

Basics of Preparing Financial Statements

Presented by:

Meghan Needham, CPA, CFE

Partner

4 Main Report Types

- Regulatory Cash Basis
 - 60 days from end of fiscal year
- OCBOA Cash or Modified Cash Basis
 - 60 days from end of fiscal year
- GAAP Basis
 - 150 days from end of fiscal year
- Annual Comprehensive Financial Report (ACFR)
 - 150 days from end of fiscal year

Regulatory Basis Reporting



Cash basis – format is entity specific “AOS BASIS”



Financial
Statements

Statement of Cash
Receipts and
Disbursements



Notes to the Financial Statements



Auditor of State website has basic statements and notes that can be adjusted for your specific entity

Regulatory Cash Basis Filers

Agricultural
Society

ADAMH Board

Airport
Authority

Cemetery

Community
Based
Correctional
Facility

Conservancy
District

Family and
Children
First Council

Fire or EMS
District

Health
District

Library

Park District

Regional
Planning
Commission

Soil and
Water
Conservation
District

Township

Villages

Water/Sewer
District

Cash Basis

Revenues recorded when cash is received

Expenditures/Expenses incurred when cash is paid

Capital asset purchases are not capitalized, no depreciation

Long-term debt is a note disclosure only

No accruals or prepaids

OCBOA Reporting



Cash or Modified Cash Basis
GAAP Look-a-Like



Basic Financial
Statements (cash
or modified cash)

Government-Wide
Fund Financial Statements
Notes to the Financial
Statements
Supplementary Information



Presenting an MD&A is optional



Auditor of State website has
basic statements and notes that
can be adjusted for your
specific entity

Modified Cash Basis



Cash basis financials with selective accrual adjustments



"GAAP look-alike"



Relevant GASB Statements applied to the extent necessary



Most common adjustments include:

Fair Value Adjustment for Investments
Capital Asset Reporting
Long Term Debt

GAAP Reporting

- Government-wide statements on accrual basis
- Governmental fund statements on modified accrual basis
- Reconciliations between government-wide and fund statements
- Proprietary and custodial fund statements on accrual basis
- MDA
- Notes to the Financial Statements
- Required Supplementary Information
 - Helpful Tip
- Auditor of State website has basic statements and notes that can be adjusted for your specific entity

Resources

Reference Materials

Clients & IPA Firms

[GASB 84](#)

[GASB FAQs](#)

[Library FAQs and Program Codes](#)

[Other Accounting FAQs](#)

[Financial Statement Shells & Footnotes](#)

- [GAAP](#)
- [GASB 44 – Tables](#)
- [OCBOA](#)
- [Regulatory](#)
- [Specialized Footnotes](#)

[Ohio Compliance Manuals](#)

[Single Audit Practice Aids & Report Shells](#)

[Federal Award Compliance Control Records \(FACCR\)](#)

[Agreed-Upon Procedure Shells](#)

Audit Report Shells

- [FYE 12/31/21 & Subseq](#)
- [Prior to FYE 12/31/21](#)

[Additional Audit Guidance](#)

[Ohio Laws & Rules](#)

[Publications & Manuals](#)

Other Specialized Footnote Disclosures

- [Footnotes 23 Ohio Plan \(OPRM\)](#) Aug 2024 (docx)
- [Footnotes 23 Public Entities Pool \(PEP\)](#) Jun 2024 (docx)
- [Footnotes 23 OTA Risk Management Authority \(OTARMA\)](#) Jun 2024 (docx)
- [Footnotes 23 Ohio Municipal Self-Insurance](#) Nov 2023 (docx)
- [Footnotes 22 Ohio Plan \(OPRM\)](#) Aug 2023 (docx)
- [Footnotes 22 OTA Risk Management Authority \(OTARMA\)](#) Jul 2023 (docx)
- [Footnotes 22 Public Entities Pool \(PEP\)](#) Jun 2023 (docx)
- [Footnotes 22 Ohio Municipal Self-Insurance](#) Nov 2022 (docx)
- [Footnotes 21 Ohio Plan \(OPRM\)](#) Jul 2022 (docx)
- [Footnotes 21 OTA Risk Management Authority \(OTARMA\)](#) Jun 2022 (docx)
- [Footnotes 21 Public Entities Pool \(PEP\)](#) Jun 2022 (docx)
- [Footnotes 21 Ohio Municipal Self-Insurance](#) Nov 2021 (docx)
- [Footnotes 20 OTA Risk Pool Management](#) Jun 2021 (docx)
- [Footnotes 20 Ohio Plan \(OPRM\)](#) Jun 2021 (docx)
- [Footnotes 20 Ohio Municipal League Self Insurance](#) Nov 2020 (docx)
- [Footnotes 20 Public Entities Pool \(PEP\)](#) Jun 2021 (docx)
- [Footnotes 19 Ohio Plan \(OPRM\)](#) Jun 2020 (docx)
- [Footnotes 19 OTA Risk Management Authority \(OTARMA\)](#) Jun 2020 (docx)
- [Footnotes 19 Public Entities Pool \(PEP\)](#) Jun 2020 (docx)
- [Footnotes 19 Ohio Municipal League Self Insurance](#) Sep 2019 (docx)
- [Footnotes AMPGS Disclosure Generic](#) Jan 2024 (doc)

Accrual Basis

- Revenues recorded as earned, expenses/expenditures recorded as incurred
- The following items are recognized when:
 - Receivables when they are measurable and available
 - Available typically means within 60 days of year end, although this can differ
 - Income taxes in the period in which the income is earned
 - Property taxes in the year the taxes were levied
 - Grants, entitlements, donations when eligibility requirements are satisfied
 - Timing
 - Matching requirements
- Record prepaids, accrued accounts receivable, unearned/deferred revenue, accrued liabilities
- Record deferred outflows when the consumption of an asset applies to a future period
- Record deferred inflows when the acquisition of an asset applies to a future period

ACFR

- Similar to GAAP report, but with additional information
- Introductory Section
 - Letter of Transmittal
 - Principal Officers, Organizational Chart
 - Awards
- Financial Section
 - Management's Discussion and Analysis (MD&A)
 - Basic Financial Statements (BFS)
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes of the Financial Statements
 - Required Supplementary Information (RSI)
 - Notes of the RSI
 - Combining Statements and Individual Fund Schedules
- Statistical Section
 - Financials Trends
 - Revenue Capacity
 - Debt Capacity
 - Demographic and Economic Information
 - Operating Information

ACFR

Certificate of Achievement for Excellence in Financial Reporting Program (COA Program)

GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (COA) in 1945 to encourage and assist state and local governments **to go beyond the minimum requirements** of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have the information they need to do so themselves.

Auditor of State – Award with Distinction

- Eligible entities that receive this award meet the following criteria of a “clean” audit report:
- The entity must file financial reports with the Auditor of State’s Office by the statutory due date, **without extension**, via the Hinkle System, on the **Generally Accepted Accounting Principles (GAAP) accounting basis**, and prepare an **ACFR (Annual Comprehensive Financial Report)**.
- The audit report does not contain any findings for recovery, material citations, material weaknesses, significant deficiencies, Uniform Guidance (Single Audit) findings, or questioned costs, with the opinion dated within six months of the entity’s year-end.
- The entity’s management letter contains no comments related to:
 - Ethics referrals
 - Questioned costs less than the threshold per Uniform Guidance
 - Lack of timely annual financial report submission
 - Bank reconciliation issues
 - Failure to obtain a timely Single Audit in accordance with Uniform Guidance
 - Findings for recovery less than \$500
 - Public meetings or public records issues



Auditor of State

- Award

- Eligible entities that receive this award meet the following criteria of a “clean” audit report:
- The entity must file financial reports with the Auditor of State’s Office by the statutory due date, without extension, via the Hinkle System on the GAAP accounting basis.
- The audit report does not contain any findings for recovery, material citations, material weaknesses, significant deficiencies, Uniform Guidance (Single Audit) findings, or questioned costs, with the opinion dated within six months of the entity’s year-end.
- The entity’s management letter contains no comments related to:
 - Ethics referrals
 - Questioned costs less than the threshold per Uniform Guidance
 - Lack of timely annual financial report submission
 - Bank reconciliation issues
 - Failure to obtain a timely Single Audit in accordance with Uniform Guidance
 - Findings for recovery less than \$500
 - Public meetings or public records issues



**WHICH
REPORT
IS RIGHT
FOR YOU?**



General Reporting Guidelines

- All values should be rounded to the nearest whole dollar
- Negative amounts should be in parenthesis
- Other financing uses should be shown in parenthesis
- Report needs to be submitted in PDF format with the Auditor of State
- Upon submission, the fiscal office needs to notify the public of its completion by publishing a notice of completion in the newspaper and have the report available to the public at the fiscal office

Hinkle System Entry

Ohio Administrative Code (OAC) [117-2-03\(B\)](#) and Ohio Revised Code (ORC) [126:3-1-01](#), [§117.38](#), [§1724.05](#), and [§1726.11](#) describe financial reporting requirements for all entities, including state universities and colleges, development corporations, and community improvement corporations

What to do...

All entities required to file annually with the Auditor of State must file via the Hinkle System.

Hinkle System Entry



- Electronic filing system for annual financial statements for entities within Ohio
- Increases uniformity in financial reporting
- All entities required to file annually with the Auditor of State must file via the Hinkle System.
- If you complete and file your own entity's report, you'll need to log into your eServices account and then begin filing.
- If a CPA firm, such as Julian & Grube, files on your behalf, you will need to share the Hinkle link with that organization. To do that, you'll need to hit the "Share Link" icon, and share with your organization.
- Access Hinkle System through this link
- <https://ohioauditor.gov/financialreporting/default.html>

For additional guidance, refer to the [AOS Financial Reporting](#) page or read the [AOS Bulletin 2015-007](#).

You can also reach out to AOS by filling out this [Inquiry Form](#) with further questions.

* Not applicable to UAN clients unless they have opted out of UAN filing on entity's behalf or wish to request a filing extension.

Only the "Billing Contact," "Hinkle System Reporting," and "Hinkle System Reporting + eServices" users may view an active Hinkle System filing link or share the link with financial statement preparers.

View	Year End	Status	Filing Link*	Share Link*	Filing Type	Due Date	Filing Date
	12/31/2022	Not Started	Begin Filing	Share Link	GAAP	5/30/2023	
	12/31/2021	Submitted			GAAP	5/31/2022	5/31/2022

Financial Health Indicators

Financial Health Indicators (FHI) Reports and Related Data Spreadsheets

Financial Health Indicators are annual reports gathered from audit results and financial statements filed by local governments. These reports provide financial information, percentages, and ratios — which can be used to predict an entity's financial stability.

Two FHI reports are generated each year: 1. a preliminary report at the time of your final, unaudited Hinkle System report submission, and 2. a final report when the financial audit for the period is completed.

Seven years of data reported on a consistent basis of accounting (GAAP, Cash, or Modified Cash) is required to generate a FHI report. If your entity has not consistently reported for seven years, a one-page incomplete data report will be available.

The FHI reports and related data spreadsheets for your entity are accessible below:

Year	Filing Type	Preliminary Report	Preliminary Report Data	Final Report	Final Report Data
2021	GAAP				

Filing Extensions

- Request an extension through the AOS portal - Hinkle System website before the filing deadline.
- Must be on entity letterhead and signed by fiscal officer and elected official

Submitting the Request

Once the filing type has been selected, and you move to the next page. You'll notice the application will load and there will be a statutory due date top right corner of the proceed (see Figure 8).



Figure 5

Filing Extensions

The AOS will consider granting an extension to a public office, or other entity required to file, under extraordinary circumstances as defined below:

- The public office or other entity required to file is located in an area where a major flood or natural disaster has recently occurred.
- The records were destroyed through fire or casualty.
- The records were not updated due to the recent death or disability of the person responsible for preparing the annual financial report.
- A newly elected or appointed public official requests an extension due to poor maintenance of financial records by the predecessor official;
- Other extenuating circumstances as determined by the AOS. (The “Other extenuating circumstances as determined by the AOS” reason should ONLY be used for situations similar to the others listed, in that the situation is unplanned or unexpected and beyond the control of the entity.)

Filing Extensions

The following are generally NOT reasons for requesting a filing extension:

- A planned retirement/resignation of the fiscal officer and/or other employee responsible for financial statement preparation when entity records were adequately maintained;
- A newly appointed fiscal officer or employee responsible for financial statement preparation when entity records were adequately maintained;
- Planned implementation of a new computer system;
- The hiring of and/or schedule of an entity's outside financial statement preparer/GAAP converter;
- Pending updated note disclosure information from an outside party (the entity's notes are required to include the MOST CURRENT disclosure available at the time of the filing);
- Pending component unit entity financial statements to incorporate into the entity's financial statements (the entity should coordinate deadlines with the component unit entity to ensure the primary government meets its Hinkle System filing deadline);
- The pending completion of a prior period audit;
- Lack of awareness of the filing requirement or not adequately planning time to complete financial reporting; or
- Determining the accounting for an unusual transaction (accounting for transaction should be considered and researched as part of an entity's decision to enter into complex transactions).

Ok

Financial Health Indicators

Ohio law states that the Auditor of State must “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.”

Financial Health Indicators (FHI) were created

- Variety of financial information and analysis which are used to predict financial stability
- Allow for proactive steps to be taken to avoid further issues
- 17 indicators
- Information is pulled from:
 - Statement of Net Position and Statement of Activities- Governmental Type Activities (GTA)
 - Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance- General Fund and All Governmental Funds
 - Audit reports

Financial Health Indicators

Cash Reports

- 15 of the 17 indicators are useful when evaluating cash reports
- Entity has higher financial stress if they have:
 - At least 4 FHI with a critical outlook
 - A combination of 6 critical or cautionary outlooks

GAAP Reports

- Entity has higher financial stress if they have:
 - at least 6 FHI with a critical outlook
 - A combination of 8 critical or cautionary
- Higher number of critical indicators, higher level of stress

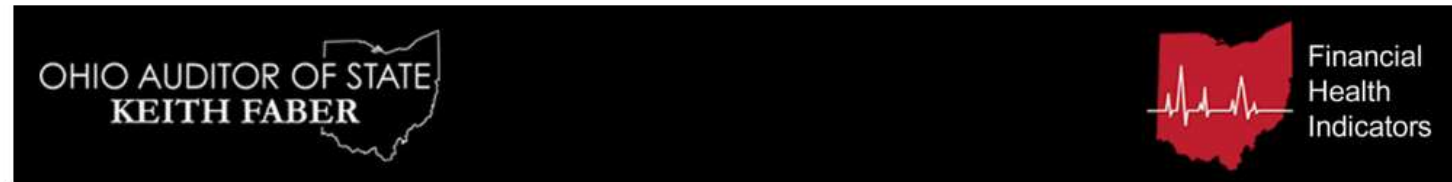
Higher critical outlook or cautionary outlook indicators suggest current financial stress or financial stress in 2-3 years.

An entity must have 7 consecutive years of statements submitted on the same basis (cash/OCBOA or GAAP) to receive a FHI report.

Example of Color Blocks – City 2022

All information is publicly available on the Auditor of State website.

Website shows 2015-2023 city and county heat maps (color blocks)



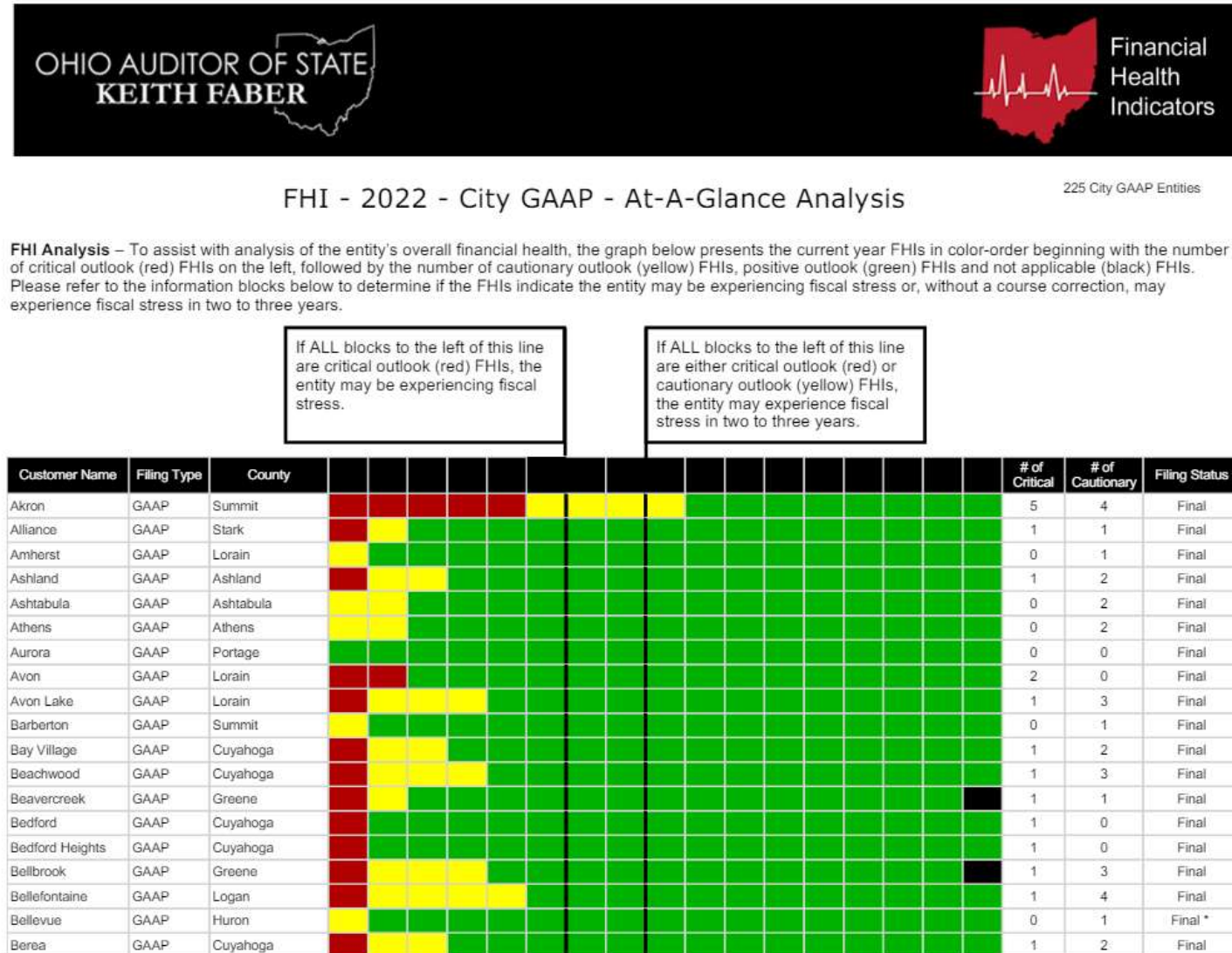
FHI - 2022 - City - Summary

Customer Name	Filing Type	County	# 1	# 2	# 3	# 4	# 5	# 6	# 7	# 8	# 9	# 10	# 11	# 12	# 13	# 14	# 15	# 16	# 17	# of Critical	# of Cautionary	Filing Status
Akron	GAAP	Summit	Red	Yellow	Red	Green	Green	Green	Yellow	Yellow	Green	Green	Yellow	Red	Red	Green	Green	Red	Green	5	4	Final
Alliance	GAAP	Stark	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Yellow	Green	Green	Green	Green	1	1	Final
Amherst	GAAP	Lorain	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	0	1	Final
Ashland	GAAP	Ashland	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Yellow	Green	Green	Green	1	2	Final
Ashtabula	GAAP	Ashtabula	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	0	2	Final
Athens	GAAP	Athens	Green	Green	Green	Green	Yellow	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	0	2	Final
Aurora	GAAP	Portage	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	0	0	Final
Avon	GAAP	Lorain	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Red	Green	2	0	Final
Avon Lake	GAAP	Lorain	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Yellow	Green	Green	Green	Yellow	Green	Yellow	1	3	Final
Barberton	GAAP	Summit	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	0	1	Final
Bay Village	GAAP	Cuyahoga	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Red	Green	Green	Green	Green	Green	1	2	Final
Beachwood	GAAP	Cuyahoga	Green	Yellow	Green	Red	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	1	3	Final
Beavercreek	GAAP	Greene	Yellow	Green	Green	Green	Green	Black	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green	1	1	Final
Bedford	GAAP	Cuyahoga	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	1	0	Final
Bedford Heights	GAAP	Cuyahoga	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	1	0	Final
Bellbrook	GAAP	Greene	Green	Yellow	Green	Green	Green	Black	Green	Yellow	Red	Yellow	Green	Green	Green	Green	Green	Green	Green	1	3	Final
Bellefontaine	GAAP	Logan	Yellow	Yellow	Green	Green	Yellow	Green	Red	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	1	4	Final
Bellevue	GAAP	Huron	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	0	1	Final *
Belpre	GAAP	Washington	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Black	Green	1	0	Preliminary
Berea	GAAP	Cuyahoga	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Red	Green	Green	Green	Green	Green	1	2	Final
Bexley	GAAP	Franklin	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	0	0	Final
Blue Ash	GAAP	Hamilton	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	0	1	Final
Bowling Green	GAAP	Wood	Red	Yellow	Red	Green	Green	Green	Red	Green	Green	Green	Yellow	Green	Red	Green	Green	Red	Green	5	2	Final
Brecksville	GAAP	Cuyahoga	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	1	1	Final
Broadview Heights	GAAP	Cuyahoga	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	0	1	Final
Brook Park	GAAP	Cuyahoga	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	0	1	Final

Example of Color Blocks – City 2022

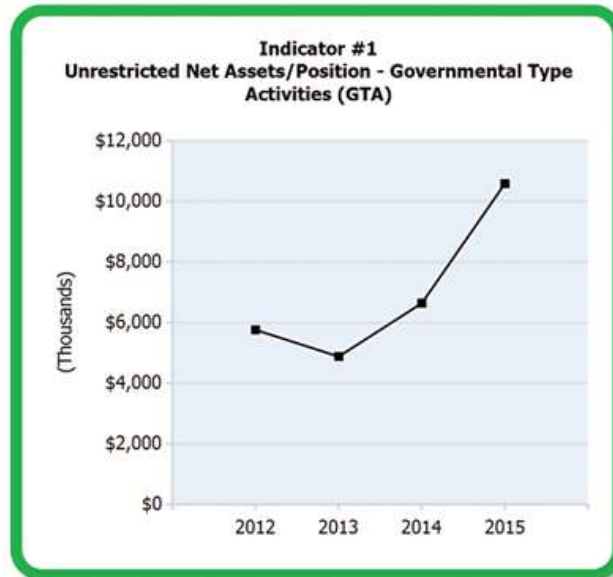
Website also shows the heat maps with analysis

Easy to quantify
how many critical
and cautionary
blocks an entity
needs to evaluate



#1: Unrestricted Net Assets/Position of Governmental Activities (GTA)

Indicator #1 - Positive Outlook



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

- There are three (3) major components to net assets/position (equity) - Net investment in capital assets, restricted net assets/position, and unrestricted net assets/position.
- Unrestricted net assets/position represents the portion of net position that has no related liabilities or restriction as to use.
- Negative unrestricted net assets/position occurs primarily if liabilities exceed assets.

What it means: This indicator identifies when an entity has declining or negative unrestricted net assets/position.

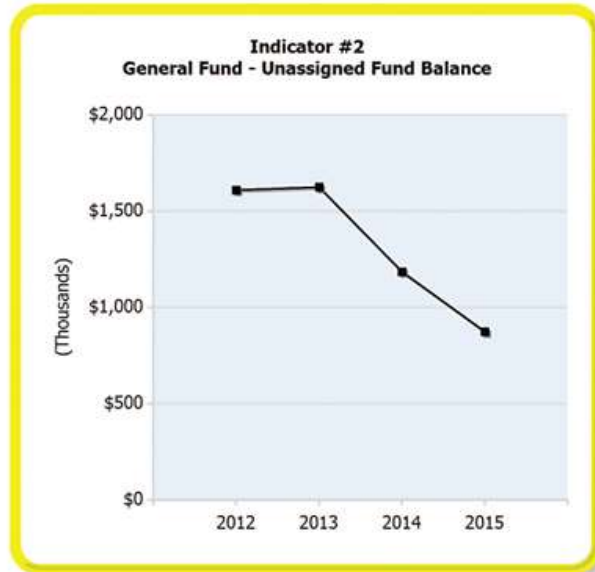
Why it is important: This indicator identifies if net assets/position is available for unrestricted purposes. Although unrestricted net assets/position may not be in liquid form, it is important to have net assets/position available and unrestricted as to use. If an entity's unrestricted net assets/position 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 amounts

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

#2: Unassigned Fund Balance of the General Fund

Indicator #2 - Cautionary Outlook



2 Unassigned Fund Balance of the General Fund

- A component of equity
- There are five components of fund equity – nonspendable, restricted, committed, assigned, and unassigned. Unassigned fund balance is the portion of fund balance that has no related liabilities or has not otherwise been obligated.

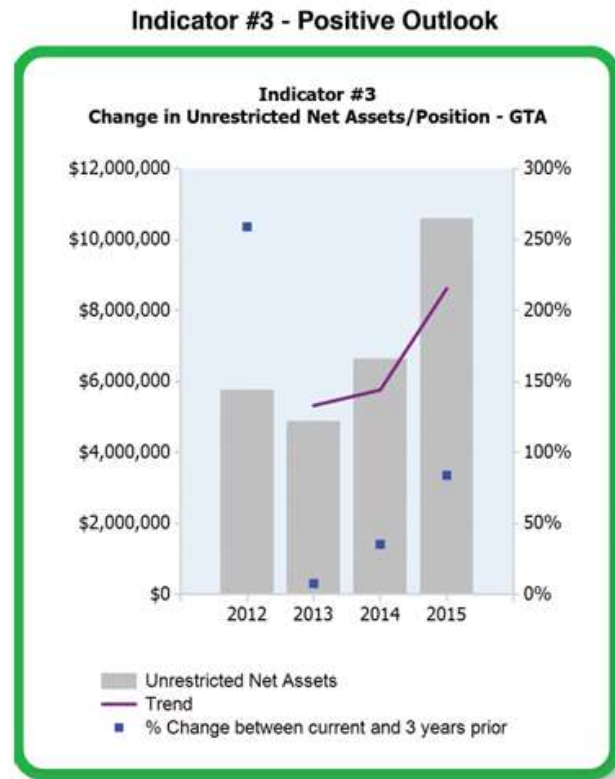
What it means: This indicator identifies when an entity has declining or negative unassigned fund balance.

Why it is 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 amounts

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

#3: Change in Unrestricted Net Assets/Position for GTA



3 Change in Unrestricted Net Assets/Position for GTA

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

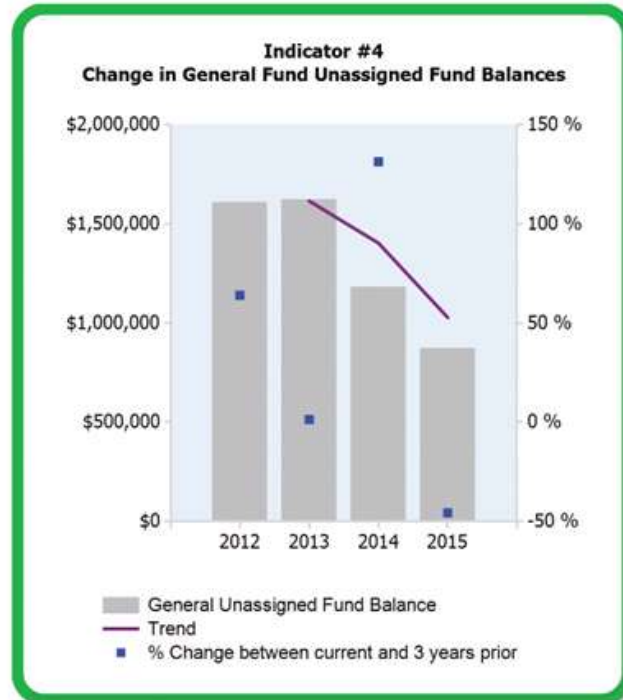
Why it is important: A declining unrestricted net assets/position can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating unrestricted net assets/position as well as how rapidly it is deteriorating.

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

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

#4: Change in General Fund Unassigned Fund Balance

Indicator #4 - Positive Outlook



4 Change in General Fund Unassigned Fund Balance

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

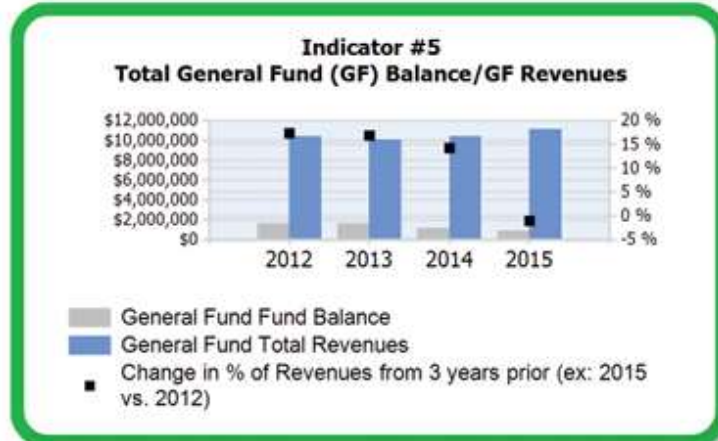
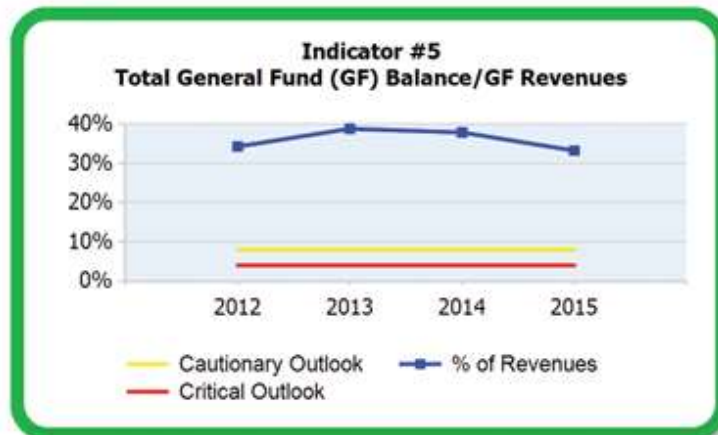
Why it is important: A declining unassigned fund balance can be a sign of fiscal stress. This indicator is important in identifying a trend of a deteriorating unassigned fund balance as well as how rapidly it is deteriorating.

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

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

#5: Total General Fund Balance/ General Fund Revenues

Indicator #5 - Positive Outlook



5 Total General Fund (GF) Balance / GF Revenues

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.

This indicator is calculated by taking the total General Fund balance divided by total General Fund revenues. This will determine the percentage of total General Fund revenues (or the current year budget) that has been reserved or available for carry over to the following year.

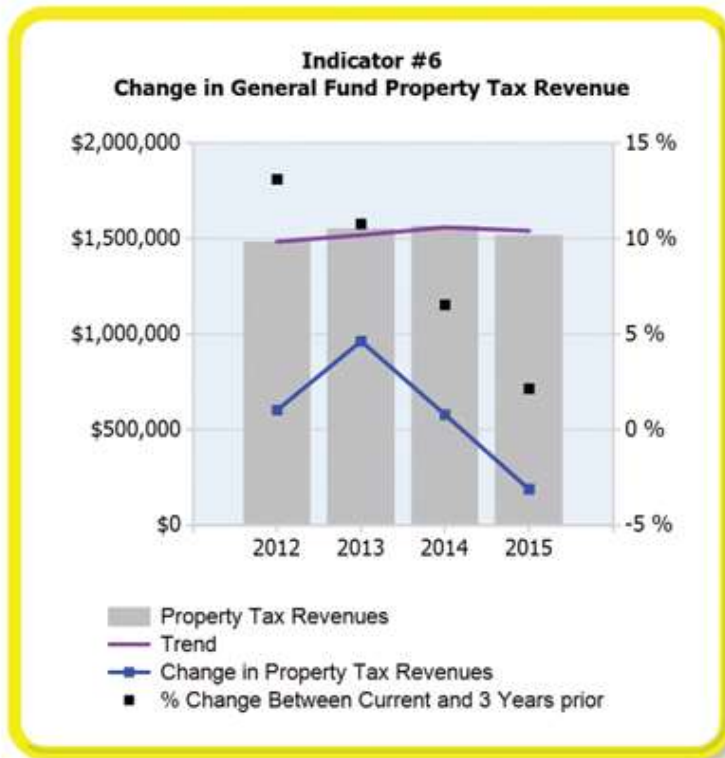
Why it is important: This indicator identifies a low reserve of fund balance even if Indicators 1 through 4 do not indicate negative unrestricted net assets/position or unassigned fund balance.

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

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

#6: Decline in General Fund Property Tax Revenue

Indicator #6 - Cautionary Outlook



6 Decline in General Fund Property Tax Revenue

What it means: This indicator reflects the percentage change from year to year for property tax revenue.

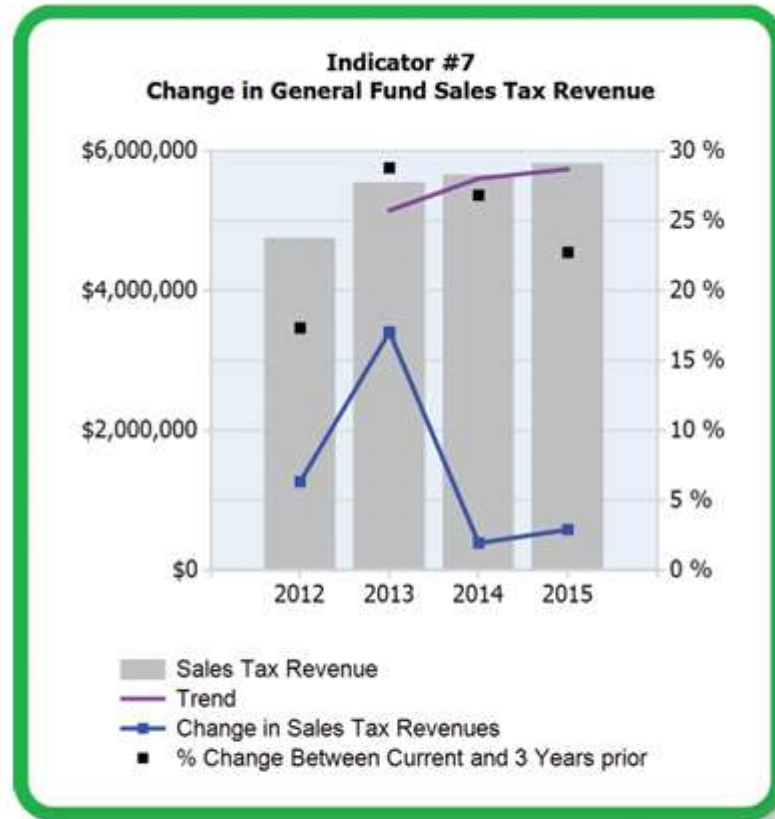
Why it is important: This indicator reflects declines in property tax revenue and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It will also reflect the need for additional sources of revenue to maintain stability.

Critical Outlook – If property tax revenues represent 7-20% of total General Fund revenues, a trend of declining tax revenue over the last three years in excess of 20% OR if property tax revenues represent greater than 20% of total revenues, a trend of declining tax revenue over the last 3 years in excess of 10%.

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

#7: Decline in General Fund Tax Revenue (Income Tax/Cities, Sales Tax/Counties)

Indicator #7 - Positive Outlook



What it means: This indicator reflects the percentage change from year to year for sales tax revenue for counties and income tax revenue for cities.

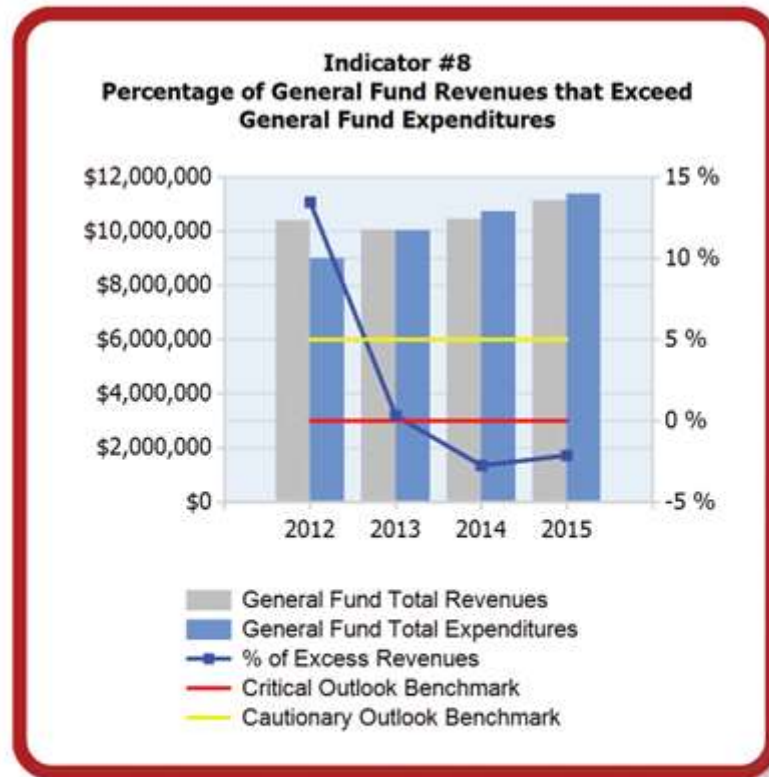
Why it is important: This indicator reflects declines in these revenue types and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It will also reflect the need for additional sources of revenue to maintain stability.

Critical Outlook – If income tax or sales tax revenues represent 7-20% of total General Fund revenues, a trend of declining tax revenue over a three year period in excess of 20% OR if income tax or sales 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 – Decrease in tax revenue from the current to the prior year by more than 1%.

#8: Percentage of General Fund Revenues that Exceed Expenditures

Indicator #8 - Critical Outlook



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.

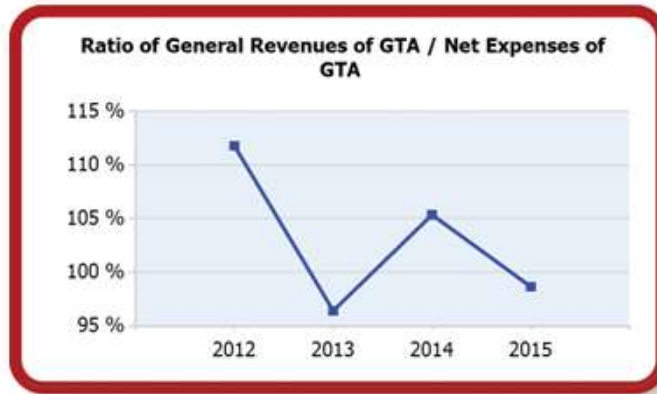
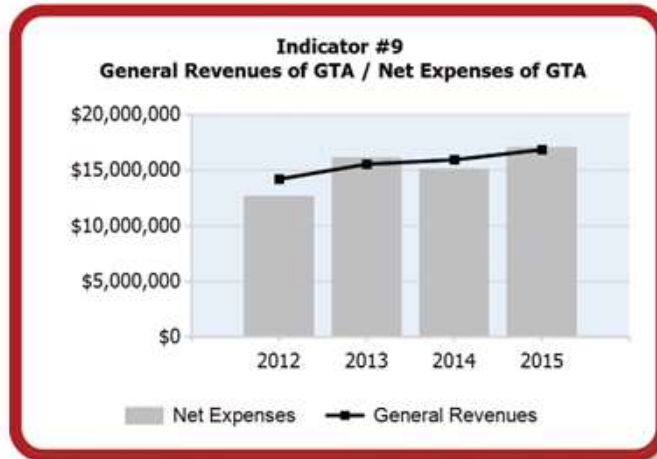
Why it is important: This indicator is important because it reflects if an operating deficit exists but also emphasizes the size of the deficit as compared to the current year's budget. This is an indication of the shortage in the current budget. A trend of operating deficits indicates potential financial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

Critical Outlook – Negative percentage

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

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

Indicator #9 - Critical Outlook



9 General Revenues of GTA /
Net Expenses of GTA

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.

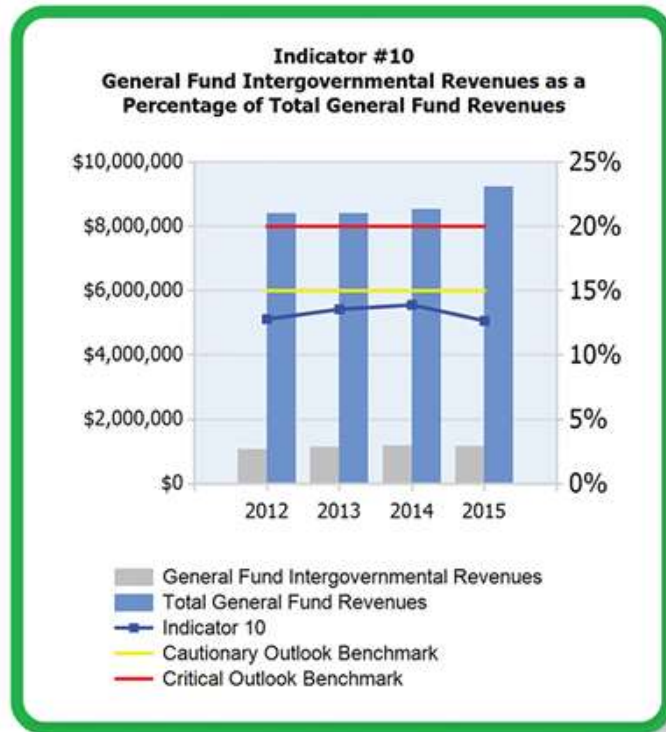
Why it is important: This indicator is important to be aware if a shortage in revenues to cover expenses exists. A declining trend would indicate fiscal stress.

Critical Outlook – Ratio less than 100%

Cautionary Outlook – Declining trend of at least three years

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

Indicator #10 - Positive Outlook



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

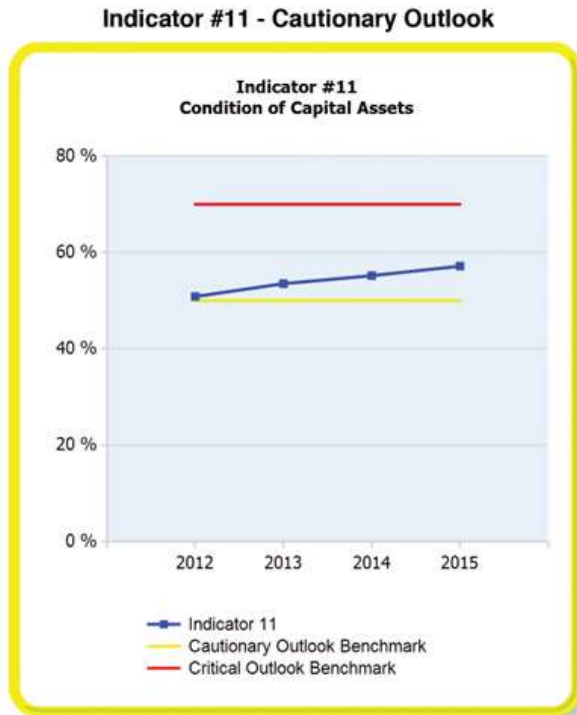
What it means: This indicator will reflect an over-reliance on intergovernmental revenues which are subject to state and federal budget cuts. A high percentage suggests the entity is heavily reliant on external governmental organizations for grants, entitlements, or shared revenues; and therefore, vulnerable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

Why it is 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%

#11: Condition of Capital Assets (only GAAP)



Why it is important: When entities delay improving or replacing 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%

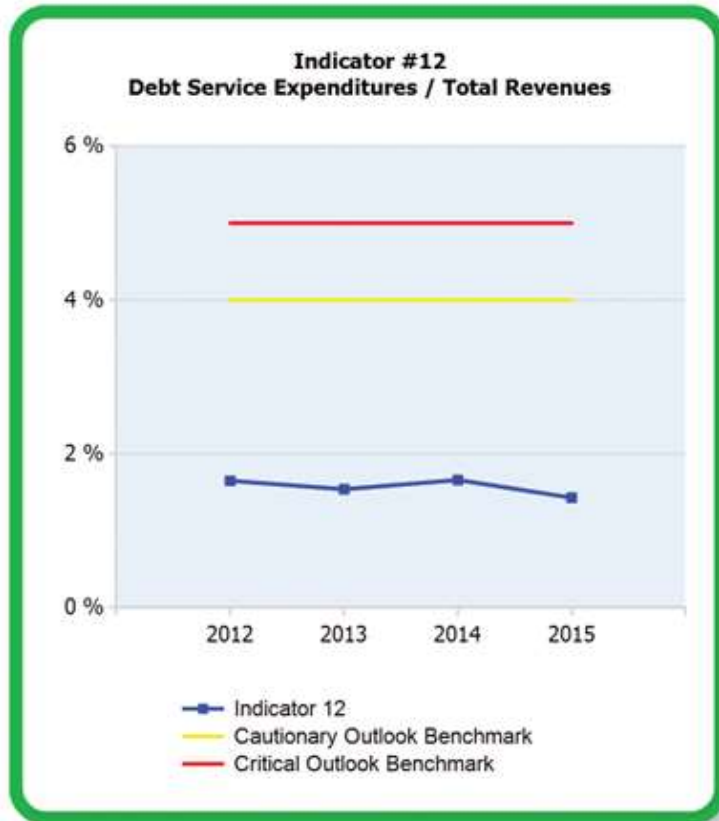
*This FHI is only applicable to local governments reporting on a GAAP basis of accounting

11 Condition of Capital Assets*

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

#12: Debt Service Expenditures/ Total Revenues

Indicator #12 - Positive Outlook



12 Debt Service Expenditures /
Total Revenues

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 it is 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 asset repair/replacement or meeting current service demands.

For Cities:

Critical Outlook – Ratio greater than 15%

Cautionary Outlook – Ratio between 12% - 15%

For Counties:

Critical Outlook – Ratio greater than 5%

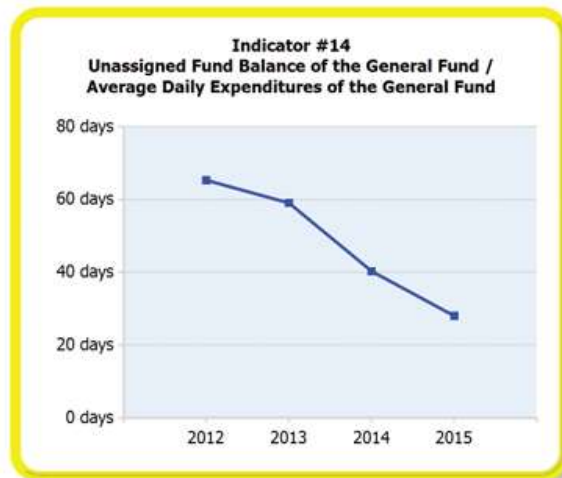
Cautionary Outlook – Ratio between 4% - 5%

#13-15: Average Daily Expenses or Expenditures Ratio

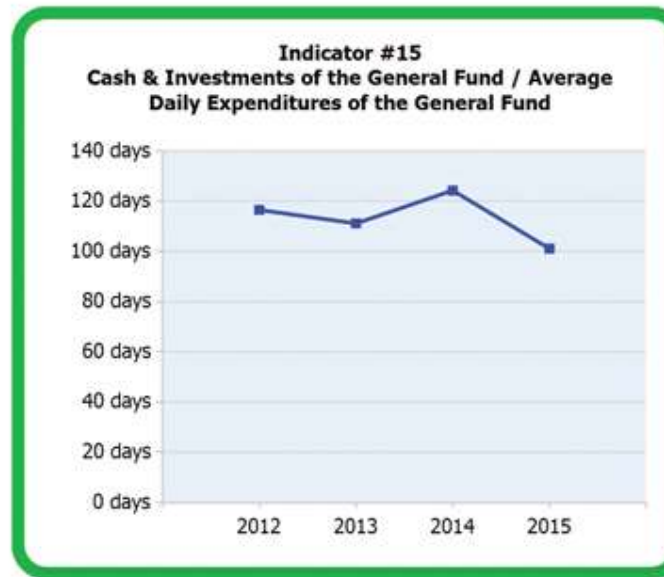
Indicator #13 - Positive Outlook



Indicator #14 - Cautionary Outlook



Indicator #15 - Positive Outlook



13 13-15. Average Daily Expenses or Expenditures Ratio (Indicators 13, 14 & 15):

13. Unrestricted Net Assets/Position of GTA/Average Daily Expenses of GTA

14. Unassigned Fund Balance of the General Fund/Average Daily Expenditures of the General Fund

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

What they mean: 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.

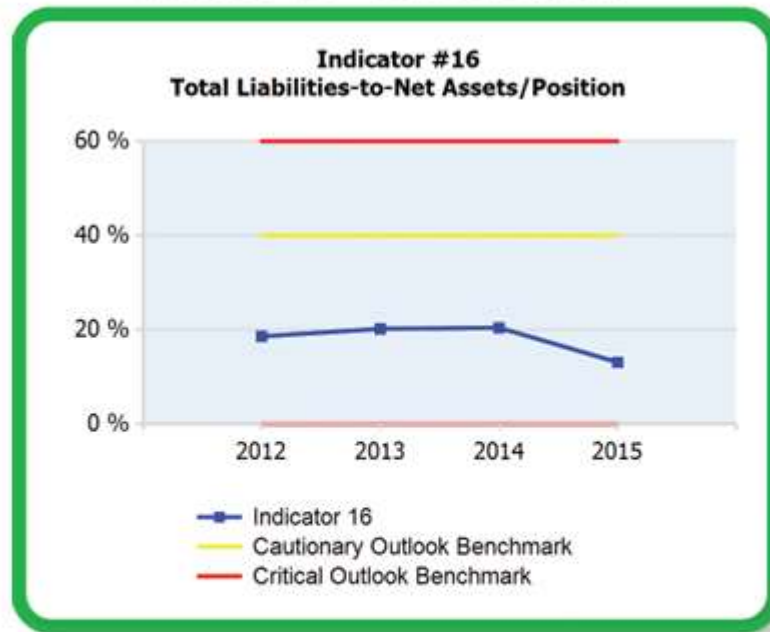
Why it is important: These indicators are important because they identify the number days the entity may operate using their unrestricted net assets/position, unassigned fund balance, and cash and investments. The fewer days the entity can operate, the more financial stress they are under. It provides 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

#16: Total Liabilities-to-Net Assets/Position (only GAAP)

Indicator #16 - Positive Outlook



16

Total Liabilities-to-Net Assets/
Position*

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 it is important: This indicator identifies entities that are over-extended in terms of the percentage of every dollar which is owed to others.

For Cities:

Critical Outlook – Negative ratio (representing negative net assets) OR ratio greater than 70%

Cautionary Outlook – Ratio between 50% - 70%

For Counties:

Critical Outlook – Negative ratio (representing negative net assets) OR ratio greater than 60%

Cautionary Outlook – Ratio between 40% - 60%

* This FHI is only applicable to local governments reporting on a GAAP basis of accounting

#17: Budgetary Non-Compliance and/or Unreconciled/Unauditable Financial Records

Indicator #17 - Positive Outlook

Indicator #17 Budgetary Non-Compliance and/or Unreconciled/Unauditable Financial Records?	
Audited Year End	Applicable
2015	No
2014	No
2013	No
2012	No

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

What it means: This indicator identifies if an entity's recent audit reports include budgetary non-compliance and/or unreconciled/unauditable financial records. The Indicator 17 determination is based on the current and prior two (2) audited years.

Why it is 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.

Financial Health Indicators

The end result is either predicting fiscal health or fiscal caution, watch, or emergency.

The entity will receive a report with color blocks to indicate the level of health for that indicator:

- Green – Positive, did not meet cautionary or critical outlook
- Yellow – Cautionary, signals a concerning situation to be aware of
- Red – Critical, signals a potential (not actual) high risk of fiscal stress
- Black – Not applicable, entity did not report data for this indicator, or data is unavailable

Reports are generated twice a year

- Once after the entity's financial statements are filed
- Once after the entity's audit is completed

Direct any questions about FHI or questions about your entity to FHIIndicators@ohioauditor.gov



Questions?