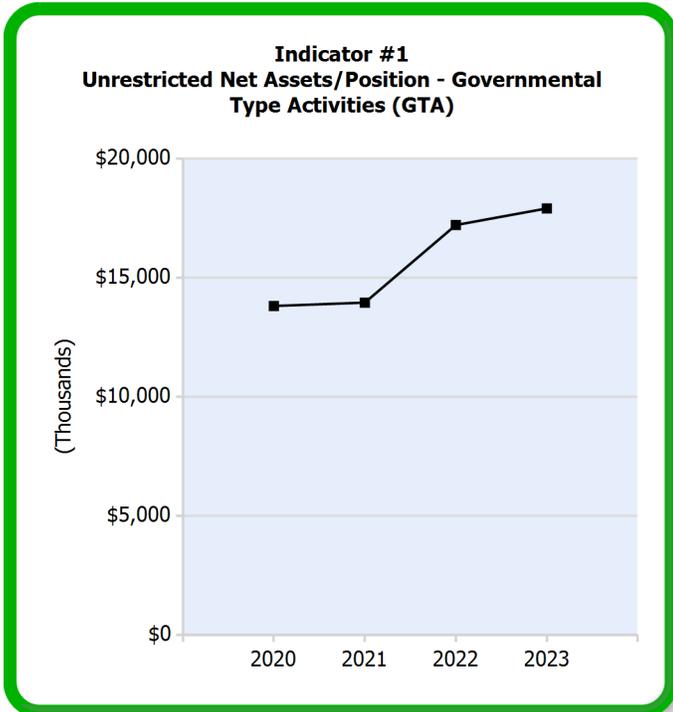
The effects of implementation of GASB 68/75 for pensions/other post employment benefits have been removed from the applicable line items for consideration of Financial Health Indicators 1, 3, 13 and 16.

Refer to the accompanying spreadsheet for calculation of the each Financial Health Indicator, the Financial Statement Data used in those calculations, and the type of audit opinion issued for audited financial statements.

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Indicator #1 - Positive Outlook



Unrestricted Net Assets/Position of Governmental Type Activities (GTA)

Unrestricted net assets/position represents the portion of net position that has no related liabilities or restriction as to use.

Description of indicator and what it means:

This indicator identifies when an entity has a declining or negative unrestricted net assets/position.

Why is it important?

This indicator identifies if net assets/position is available for unrestricted purposes. Although unrestricted net assets/position may not be in liquid form, it is important to have net assets/position available and unrestricted as to use. If an entity's unrestricted net assets/position is declining or is negative, it leaves little or no room for unexpected expenses; and therefore, is a sign of fiscal stress.

Critical Outlook– Zero or negative amount

Cautionary Outlook – Decline between the current and prior year by more than a 1%

Indicator #2 - Positive Outlook

Unassigned Fund Balance of the General Fund

Unassigned fund balance is the portion of fund balance that has no related liabilities or has not otherwise been obligated.

Description of indicator and what it means:

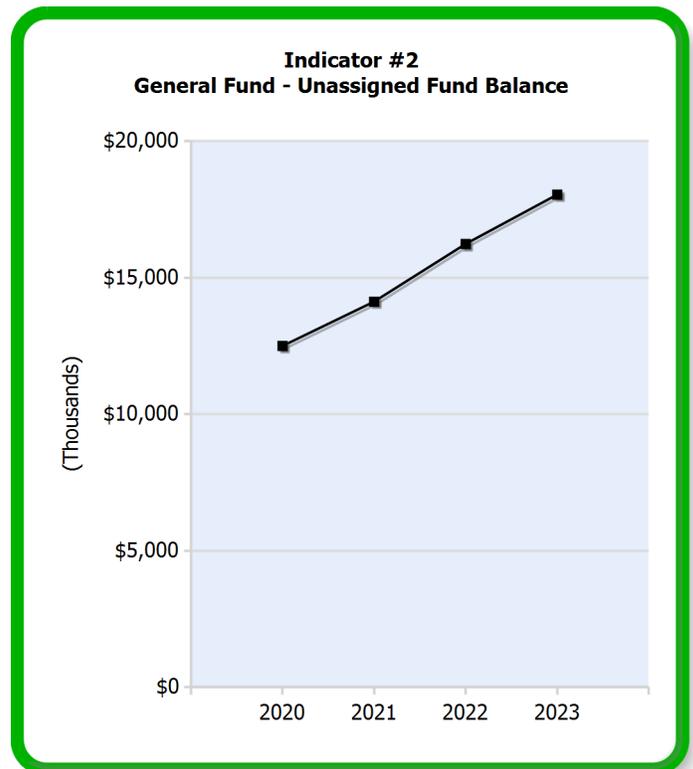
This indicator identifies when an entity has a declining or negative unassigned fund balance.

Why is it important?

This indicator identifies if fund balance is available for unrestricted purposes. Although unassigned fund balance may not be in liquid form, it is important to have fund balance available without restrictions as to use. If an entity's unassigned fund balance is declining or is negative, it leaves little or no room for unexpected expenses; and therefore, is a sign of fiscal stress.

Critical Outlook – Zero or negative amount

Cautionary Outlook – Decline between the current and prior year by more than a 1%



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Indicator #3 - Positive Outlook

Change in Unrestricted Net Assets/Position - GTA

Description of indicator and what it means:

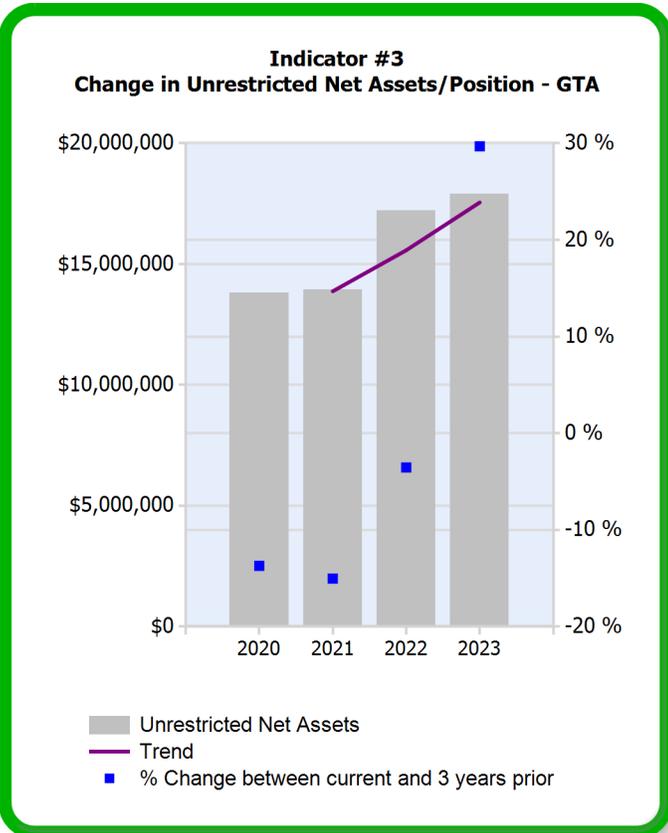
This indicator identifies changes (increases or decreases) in unrestricted net assets/position from the prior years to the current year and is useful in identifying local governments whose unrestricted net assets/position is deteriorating.

Why is it important?

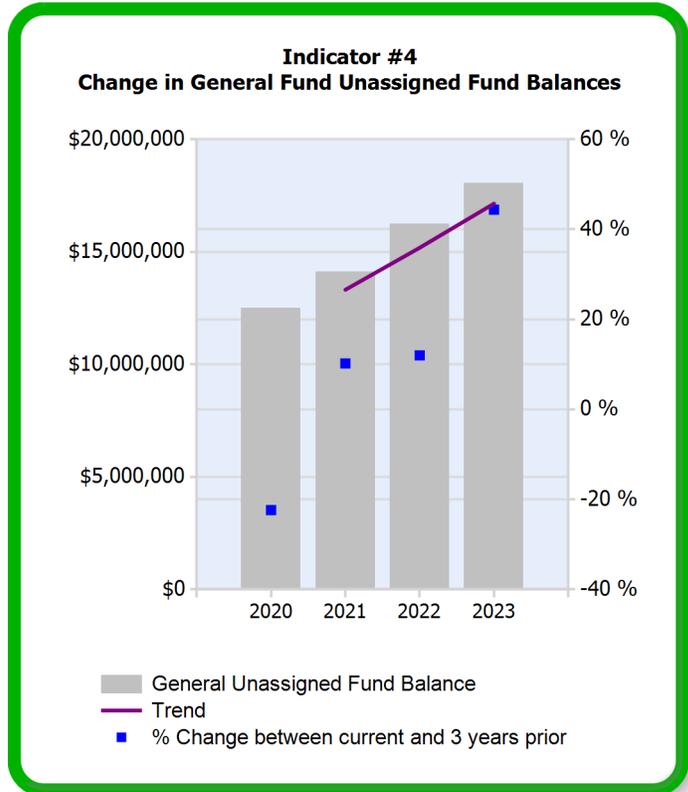
A declining unrestricted net assets/position can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating unrestricted net assets/position as well as how rapidly it is deteriorating.

Critical Outlook – The current period and at least two of the previous three periods reflect a zero or negative amount **OR** a rapidly declining trend defined as a decline in each of the last 3 periods with a drop of greater than 20%

Cautionary Outlook – Declining trend defined as a decline in each of the last 3 periods with a drop of 10% to 20%



Indicator #4 - Positive Outlook



Change in General Fund Unassigned Fund Balances

Description of indicator and what it means:

This indicator identifies changes (increases or decreases) in unassigned general fund balance from the prior years to the current year and is useful in identifying local governments whose unassigned general fund balance is deteriorating.

Why is it important?

A declining unassigned general fund balance can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating unassigned general fund balance as well as how rapidly it is deteriorating.

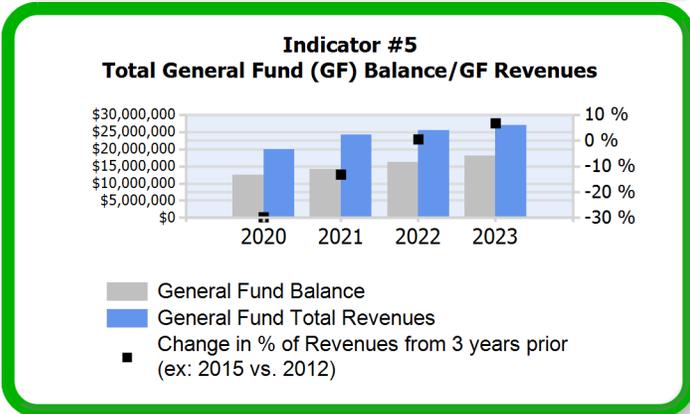
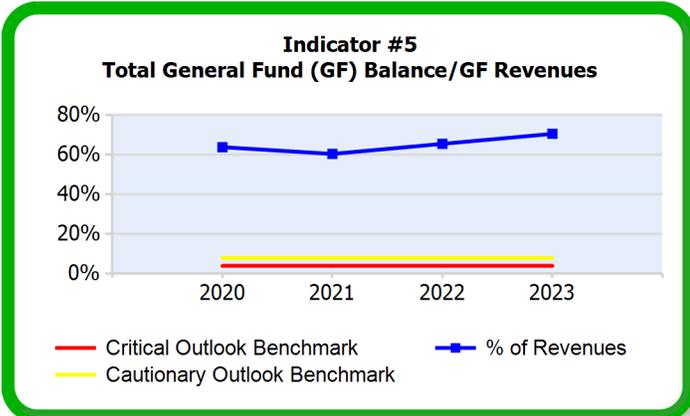
Critical Outlook – The current period and at least two of the previous three periods reflect a zero or negative amount **OR** a rapidly declining trend defined as a decline in each of the last 3 periods with a drop of greater than 20%

Cautionary Outlook – Declining trend defined as a decline in each of the last 3 periods with a drop of 10% to 20%

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Indicator #5 - Positive Outlook



Total General Fund (GF) Balance/GF Revenues

Description of indicator and what it means:

This indicator identifies reserves available in the General Fund. The larger the reserve the better the entity is able to absorb, in the short term, the impact of sudden revenue loss or significant increases in operating costs and begin planning financial adjustments.

Why is it important?

This indicator identifies a low reserve of fund balance even if Indicators 1 through 4 do not indicate negative unrestricted net assets/position or unassigned fund balance.

Critical Outlook – Negative percentage, very low percentage (<1/24th or 4%), **OR** if fund balance is less than a 2 month carryover (17%), a rapidly declining trend defined as a drop of 10% or greater over a 3 year period.

Cautionary Outlook – Low percentage (< 1/12th or 8%) **OR** if fund balance is less than a 2 month carryover (17%), a declining trend defined as a drop of 5% - 10% over a 3 year period **OR** if fund balance is less than 6 months (50%), a decline in each of the last 3 periods.

Indicator #6 - Positive Outlook

Decline in General Fund Property Tax Revenue

Description of indicator and what it means:

This indicator reflects the percentage change from year to year for property tax revenue.

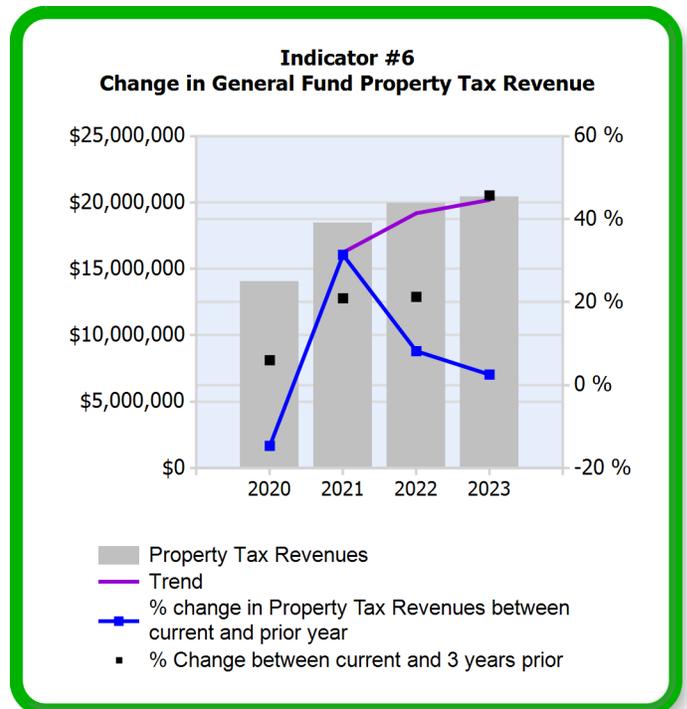
Why is it important?

This indicator reflects declines in property tax revenues and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It also will reflect the need for additional sources of revenue to maintain stability.

Critical Outlook – If Property Tax Revenues represent 7-20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 20% **OR** if Property Tax Revenues represent greater than 20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 10%.

Cautionary Outlook – Decline in property tax revenue from the current to the prior year by more than 1%

- Refer to the accompanying data sheet for the calculation of the % of total revenue



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Indicator #7 - Not Applicable

Decline in General Fund Income Tax Revenue

Description of indicator and what it means:

This indicator reflects the percentage change from year to year for income tax revenues.

Why is it important?

This indicator reflects declines in this revenue type and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It also will reflect the need for additional sources of revenue to maintain stability.

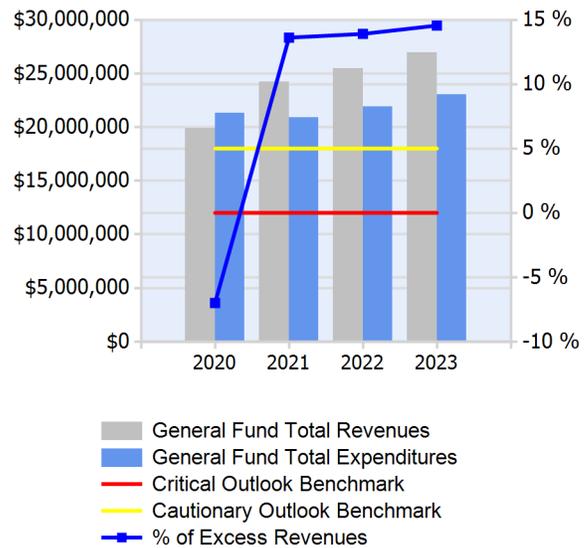
Critical Outlook – If Income Tax Revenues represent 7-20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 20% **OR** if Income Tax Revenues represent greater than 20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 10%

Cautionary Outlook – Decline in income tax revenue from the current to the prior year by more than 1%

- Refer to the accompanying data sheet for the calculation of the % of total revenue

Indicator #8 - Positive Outlook

**Indicator #8
Percentage of General Fund Revenues that Exceed
General Fund Expenditures**



**Percentage of General Fund Revenues that Exceed
General Fund Expenditures**

Description of indicator and what it means:

This indicator is calculated as total General Fund revenues less total General Fund expenditures, divided by total General Fund revenues. It will provide an indication of operating deficits and the size of the operating deficit compared to the current year budget. An operating deficit is the difference between revenues and expenditures. If expenditures exceed revenues, an operating deficit exists.

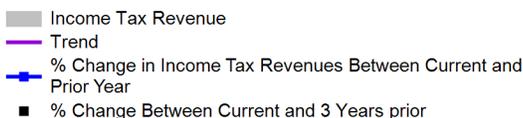
Why is it important?

This indicator is important because it reflects if an operating deficit exists, but also emphasizes the size of the deficit as compared to the current year's budget. This is an indication of the shortage in the current budget. A trend of operating deficits indicates potential financial hardship.

Critical Outlook – Negative percentage

Cautionary Outlook – Low percentage (< 1/20th or 5%)

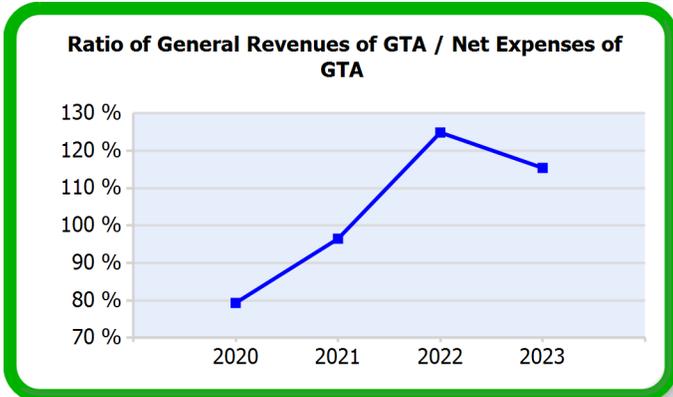
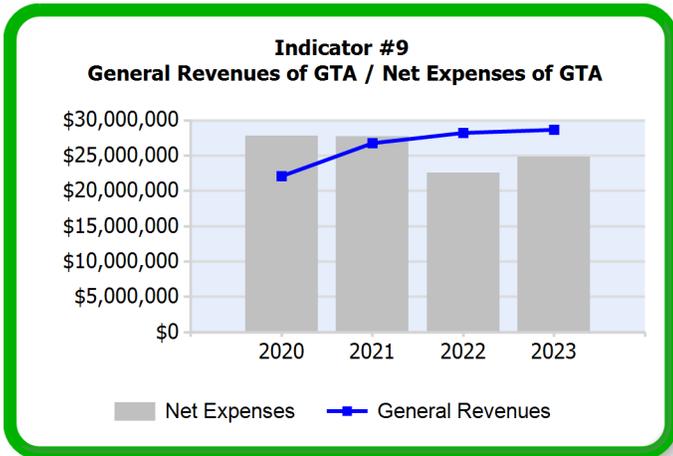
**Indicator #7
Change in General Fund Income Tax Revenue**



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Indicator #9 - Positive Outlook



General Revenues of GTA / Net Expenses of GTA

Description of indicator and what it means:

The ratio of this indicator reflects coverage of net expenses by general revenues. This indicator determines if, on a government-wide basis, expenses are exceeding revenues. For example, local taxes, unrestricted revenues (e.g. investment earnings) and unrestricted grants should be sufficient to meet expenses not covered by program revenues. Net Expense is total expense less program revenues. Program revenues include charges for services (e.g. fees and fines), operating grants and capital grants.

Why is it important?

This indicator is important to be aware if a shortage in revenues to cover expenses exists. A declining trend would indicate fiscal stress.

Critical Outlook – Ratio less than 100%

Cautionary Outlook – Declining trend of at least 3 years

Indicator #10
Not Applicable for School Districts

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Indicator #11 - Positive Outlook

Condition of Capital Assets

Description of indicator and what it means:

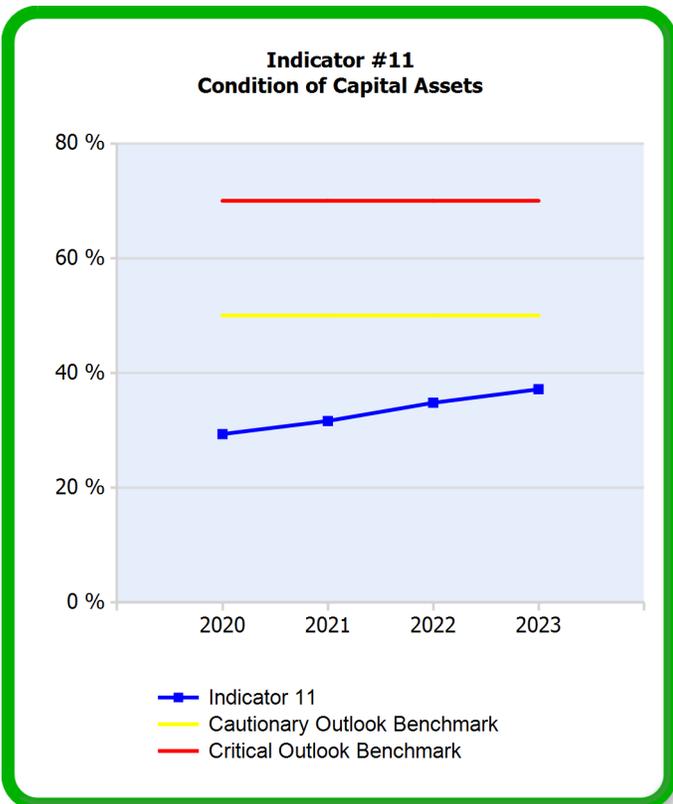
This indicator is accumulated depreciation as a percentage of depreciable capital assets. This indicator will identify apparent situations in which repair or replacement of the local government's capital assets will be necessary. A high percentage indicates capital assets replacement is imminent, and the entity may be delaying replacement of capital assets or significant repairs for cash flow purposes.

Why is it important?

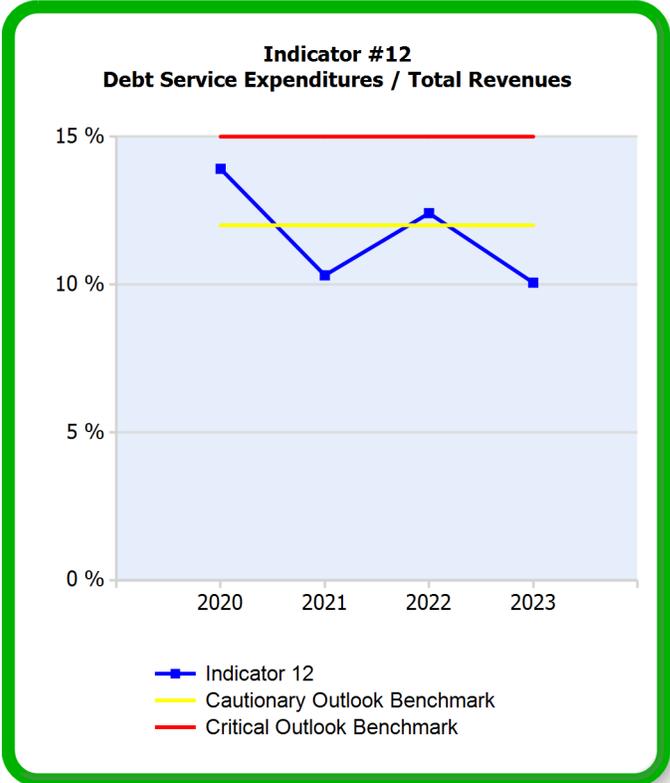
When an entity delays improving or replacing capital assets in order to maintain cash flows for other purposes, improvements and replacements become absolutely necessary and may contribute to financial hardship on an already strained budget.

Critical Outlook – Ratio greater than 70%

Cautionary Outlook – Ratio between 50% - 70%



Indicator #12 - Positive Outlook



Debt Service Expenditures / Total Revenues

Description of indicator and what it means:

This indicator is total debt service expenditures divided by total revenues (for all governmental funds). This indicator identifies the percentage of the budget used/needed for repayment of debt.

Why is it important?

Higher debt service expenditures to total revenues is unfavorable since the entity spends more of its current budget on debt repayment. An increasing trend of debt service expenditures to total revenues may mean the percentage of budget dedicated to debt payments is increasing; and therefore, less revenue will be available for capital asset repair/replacement or meeting current operating demands.

Critical Outlook – Ratio greater than 15%

Cautionary Outlook – Ratio between 12% - 15%

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**Average Daily Expenses or Expenditures Ratio
(Indicators 13, 14 & 15)**

Description of indicator and what it means:

Indicators 13, 14 and 15 identify the number of days the local government's unrestricted net assets/position, unassigned fund balance, and cash and investments will sustain the entity. The indicators are based on the daily average expenses/expenditures.

Why is it important?

These indicators are important because they identify the number of days the entity may operate using their unrestricted net assets/position, unassigned fund balance, and cash and investments. The fewer days the entity can operate, the more financial stress they are under. These indicators provide an early indication of an entity's need to adjust their financial/expenditure planning.

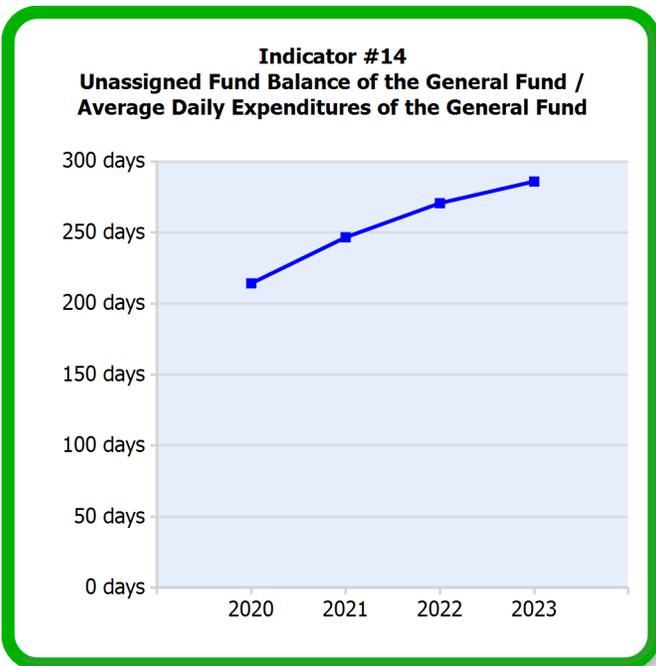
Critical Outlook– Zero days or below

Cautionary Outlook – Less than 30 days

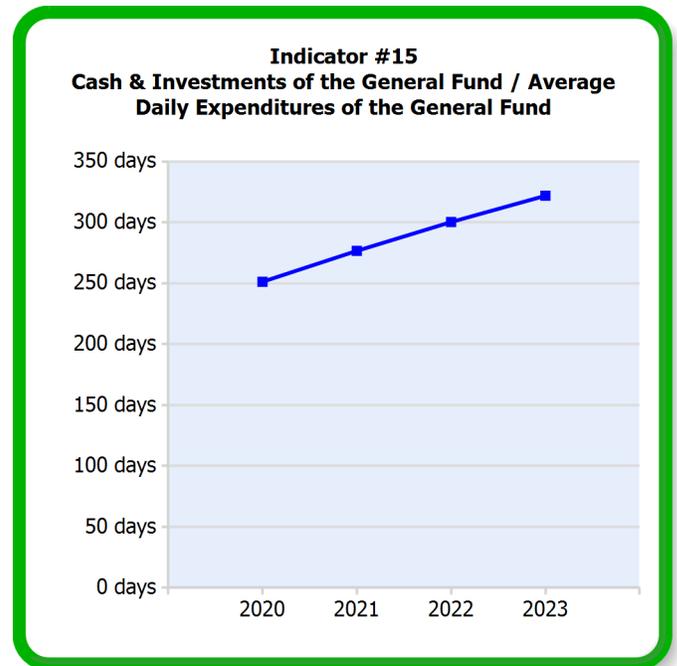
Indicator #13 - Positive Outlook



Indicator #14 - Positive Outlook



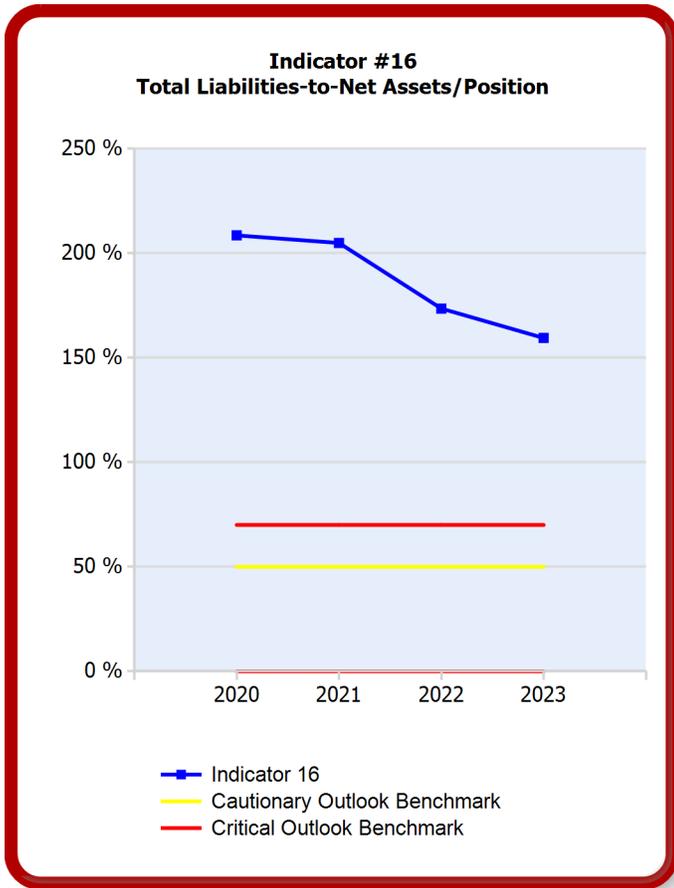
Indicator #15 - Positive Outlook



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Indicator #16 - Critical Outlook



Total Liabilities-to-Net Assets/Position

Description of indicator and what it means:
This indicator is the ratio of total liabilities of GTA divided by total net assets/position of GTA and indicates the percentage of every dollar of resources available for providing public services that is owed by the entity.

Why is it important?
This indicator identifies entities that are overextended in terms of the percentage of every dollar which is owed to others.

Critical Outlook – Negative ratio (which indicates negative net assets) OR ratio greater than 70%
Cautionary Outlook – Ratio between 50% - 70%

Indicator #17 - Positive Outlook

Budgetary Non-Compliance and/or Unreconciled/Unauditable Financial Records?

Description of indicator and what it means:
This indicator identifies if an entity's recent audit reports include budgetary non-compliance and/or unreconciled/unauditable financial records. Results are presented for the four (4) most recently audited years; however, the indicator #17 determination is only based on the current and prior two (2) audited years.

Why is it important?
This indicator will reflect if an entity is not complying with Ohio budgetary law and/or proper accounting methods. Maintaining accurate, reconciled accounting records and adherence to Ohio budgetary law is a significant factor in maintaining fiscal stability.

Critical Outlook – Direct and material audit finding(s) described above for the current and prior two audit years

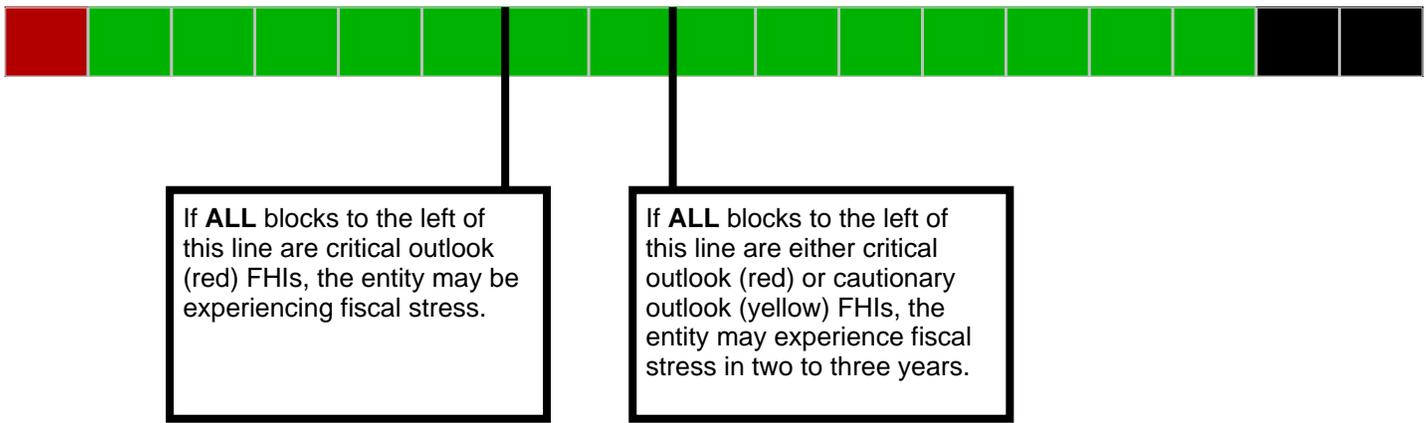
Cautionary Outlook – Direct and material audit finding(s) described above for the current audited year

Indicator #17 Budgetary Non-Compliance and/or Unreconciled/Unauditable Financial Records?	
Audited Year End	Applicable
2023	No

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FHI Analysis – To assist with analysis of the entity’s overall financial health, the graph below presents the current year FHIs in color-order beginning with the number of critical outlook (red) FHIs on the left, followed by the number of cautionary outlook (yellow) FHIs, positive outlook (green) FHIs and not applicable (black) FHIs. Refer to the information blocks below to determine if the FHIs indicate the entity may be experiencing fiscal stress or, without a course correction, may experience fiscal stress in two to three years.



Financial Health Indicators at a Glance History:

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2023	Green	Green	Green	Green	Green	Green	Black	Green	Green	Black	Green	Green	Green	Green	Green	Red	Green

Refer to each year's FHI report and datasheet for detailed information

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FHI Definitions

Critical Outlook

The most serious outcome of the FHI analysis. An indicator with a Critical Outlook signals a potential high risk of fiscal stress. The entity should review the cause of the Critical Outlook indicator and consider steps to alleviate the condition.

Cautionary Outlook

Although not as serious as an FHI with a Critical Outlook, an indicator with a Cautionary Outlook signals a situation that, left unchecked, could develop into a Critical Outlook. The entity should review the cause of the Cautionary Outlook and consider steps to correct the condition.

Positive Outlook

The entity's financial statement data indicate a Positive Outlook, suggesting a stable financial position.

Not Applicable

This entity did not report data for this indicator or the data used to determine the indicator is unavailable.

QUESTIONS ?

More detailed information regarding the Financial Health Indicators can be found on our website at <https://ohioauditor.gov/FHI/default.html>

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If you have additional questions, email: FHIIndicators@ohioauditor.gov

or contact:

Ohio Auditor of State's Office
65 E. State St.
Columbus, Ohio 43215