

Auditor of State's Financial Health Indicators for 2015 Hamilton County Overview

In January 2017, the Auditor of State released financial health indicators for all Ohio counties and cities. These indicators are intended as a tool to help each entity assess its financial health and pinpoint potential problem areas. The overall goal is to improve counties' and cities' financial health, where needed, by being aware of possible areas of fiscal stress.

The Auditor of State's report includes 17 financial health indicators. These are based on data from the County's audited financial reports for 2012 through 2015.

Each indicator presents either a positive outlook, a cautionary outlook, or a critical outlook. A critical outlook is the most serious of the three outcomes. It indicates a potentially high risk of fiscal stress. Less serious is the cautionary outlook, which identifies an area in need of review so as not to develop into a critical outlook.

Hamilton County's indicators are overwhelmingly positive. Of the 17 indicators, 14 have positive outlooks. All 9 indicators that relate to the General Fund have positive outlooks. This reflects the County's efforts to maintain a healthy General Fund balance and to keep expenditures in line with revenues.

In recent years, General Fund revenues have remained stable or increased for property taxes, and in all four years reviewed, sales tax collections have increased. Also during that period, the County's General Fund has not overly relied on intergovernmental revenues, which are subject to state and federal budget cuts.

In addition to the positive revenue analysis, the General Fund's unassigned fund balance has a positive outlook. Unassigned fund balance is the portion of fund balance that has no related liabilities or has not otherwise been obligated, such as with encumbrances. Also positive are the outlooks for the number of days the unassigned General Fund balance and cash/investments could cover General Fund expenditures. Our coverage is well over 100 days; anything less than 30 days would be cautionary.

There are 6 indicators that looked at all governmental-type activities (GTA) of the County. These activities include all funds of the County except enterprise funds (stadia and parking activity, including associated debt transactions) and agency funds (moneys collected on behalf of and distributed to other governments or moneys held as fiscal agent for entities not in our reporting unit). The GTA indicators were positive for (1) balances and the trend of changes in unrestricted net position (the portion of net position that has no related liabilities or restrictions), (2) the ability of general revenues (such as taxes) to cover net expenses, (3) the ratio of total liabilities to net position and (4) the ratio of debt payments to revenues. One outlook for governmental-type activities was cautionary: the measure of the number of days' expenditures the unrestricted net position could cover. Our measurement was at 25 days—shy of the 30 days that is considered positive.

The County had one indicator with a critical outlook due to the high percentage of depreciation on our capital assets. This is due mostly to the older buildings, roads and bridges we have. Some repairs have been delayed due to financial constraints; however, this indicator is likely not to change significantly in the near future, even as we do improvements and start to address capital asset needs, as we will not be completely replacing our most costly assets. It is worthwhile to note that 32 other counties had cautionary or critical outlooks for this indicator, signifying the commonality of aging infrastructure assets across the state.

The second cautionary outlook for Hamilton County related to audit findings for 2014 and 2015. The findings for 2014 related to (1) unbooked interfund balances under review as part of the special audit of Job and Family Services (JFS) and (2) unreconciled outside bank accounts maintained by the Clerk of Courts. The first finding, as well as the special audit of JFS, was resolved during the 2015 audit. The finding for the Clerk of Courts was repeated in the 2015 financials. Much work has been done relevant to this issue, and it should be resolved during 2016's audit.

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You can view the detailed report at http://www.hcauditor.org/pdf/Final-13A47-FHI-2015_Rev2.pdf.