

FHI User Guide | Schools



Leaders of Ohio's schools have a great responsibility for managing the financial affairs of their districts, even if they do not control key factors that drive their budgets.

Financial Health Indicators comprise a series of indexes that show how much fiscal stress a city or county is under.

UNDERSTANDING THE FHI

Each indicator shows whether a particular measure has a **critical**, **cautionary**, or **positive** outlook, with the status designated by either a red, yellow, or green color. The more red and yellow indicators, the greater the stress is on the entity's financial health.

HOW MANY ARE TOO MANY?

Historically, entities with at least six critical indicators or a combination of eight critical and cautionary indicators have ended up in a state of high fiscal stress. (For school districts using a cash or modified cash basis of accounting, four critical indicators or a combination of six critical or cautionary indicators is the threshold.)

WHAT THE FHI MEASURE

Each indicator reflects different financial information. The indicators sometimes can be challenging because multiple data points are typically needed to illustrate what the indicator is measuring. For ease of understanding each indicator, it is best to begin by reading the description of the indicator and why it is important. Before analyzing the graphic, it is helpful to read the requirements of the "critical outlook" and "cautionary outlook" to understand what is being reflected in each indicator.

THE OVERALL PICTURE

No single indicator should be interpreted to signal overall fiscal distress. The FHI should be considered as a group to determine a district's fiscal health. A single indicator can point to a trend or issue in a certain fiscal measurement, but an indicator could have been triggered to a critical outlook because officials decided, for example, to pay down debt and significantly reduce a fund balance. While a declining fund balance isn't usually positive, paying off debt is a sound financial reason to do so.

FHI FREQUENCY

The FHI reports are generated via an automated reporting process twice for each reporting year. A preliminary FHI report is generated at the time the district submits its annual filing of its financial statements with the AOS. The preliminary report is based on the current year's unaudited financial statement and the audited financial data from previous years. The final FHI report for each reporting year is generated when the audit has been completed for the reporting year.

PRELIMINARY vs. FINAL

It is important to note that a district's FHI may change between the initial filing and after the audit is completed. All GAAP-basis districts must file their financial data by the end of November (specific date varies by year).

THE INDICATORS

Following is a brief description of the indicators. Each indicator is explained in full detail on our [FHI page](https://ohioauditor.gov/FHI/default.html) (ohioauditor.gov/FHI/default.html).

Nos. 1 & 3

Identify when district has a zero, negative, or declining balance in governmental type activities assets that are unrestricted. This applies to the balance at the end of a reporting year as well as a declining trend over multiple years. These are signs of fiscal stress because balances may not be available for unexpected expenses.

Nos. 2 & 4

Identify when a district has a zero, negative, or declining unassigned General Fund balance at the end of the reporting year and/or a declining trend over multiple years. These are signs of fiscal stress because balances may not be available for unexpected expenses.

No. 5

Identifies reserves available in the General Fund.

No. 6

Reflects the percentage change from year to year for property tax revenue in the General Fund.

No. 7

Reflects the percentage change from year to year income tax revenue (if applicable) in the General Fund.

No. 8

Provides an indication of operating deficits and the size of the operating deficit compared with the current year budget.

No. 9

Determines, on a governmentwide basis, whether expenses are exceeding revenues.

No. 10

Does not apply to school districts.

No. 11

Identifies situations in which repair or replacement of the district's capital assets will be necessary. A high percentage indicates capital assets replacement is imminent, and the district may be delaying replacement of capital assets or significant repairs for cash flow purposes.

No. 12

Identifies the percentage of the budget used/needed for repayment of debt.

Nos. 13–15

Represent the average daily expenses or expenditures ratios.

No. 16

Is the ratio of total liabilities of governmental type activities 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 district.

No. 17

Identifies whether a district's recent audit reports include budgetary non-compliance and/or unreconciled/unauditable financial records.

MORE INFORMATION

Go to the [FHI page](https://ohioauditor.gov/FHI/default.html) on our website (ohioauditor.gov/FHI/default.html) for more, including a report on each of Ohio's 660 school districts, as well as a heat map showing overall trends across Ohio.