



MUNICIPAL BUILDING
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Groveport, OH 43125
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To: Mayor, Members of City Council and Administrator

From: Jason Carr, CPA, Finance Director

Date: June 9, 2025

RE: Finance Director Report

Auditor of State of Ohio – Financial Health Indicators

Ohio Revised Code Section 118.025 requires the Auditor of State of Ohio to “develop guidelines for identifying fiscal practices and budgetary conditions, amongst municipal corporations, counties, and townships that, if uncorrected, could result in a future declaration of fiscal watch or emergency.” The Financial Health Indicators are a series of financial information, percentages and ratios gathered from the annual financial statements filed by a city, as well as the entity’s audit results, which are useful in predicting financial stability.

For each financial health indicator within the report an indicator is described, defined and level of importance. The condition(s) which will generate a “critical” outlook (red) or a “cautionary” outlook (yellow) are identified. Also, for each indicator, graphs or charts are included to reflect the calculations of the indicator for the current and prior year periods. The result of the outlook for indicator critical (red), cautionary 4 (yellow), positive (green) or not applicable (black) will be reflected after the indicator number and in the color of the box that surrounds the graph or chart.

Generally, six (6) “red” indicators implies fiscal stress is occurring and a combination of eight (8) “red” and/or “yellow” indicators (with less than six (6) “red” indicators) implies, unless changes occur, the entity could experience fiscal stress in two to three years.

The results provided within the attached report show 3 cautionary (Indicator #7, #9 and #11) and 13 positive financial health indicators for the City of Groveport based on the results of our 2024 audit. Indicator #7 and #9 are new for the 2024 audit while indicator #11 is driven by the age of our total capital assets and continued increase is depreciation expense recorded on these assets.

We expect indicator #11 to continue as cautionary based on the inability for the City to invest significant funds in one year to increase the depreciable value of total capital assets.

The following is an explanation of indicator #7 and #9:

Indicator #7: *Decline in General Fund Income Tax Revenue*

A cautionary indicator is determined by a decline in income tax revenue from the current to prior year by more than 1%.

The following is the change in General Fund Income Tax Revenue between 2024 and 2023:

General Fund	2024	2023	Change	% Change
Income Tax Revenue	\$21,693,693	\$22,657,825	(\$964,132)	(4.26%)

General fund income tax revenue represents 84.43% of total general fund revenues in 2024. Collections have continued to increase in recent years as the local economy continues to grow; however, the timing of collections impacts the amount reported as revenue on the modified accrual basis of accounting. As a result, the amount reported as revenue in 2024 was nearly \$1 million less than 2023.

On the cash basis of accounting, the change in General fund income tax revenue change was as follows:

General Fund	2024	2023	Change	% Change
Income Tax Revenue	\$21,327,462	\$19,590,649	\$1,736,813	8.87%

Indicator #9: *General Revenues of Governmental Type Activities divided by Net Expenses of Governmental Type Activities*

A cautionary indicator is determined by a declining trend of at least three years. The calculation can be defined as follows:

Governmental Type Activities General Revenues – All revenues excluding charges for services, fines, licenses and permits, special assessments and federal and state grants.

Governmental Type Activities Net Expenses – Total expenses of the City less revenues received from charges for services, fines, licenses and permits, special assessments and federal and state grants.

The following shows the declining percentage trend from 150.43% to 134.43% over the last three years which derives the cautionary indicator:

Year	Net Expenses	General Revenues	Net Income/Loss)	% Coverage
2022	\$16,871,245	\$25,378,755	\$8,137,903	150.43%
2023	18,627,823	27,776,361	9,148,538	149.11%
2024	22,246,395	29,907,008	7,660,613	134.43%

The table on the next page shows a breakdown of the increases for total gross expenses from 2022 to 2024:

Function	2024 Gross Expenses	2023 Gross Expenses	Change	% Change
General Government	\$5,642,320	\$3,747,925	\$1,894,395	50.55%
Security of Persons and Property	5,892,360	5,166,806	725,554	14.04%
Public Health and Welfare	79,150	85,846	(6,696)	(7.80%)
Transportation	3,712,171	2,780,095	932,076	33.53%
Community Environment	758,343	711,116	47,227	6.64%
Leisure Time Activity	8,214,218	5,525,605	2,688,613	48.66%
Economic Development	2,209,998	3,348,740	(1,138,742)	(34.01%)
Interest	418,949	362,353	56,596	15.62%
Totals	\$26,927,509	\$21,728,486	\$5,199,023	23.93%

Departments that comprise the functions above are as follows:

General Government – Mayor, Finance, Law, Legislative, Real Estate Tax Collection, Audits, Administration, Facilities Management, Engineering, Information Technology, Rarey's Port Building, Wert's Grove Building, Termination Fund, Flexible Spending Fund, Employee Withholding Fund, Tax Increment Financing Fund, Court Computer Fund.

Security of Persons and Property – Police, Termination Fund, Drug Education and Enforcement, DUI/OMVI Enforcement, One Ohio Opioid Settlement Fund.

Public Health and Welfare – Franklin County Board of Health, Cemetery Fund, Cemetery Perpetual Care.

Transportation – Transportation Department, G.R.E.A.T., Street Maintenance and Repair Fund, State Highway Fund, Motor Vehicle Fund.

Community Environment – Building and Zoning, Township Inspection Fund, Tree Fund.

Economic Development – Economic Development.

Leisure Time Activity – Parks, Community Affairs, Senior Transportation, Personnel Department, Golf, Golf Maintenance, Recreation and Aquatics, Termination Fund, Senior Center.

Interest – Debt Service interest expense.

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Accounting Basis: GAAP

Preliminary 2024 Report

2024 Financial Health Indicators at a Glance:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Critical Outlook Financial Health Indicators: 0

Cautionary Outlook Financial Health Indicators: 3

Critical Outlook

Cautionary Outlook

Positive Outlook

Not Applicable

(Please refer to the last page for definitions)

STATUTORY REQUIREMENT Ohio Revised Code Section 118.025 requires the Auditor of State to “develop guidelines for identifying fiscal practices and budgetary conditions, amongst municipal corporations, counties, and townships that, if uncorrected, could result in a future declaration of fiscal watch or emergency.” 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 local governments, which are useful in predicting financial stability. FHI will be used to recognize early signs of fiscal stress at specific local governments and take a proactive approach to monitoring or assisting these local governments, rather than only a reactive approach after declaration of fiscal caution, watch, or emergency.

Seventeen (17) FHI have been identified as useful in determining signs of fiscal stress. In the preliminary report, 16 of the indicators are based on information derived from the entity’s prior audited and current unaudited financial statements submitted to the Auditor of State’s office. Indicator 17 is based on the results of the audit of the current financial statements and is; therefore, not considered in this preliminary report.

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 placed 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 **six (6)** critical (red) FHIs are reflected.
- Entities may experience fiscal stress in two to three years when at least **eight (8)** 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.

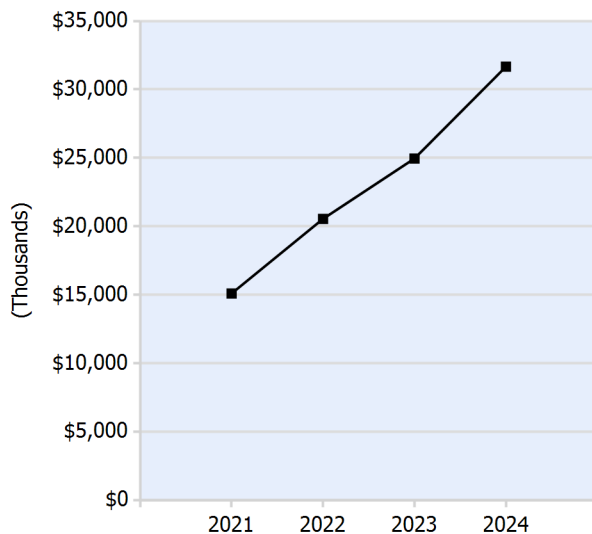
Please refer to the accompanying spreadsheet for calculation of the each Financial Health Indicator, the Financial Statement Data used in those calculations, and the type of audit opinion issued for audited financial statements.

City of Groveport
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Accounting Basis: GAAP

Preliminary 2024 Report

Indicator #1 - Positive Outlook

Indicator #1
Unrestricted Net Assets/Position - Governmental
Type Activities (GTA)



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.

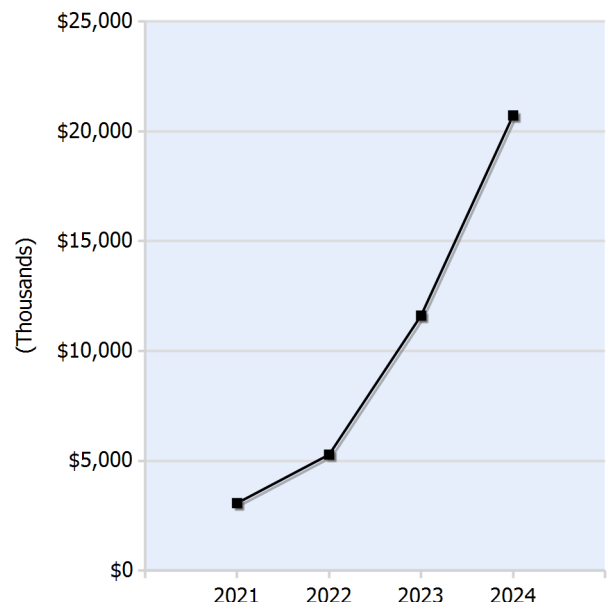
Why is it important?

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%

Indicator #2
General Fund - Unassigned Fund Balance



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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.

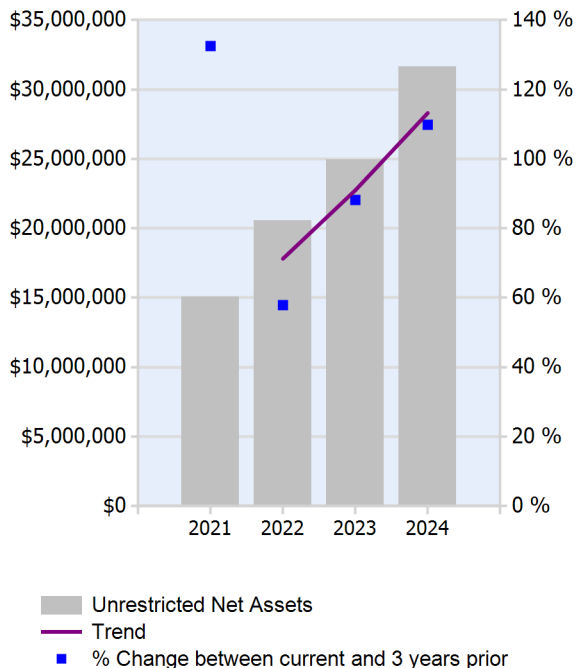
Why is it important?

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%

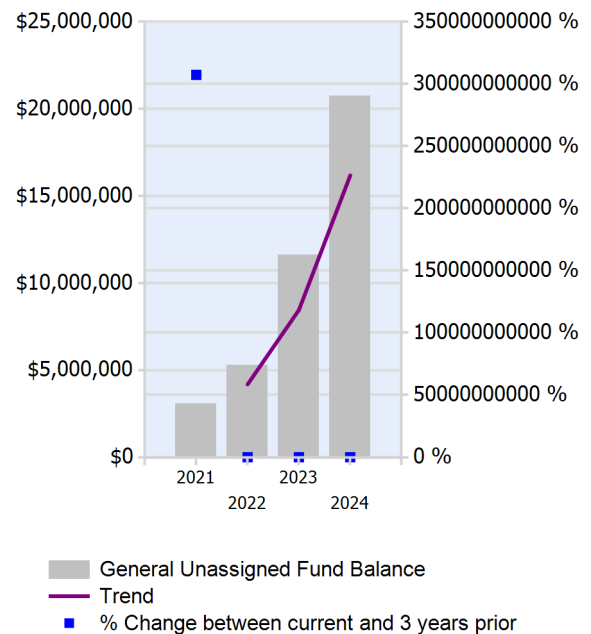
Cautionary Outlook – Declining trend defined as a decline in each of the last 3 periods with a drop of 10% to 20%

Indicator #3 Change in Unrestricted Net Assets/Position - GTA



Indicator #4 - Positive Outlook

Indicator #4 Change in General Fund Unassigned Fund Balances



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%

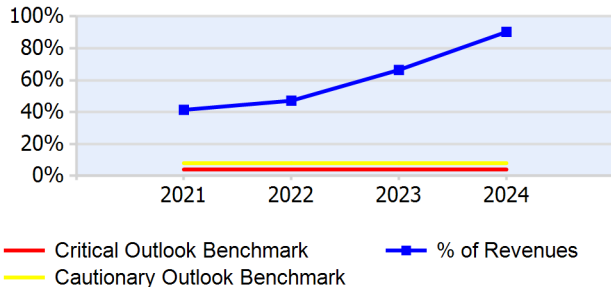
Cautionary Outlook – Declining trend defined as a decline in each of the last 3 periods with a drop of 10% to 20%

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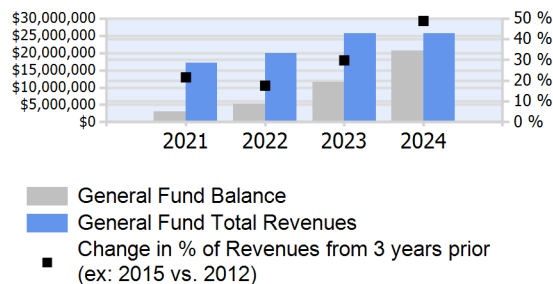
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Indicator #5 - Positive Outlook

Indicator #5
Total General Fund (GF) Balance/GF Revenues



Indicator #5
Total General Fund (GF) Balance/GF Revenues

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?

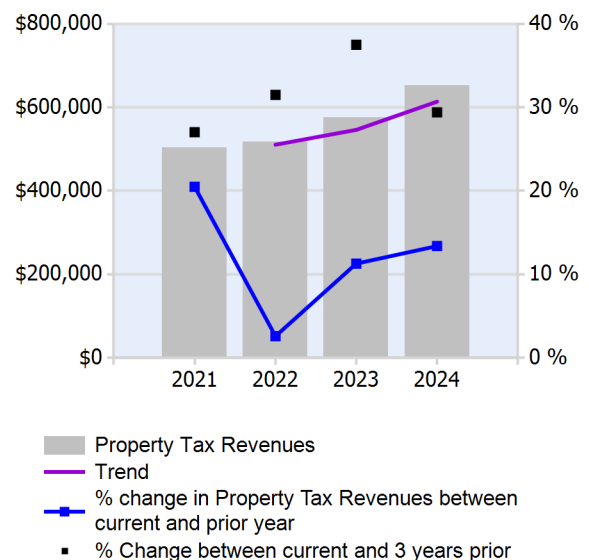
This indicator reflects declines in property tax revenues and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It also will reflect the need for additional sources of revenue to maintain stability.

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%

- Please refer the accompanying data sheet for the calculation of the % of total revenue

Indicator #6
Change in General Fund Property Tax Revenue



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Indicator #7 - Cautionary Outlook

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.

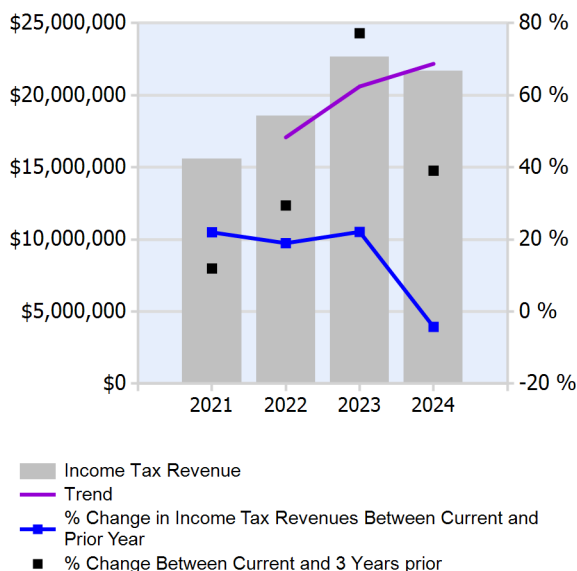
Why is it important?

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.

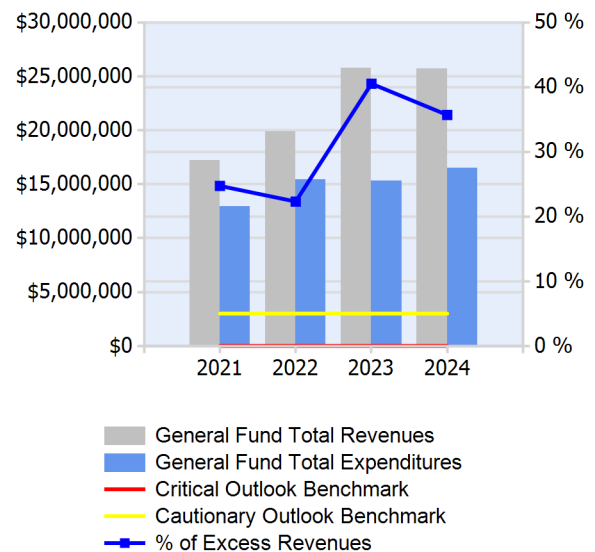
Critical Outlook – If Income Tax Revenues represent 7-20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 20% **OR** if Income Tax Revenues represent greater than 20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last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

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

- Please refer the accompanying data sheet for the calculation of the % of total revenue

Indicator #7
Change in General Fund Income Tax Revenue

Indicator #8 - Positive Outlook

Indicator #8
Percentage of General Fund Revenues that Exceed General Fund ExpendituresPercentage 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

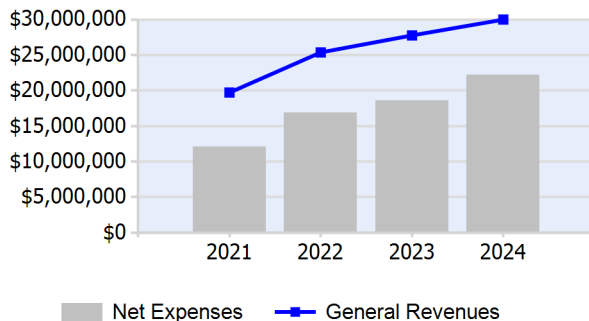
Cautionary Outlook – Low percentage (< 1/20th or 5%)

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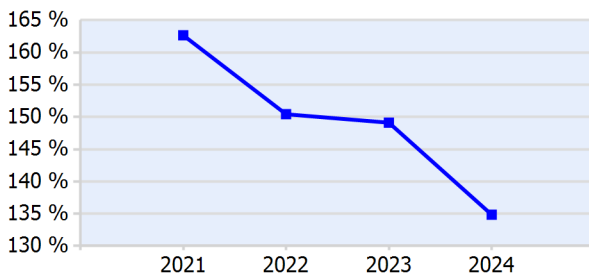
Preliminary 2024 Report

Indicator #9 - Cautionary Outlook

Indicator #9
General Revenues of GTA / Net Expenses of GTA



Ratio of General Revenues of GTA / Net Expenses of GTA



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 - Positive Outlook

General Fund Intergovernmental Revenues as a Percentage of Total General Fund Revenues

Description of indicator and what it means:

This indicator will reflect an over-reliance on intergovernmental revenues which are subject to state and federal budget cuts. A high percentage suggests the entity is heavily reliant on external governmental organizations for grants, entitlements, or shared revenues; and therefore, vulnerable to decreases in these revenue sources.

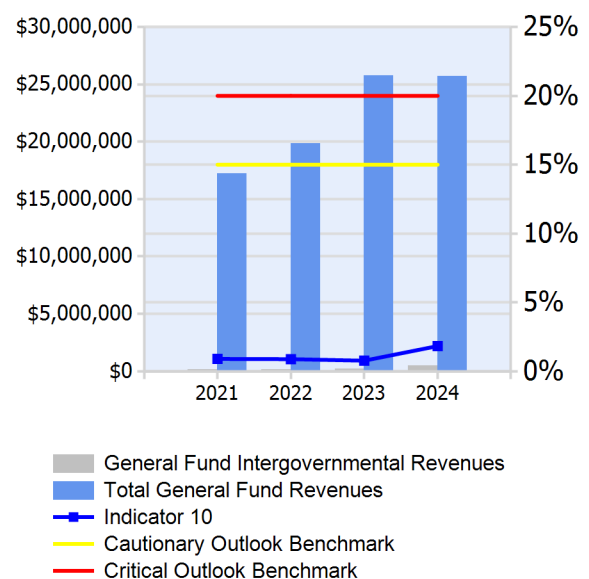
Why is it important?

It is important to be aware of the percentage of total revenues that are not considered "own-source," or local sources of revenue. Understanding the percentage of total revenues derived from intergovernmental sources is important when trying to maintain fiscal stability while dealing with an economic downturn.

Critical Outlook – Ratio greater than 20%

Cautionary Outlook – Ratio between 15% - 20%

Indicator #10
General Fund Intergovernmental Revenues as a Percentage of Total General Fund Revenues



City of Groveport
Franklin County
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Indicator #11 - Cautionary 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.

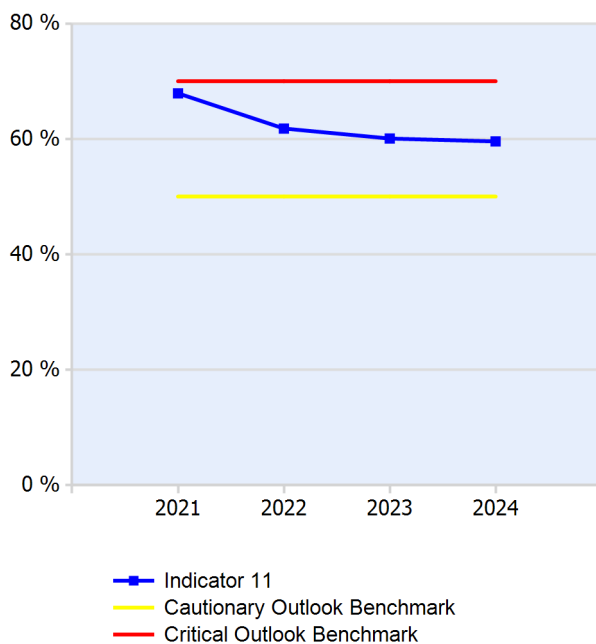
Why is it important?

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%

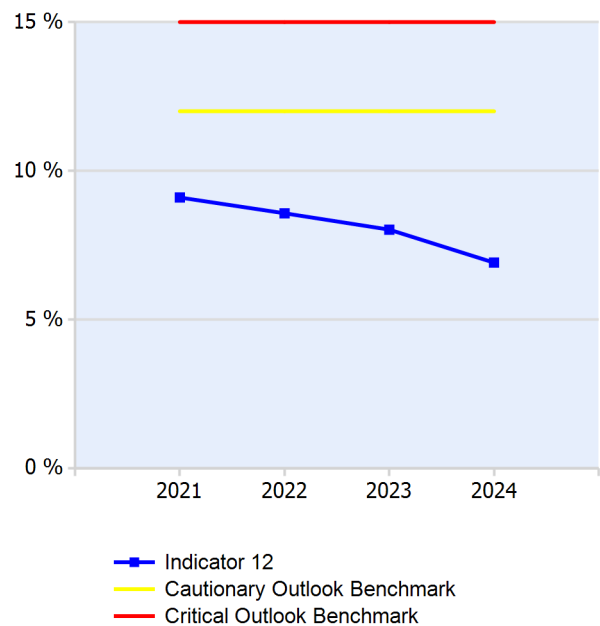
Cautionary Outlook – Ratio between 50% - 70%

Indicator #11
Condition of Capital Assets



Indicator #12 - Positive Outlook

Indicator #12
Debt Service Expenditures / Total Revenues



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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Preliminary 2024 Report

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?

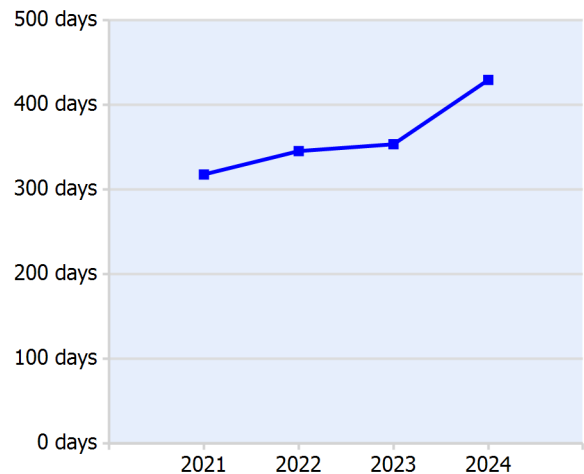
These indicators are important because they identify the number of days the entity may operate using their unrestricted net assets/position, unassigned fund balance, and cash and investments. The fewer days the entity can operate, the more financial stress they are under. These indicators provide an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

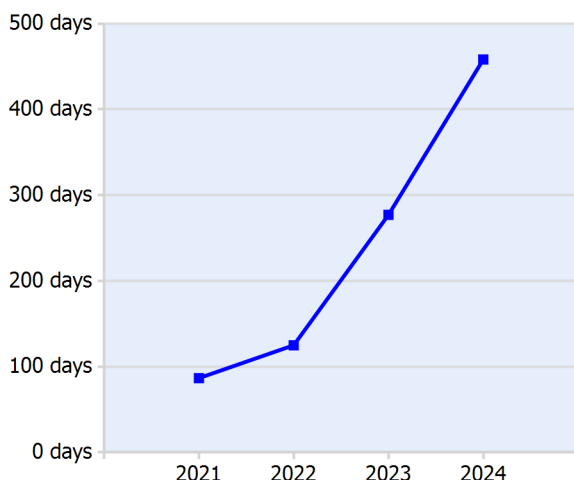
Indicator #13 - Positive Outlook

Indicator #13
Unrestricted Net Assets / Position of GTA / Average
Daily Expenses of GTA



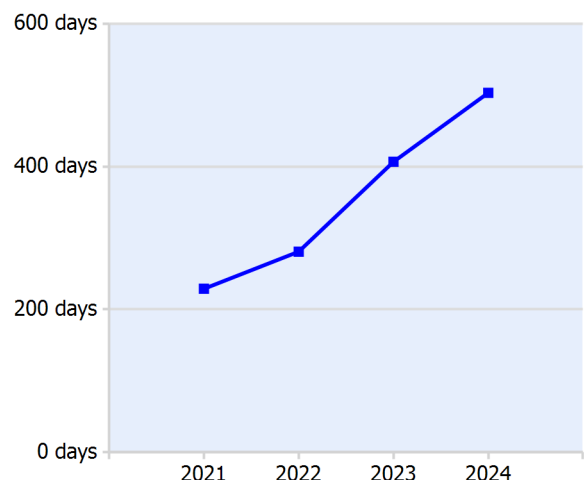
Indicator #14 - Positive Outlook

Indicator #14
Unassigned Fund Balance of the General Fund /
Average Daily Expenditures of the General Fund



Indicator #15 - Positive Outlook

Indicator #15
Cash & Investments of the General Fund / Average
Daily Expenditures of the General Fund



City of Groveport
Franklin County
Year Ended: December 31, 2024
Accounting Basis: GAAP

Preliminary 2024 Report

Indicator #16 - Positive Outlook

Indicator #17 - Not Applicable (Preliminary Report)

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.

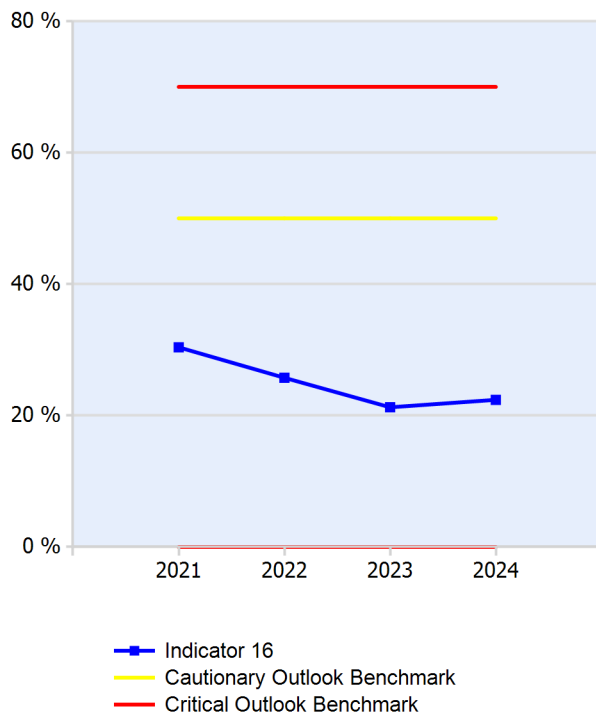
Why is it important?

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 #16
Total Liabilities-to-Net Assets/Position



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%

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FHI Definitions

Critical Outlook:

The more serious of the outcomes 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 necessary 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 of which the entity should be aware. The entity should review the cause of the Cautionary Outlook indicator since, left unchecked, it could develop into a Critical Outlook indicator.

Positive Outlook:

This entity does not meet a Critical or Cautionary Outlook as defined above.

Not Applicable:

This entity did not report data for this indicator or the data for determination of 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, please email: FHIIndicators@ohioauditor.gov

or contact:

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