


To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager 
Date: September 7, 2017
Initiated By: Angel L. Mumma, Director of Finance
Jerry O'Brien, Chief Accountant
Re: Auditor of State Financial Health Indicator Report

Background

The Office of the Auditor of State of Ohio (Auditor) has completed the Financial Indicators Report for the City for 2016. The Auditor's Office began issuing Financial Indicators Reports for counties and cities based on FY 2015 data to help them determine if they are experiencing fiscal stress. The report consists of 17 financial health indicators, which "are a series of financial information, percentages, and ratios gathered from annual financial statements, filed by local governments, which are useful in predicting financial stability." The report instructs the reader to consider all of the indicators and analyze those that might present an issue. The report should be read in conjunction with the Frequently Asked Questions (FAQ) document written by the Auditor's staff and available to the public on the Auditor's website. The answers to these questions are helpful in understanding various aspects of the report and what they mean.

For each of the FHI, the report uses three categories to characterize whether the trend in the data represents a positive outlook, cautionary outlook, or critical outlook. In the report, these three categories are identified by the colors green, yellow or red, respectively. The report states, "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" to identify and correct negative financial trends before the negative trends lead to more serious fiscal distress.

The City's Finance 2016 Financial Health Indicator Report

In the City's report, two of the seventeen financial indicators were identified as "yellow" or a "cautionary outlook". These indicators are identified in the report as Indicator #1 and Indicator #2. One of the indicators was identified as "red" or a "critical" outlook. This indicator is identified as Indicator #9. Thirteen of the other indicators were categorized as "green," which indicates a "positive outlook" and one was "black," which indicates not applicable.

Staff analyzed the red and yellow indicators using the Comprehensive Annual Financial Report (CAFR) data represented in the report and internal data used to compile the CAFRs to determine the reasons for the trends. Background for the information and the analysis is presented below.

The report was compiled using the financial data from the City's CAFR for the years 2013, 2014, 2015, and 2016. The report only looks at governmental activities. It does not look at business-type activities. Governmental activities consist of functions of the City that are principally supported by taxes and intergovernmental revenues while business-type activities are intended to

recover all or a significant portion of their costs through user fees or charges. The governmental activities of the City include general government, community environment, basic utility services, leisure time activity, security of persons and property, public health services, and transportation. The business-type activities of the City include the water system, the sanitary sewer system, and the merchandising operations.

While the City (along with the majority of other public entities in Ohio) operates on a cash basis throughout the year (recognizing revenue at the time of receipt and expenditures at the time the payment is made), much of the financial information in the CAFR is compiled using the accrual basis of accounting, as required by the Auditor and the Governmental Accounting Standards Board (GASB). Accrual basis accounting includes information such as receivables and payables, long-term debt, and capital assets. These components represent amounts not yet received or paid, as well as non-cash assets. Accrual basis accounting is not looking at cash balances of funds. Reconciliations are required in the financial statements to show how the accrual basis information relates to cash basis activity.

The CAFR presents government-wide financial statements, which are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They consist of all information for governmental activities combined into one column and all business-type activities combined into another column. The two government-wide statements are the statement of net position and the statement of activities.

The CAFR also presents fund financial statements, which are composed of information for each fund. A fund is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

INDICATOR 1 – Unrestricted Net Position of Governmental Activities

2015 Status – Cautionary Outlook (Yellow)

2016 Status – Cautionary Outlook (Yellow)

The statement of net position is the first of the two government-wide statements within the CAFR, which presents information on all of the City's assets, deferred outflows/inflows of resources, and liabilities with the difference reported as net position. Net position is composed of three categories: net invested in capital assets, restricted, and unrestricted. Net invested in capital assets is the amount of capital assets after subtracting depreciation that has been applied to date and debt used to purchase the assets. Restricted net position represents resources restricted by

legal or contractual purposes to specific purposes. Unrestricted net position represents the remaining resources that can be used for any purpose of the government.

In 2016, the unrestricted net position of governmental activities decreased \$22.2 million from 2015. There were three reasons for this negative trend. The most significant reason was due to an increase in noncapital debt. In 2015, the City entered into a State Infrastructure (SIB) Loan agreement with the State of Ohio for \$35.1 million for improvements to the Interstate 270/US 33 Interchange. This amount represents the City's \$10.1 construction commitment and the Mid-Ohio Regional Planning Commission's (MORPC) construction commitment of \$25 million. During 2016, the City received proceeds from the loan in the amount of \$18.6 million. At year-end, \$18.2 million was outstanding, which is being reported as a liability. The liability was reported in the unrestricted net position category due to the fact that the 270/US 33 Interchange will not be an asset of the City, but rather, will be reported as an asset of the State. Normally, the amount of outstanding debt reduces the restricted category of net invested in capital assets. It offsets the capital assets purchased or constructed. However, according to GASB standards, when debt is issued for construction of assets that will be reported by another entity, the liability is reported in unrestricted net position.

The second reason for the negative trend is due to projects in the capital projects funds. Many of these funds have negative fund balances because projects are started with advances to those funds, which will be paid back with TIF revenues as they are received in the future. The expenditures are made from the advances for the projects, which reduces the cash, but the liabilities for the advances reduce the fund balance to negative amounts. According to GASB, negative net position cannot be reported in the restricted net position category but must be reclassified to the unrestricted category of net position. In 2016, \$57.9 million in negative net position was reclassified from the restricted for capital projects to unrestricted net position. This was an increase of \$3.2 million from 2015, which reduced unrestricted net position.

The third reason was due to an increase in the net pension liability and related deferred inflows and outflows. In 2016, the net amount of the pension liability and inflows/outflows was \$32.7 million. This was an increase of \$2.6 million from 2015, which reduced unrestricted net position. As a matter of background, beginning in 2015 the City was required to implement GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. When accounting for pension costs, GASB 27 focused on a funding approach, which limited pension costs to contributions made by entities to the pension systems in accordance with state law. Those contributions may or may not have been sufficient to fully fund each pension system's net pension liability. GASB 68 takes an earnings approach to pension accounting in that an entity's net pension liability equals the entity's proportionate share of each pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service less plan assets available to pay the benefits. In Ohio, the employee and employer share in the obligation of funding pension benefits, with the rates capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. As such, the liability for the pension will not be repaid from City resources. A more detailed explanation of the

pension liability is provided in the Management's Discussion and Analysis in the 2016 CAFR starting on page 25.

INDICATOR 2 – Unassigned Fund Balance of the General Fund

2015 Status – Cautionary Outlook (Yellow)

2016 Status – Cautionary Outlook (Yellow)

Unassigned fund balance is found in the balance sheet of the General Fund. Fund balance in governmental funds is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are nonspendable, restricted, committed, assigned and unassigned. The two that have a bearing on the discussion of this indicator are the nonspendable and unassigned classifications.

The **nonspendable** fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash such as supplies and materials inventory. The **unassigned** fund balance category is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

The decrease in unassigned fund balance of the General Fund presented in Indicator 2 is due to advances being made from the General Fund to various capital projects funds (i.e. TIF funds). Advances to other funds are reported on the governmental funds balance sheet as an asset because they are long-term receivables from other funds. Because they will not generally be paid back in the next year and are therefore not available to spend, they are reported in nonspendable fund balance rather than unassigned fund balance.

In 2015, advances to other funds in the General Fund were \$35.6 million. In 2016, advances to other funds were \$46 million. This represents an increase of advances to other funds from 2015 to 2016 of \$10.4 million. Since advances to other funds are reported in the nonspendable fund balance classification rather than in unassigned fund balance, nonspendable fund balance was increased while unassigned fund balance was decreased.

The unassigned balance is the amount left over after every other category of fund balance. Advances to other funds is the only item included in these other categories that is significantly affecting the unassigned fund balance. This does not indicate the General Fund is experiencing financial stress. Overall, fund balances in the General Fund for 2015 and 2016 were \$93,540,844 and \$97,322,899, respectively, which represents an increase in total fund balance for each year. In the City's case, the decrease in unassigned fund balance is indicative of an increase in capital projects.

INDICATOR 9 – General Revenues of GTA/Net Expenses of GTA

2015 Status – Positive Outlook (Green)

2016 Status – Critical Outlook (Red)

The statement of activities is the second of the government-wide statements within the CAFR, which presents information on the City's revenues and expenses as a whole. The statement is divided into two categories, one for all governmental activity and one for all business-type activities. The statement presents the expenses first and then deducts the program revenues to present the amount of expenses reduced by revenues generated by specific programs. The expenses not covered by program revenues are subtracted from general revenues, which include the various categories of taxes, investment income, intergovernmental revenues that do not meet the criteria of program revenues, and miscellaneous revenues, to determine the increase or decrease in net position for the year.

Indicator 9 looks at whether revenues are sufficient to pay expenses. This is determined by looking at the change in net position, which is calculated according to the description above. In 2014, there was an increase in net position of governmental activities of \$29.1 million. This means there were \$29.1 million more revenues than expenses. In 2015, the increase in net position was \$21.3 million. There were sufficient revenues to pay for expenses, but the comparison of the change in net position of 2014 to 2015 indicated a negative trend of \$7.8 million. In 2016, the change in net position was (\$2.9) million. This indicated a negative trend in the change of net position from 2015 of \$24.2 million. The total decrease for the three year period was \$32 million.

The negative trend in net position during the period from 2014 to 2016 is primarily due to an increase in expenses. For this period, total expenses increased \$28.9 million. The majority of this increase was in 2016. From 2014 to 2015, expenses increased \$6.9 million and from 2015 to 2016, expenses increased \$22 million. The majority of these increases are related to projects that did not meet the criteria to be capitalized, therefore reflecting an expense but no offsetting increase in capital assets. In 2016, one of the significant projects in this category was the Bridge Street Parking Structures, which will not be capitalized because it will not be a City asset. Other expenses that are budgeted as capital expenditures but are not capitalized are for maintenance agreements for IT and other equipment, as well as capital maintenance programs such as street maintenance, guardrail maintenance, parking lot maintenance, pavement preventative maintenance, and shared use path maintenance in which significant dollars are reported as expenses on the statement of activity but not capitalized.

For the three-year period from 2014 to 2016, revenues were fairly stable, with a slight trend downward. Total revenues, including transfers to business-type activities, decreased during this period in the amount of \$3.1 million. About half of this decrease was in income taxes and service payments in TIF funds of approximately \$861,000 and \$691,000, respectively. The other most significant decrease was in program revenues, which decreased \$738,000 over this period.

CONCLUSION

The Auditor's report cautions that, "No individual FHI indicator is of use in identifying overall fiscal stress." It goes on to say, "These indicators must be considered together to obtain insight as to whether or not an entity is experiencing the signs of fiscal stress." This is because one or more ratios may not give a true picture of the financial condition of an entity or be indicative of a problem. In a government with complex finances, many of the financial statement components

being analyzed in this report, especially in the government-wide statements, contain several aspects of financial operations.

Moreover, in the FAQ document published by the Auditor's Office, one of the questions posed was, "Does a 'red' or 'yellow' indicator reflect poor management of the city or county?" The answer provided was, "No." It goes on to say in part:

The FHI report is not intended to criticize the operating decisions made by individual entities. Many times local leaders have made conscious decisions that may, because the FHI report is an automated process, trigger an indicator as having a "critical" (red) or "cautionary" (yellow) outlook. Those decisions are purposeful and usually are not indicative of a problem.

Therefore, each ratio not categorized as positive must be analyzed to determine the underlying reason or reasons for the trend. It then must be considered in conjunction with all of the other ratios to gain a true picture of the financial condition of the entity. According to the Auditor's analysis, for entities reporting on the GAAP basis of accounting, six red indicators or a combination of eight red and yellow indicators implies fiscal stress. After analysis of the reasons behind the trends in the report for the City, the two yellow indicators and one red indicator do not reflect any fiscal distress.

Recommendation

Information only. Attached for Council's review are three documents:

- The City of Dublin Final 2016 Report
- The Financial Health Indicator – Frequently Asked Questions and Answers
- City Heat Map for 2016 – This report shows all cities in Ohio and their color-coded ratings for each of the 17 indicators.

In the spirit of full transparency to our residents, staff will post the City's Final 2016 Report along with the Special Report, FAQ and this memo on the Finance page of the City's website.

Attachments



City Of Dublin
Franklin County
Year Ended: December 31, 2016
Accounting Basis: GAAP

Final 2016 Report

2016 Financial Health Indicators at a Glance:

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

Critical Outlook Financial Health Indicators: 1

Cautionary Outlook Financial Health Indicators: 2

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). 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. Sixteen (16) 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.

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.

In the pages that follow, you will find the detail of each Financial Health Indicator. The effects of implementation of GASB 68 for pensions have been removed from the applicable line items for consideration of Financial Health Indicators 1, 3, 13 and 16. Critical outlook indicators are identified in red, cautionary outlook indicators are identified in yellow, and positive outlook indicators are identified in green as described below:

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.

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.

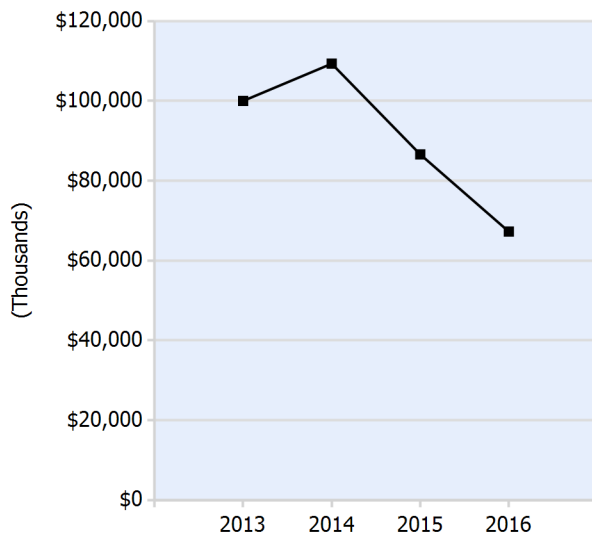


City Of Dublin
Franklin County
Year Ended: December 31, 2016
Accounting Basis: GAAP

Final 2016 Report

Indicator #1 - Cautionary 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 - Cautionary 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.

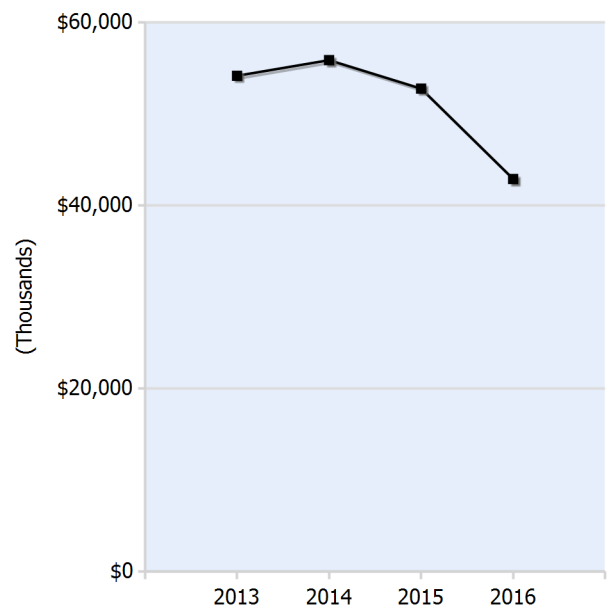
Why is it important?

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





City Of Dublin
Franklin County
Year Ended: December 31, 2016
Accounting Basis: GAAP

Final 2016 Report

Indicator #3 - Positive Outlook

Change in Unrestricted Net Assets/Position - GTA

Description of indicator and what it means:

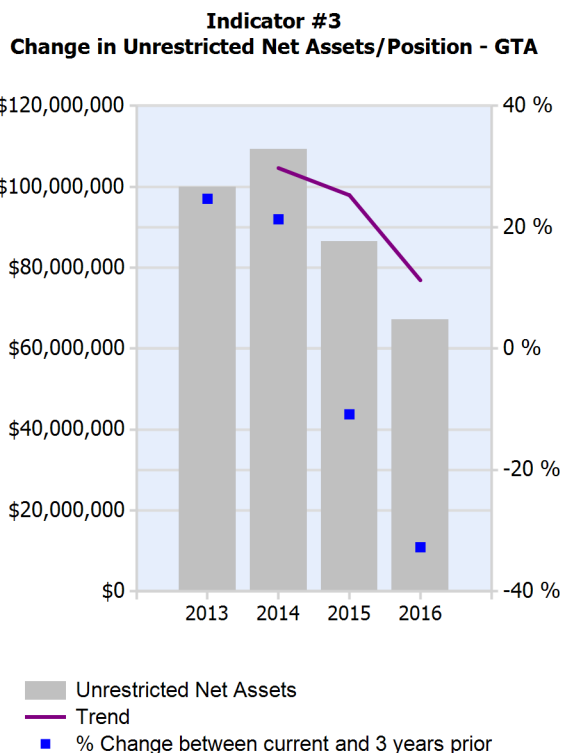
This indicator identifies changes (increases or decreases) in unrestricted net assets/position from the prior years to the current year and is useful in identifying local governments whose unrestricted net assets/position is deteriorating.

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.

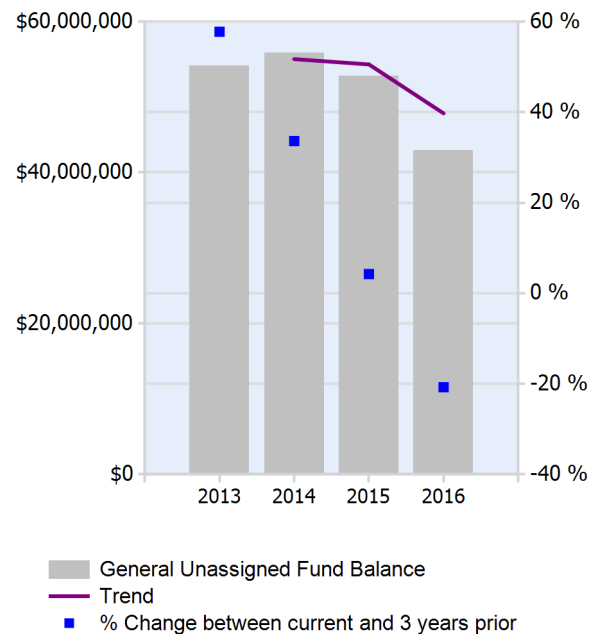
Critical Outlook – The current period and at least two of the previous three periods reflect a zero or negative amount **OR** a rapidly declining trend defined as a decline in each of the last 3 periods with a drop of greater than 20%

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

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%

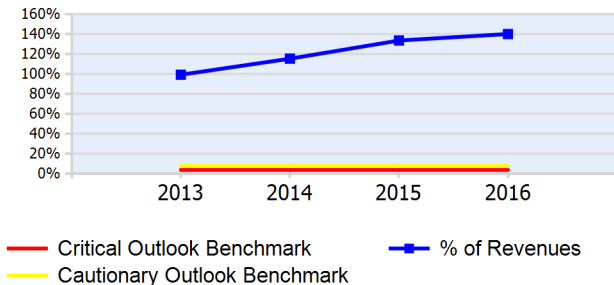


City Of Dublin
Franklin County
Year Ended: December 31, 2016
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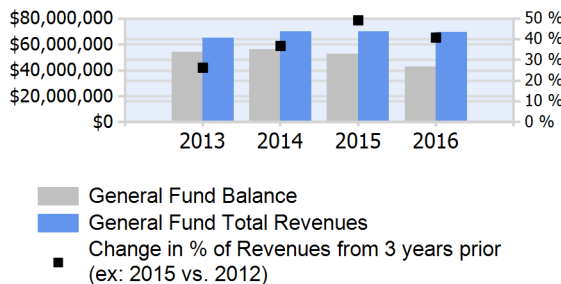
Final 2016 Report

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 - Not Applicable

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.

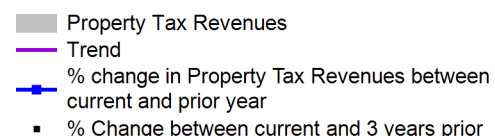
Critical Outlook – If Property Tax Revenues represent 7-20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 20% **OR** if Property Tax Revenues represent greater than 20% of Total General Fund Revenues(#), a trend of declining tax revenue over the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





City Of Dublin
Franklin County
Year Ended: December 31, 2016
Accounting Basis: GAAP

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Indicator #7 - Positive 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?

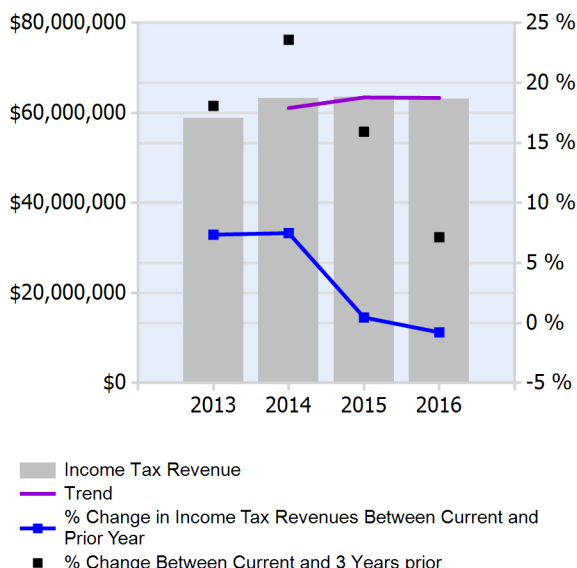
This indicator reflects declines in this revenue type and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It also will reflect the need for additional sources of revenue to maintain stability.

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%

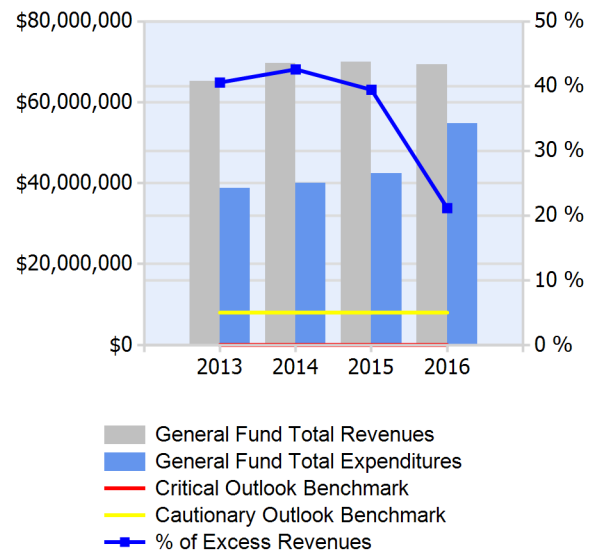
- Please refer the accompanying data sheet for the calculation of the % of total revenue

Indicator #7
Change in General Fund Income Tax Revenue



Indicator #8 - Positive Outlook

Indicator #8
Percentage of General Fund Revenues that Exceed General Fund 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%)

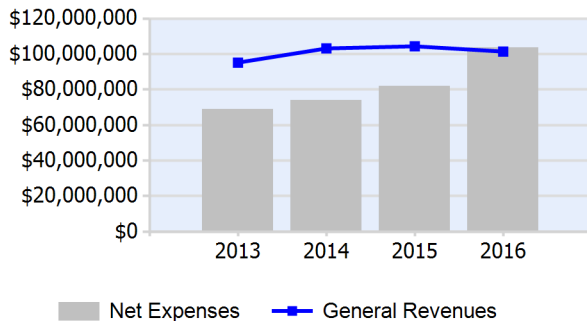


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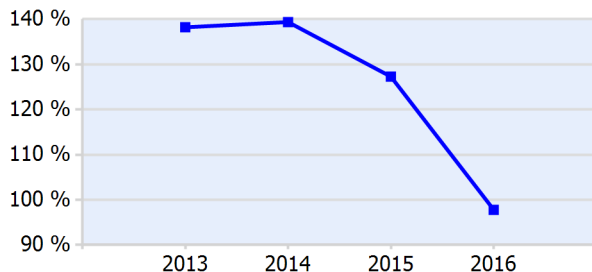
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Indicator #9 - Critical Outlook

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.

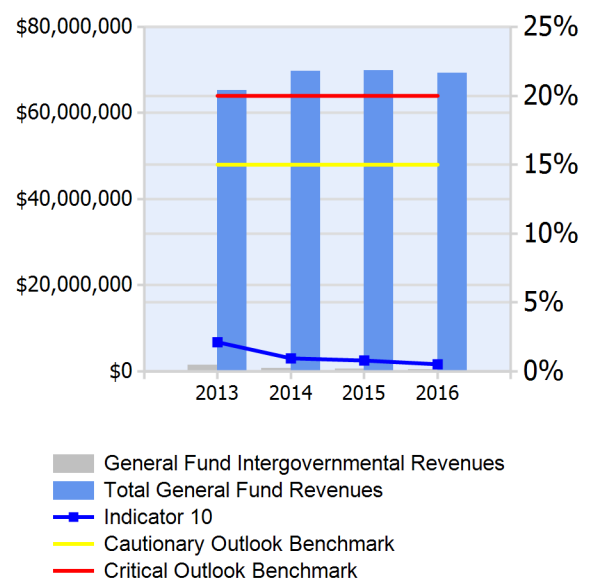
Why is it important?

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 Dublin
Franklin County
Year Ended: December 31, 2016
Accounting Basis: GAAP

Final 2016 Report

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.

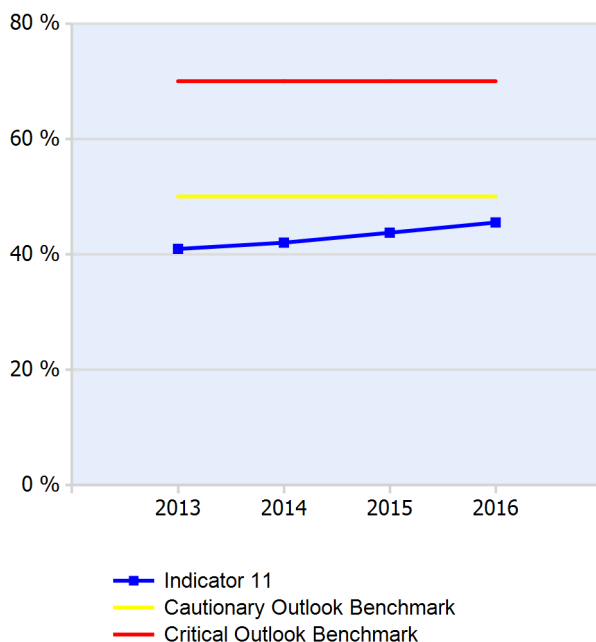
Why is it important?

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%

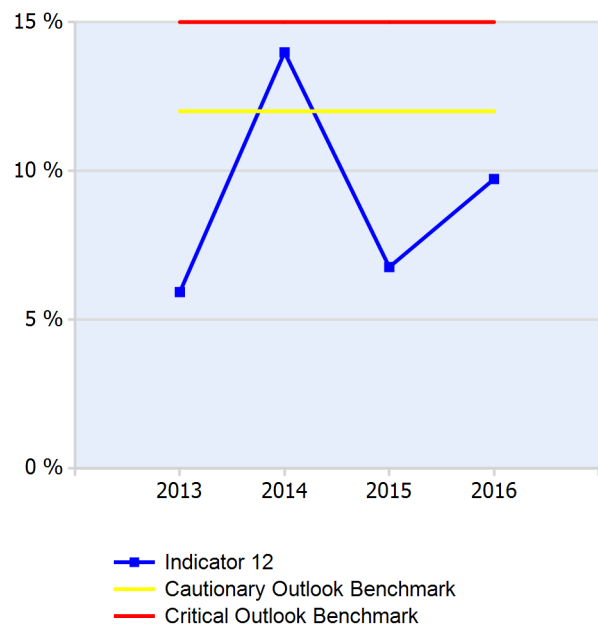
Cautionary Outlook – Ratio between 50% - 70%

Indicator #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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**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?

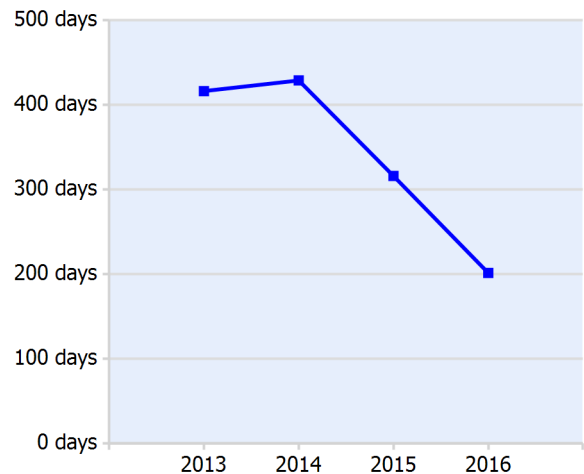
These indicators are important because they identify the number of days the entity may operate using their unrestricted net assets/position, unassigned fund balance, and cash and investments. The fewer days the entity can operate, the more financial stress they are under. These indicators provide an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

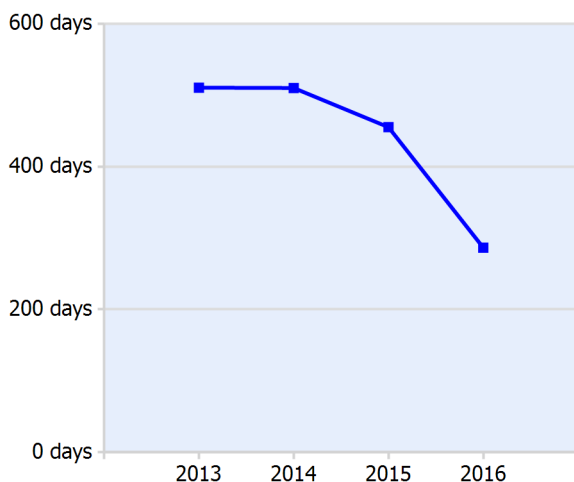
Indicator #13 - Positive Outlook

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



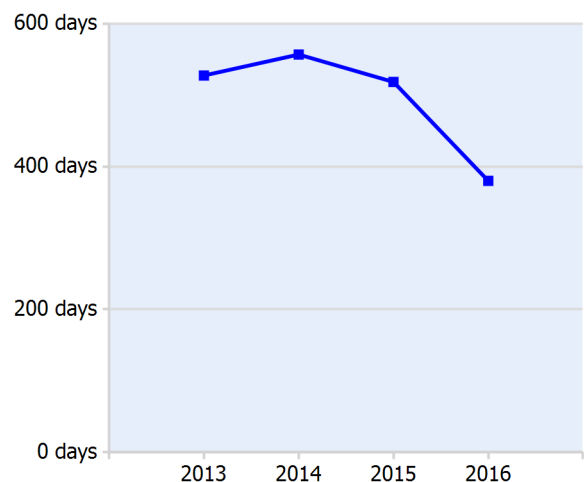
Indicator #14 - Positive Outlook

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

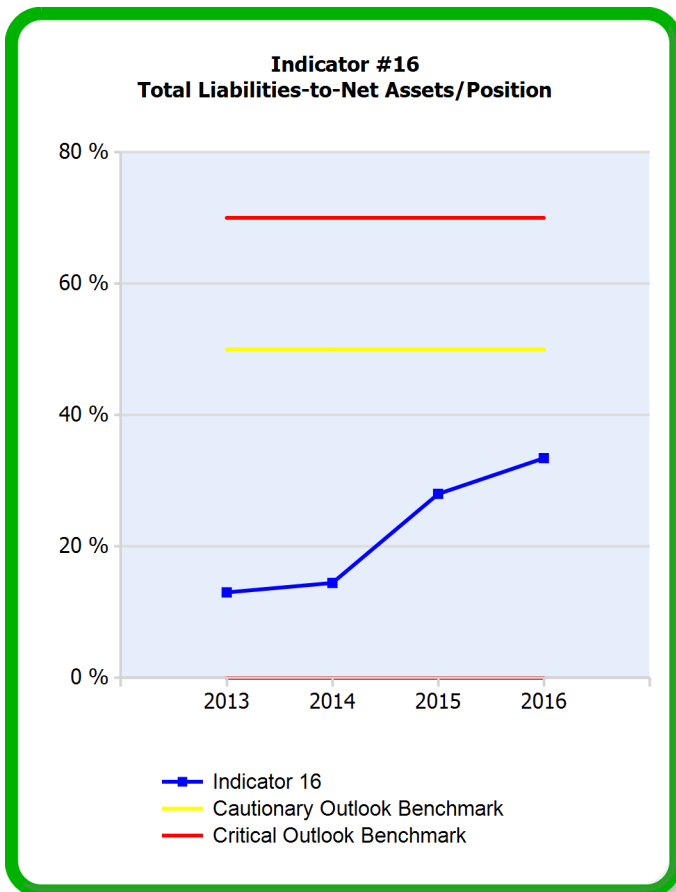




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Indicator #16 - Positive Outlook



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
2016	No
2015	No
2014	No
2013	No



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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
2016	Yellow	Yellow	Green	Green	Green	Black	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green	Green
2015	Yellow	Yellow	Green	Green	Green	Black	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green

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

QUESTIONS ?

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

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

or contact:

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

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