Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

April 1, 2015

The Honorable Cliff Rosenberger, Speaker
Ohio House of Representatives
77 S. High St., 14th Floor
Columbus, Ohio 43215

The Honorable Keith Faber, President
Ohio Senate
Statehouse, 1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

Dear Speaker Rosenberger and President Faber:

Division (E) of section 118.07 of the Revised Code requires the Financial Planning and Supervision Commission to report annually to the Speaker of the House and the President of the Senate on the progress made by municipal corporations, counties, or townships to eliminate fiscal emergency conditions, and the failures of municipal corporations, counties, or townships to comply with Chapter 118.

Under division (D) of section 118.05 of the Revised Code, the Director of Budget and Management or my designee serves as chairperson of each Financial Planning and Supervision Commission. As chairperson, and on behalf of all commissions in operation during the period April 2014 through March 2015, I submit the following report.

Sincerely,

Timothy S. Keen

Timothy S. Keen, Director

cc: The Honorable Fred Strahorn, House Minority Leader
The Honorable Joe Schiavoni, Senate Minority Leader

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FINANCIAL PLANNING AND SUPERVISION COMMISSIONS ANNUAL REPORT APRIL 1, 2015

Section 118.07(E) of the Ohio Revised Code requires the Financial Planning and Supervision Commissions created under Chapter 118 to report by April 1 of each year to the Speaker of the House and the President of the Senate on the progress made in eliminating fiscal emergency conditions for local governments that are in a state of fiscal emergency. The following report is divided into six sections: 1) Conditions for Declaration and Termination of Fiscal Emergency; 2) Overview of Local Governments in Fiscal Emergency during the Period April 1, 2014 through March 31, 2015; 3) Financial Planning and Supervision Commissions Terminated since April 1, 2014; 4) Local Governments Currently in Fiscal Emergency for Which Release has been Requested by Their Commissions; and 5) Local Governments Currently in Fiscal Emergency with Active Financial Planning and Supervision Commissions.

Conditions for Declaration and Termination of Fiscal Emergency

Section 118.03 of the Revised Code details the six conditions under which a municipal corporation, county, or township may be declared in fiscal emergency and placed under the oversight of a financial planning and supervision commission. These conditions are:

1. The existence of a default on any debt obligation of more than thirty days;

2. The failure for lack of cash in the funds to make payment of all payroll to employees in the amounts and at the times required by law, ordinances, resolutions, or agreements for more than thirty days after such time for payment or beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever occurs first;

3. An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other divisions or taxing districts;

4. The existence of past due accounts payable from the general fund that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of the general fund budget for that year.
   OR
   The existence of past due accounts payable from all funds that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of available revenues during the preceding year, excluding nonrecurring receipts.

5. The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

6. The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

Termination of the financial planning and supervision commission formed as a result of the declaration of fiscal emergency by the Auditor of State thereby releases the municipal corporation, county, or township from fiscal emergency. Under section 118.27 of the Revised Code, the municipal corporation, county, or township must do all of the following if the commission is to be terminated and release from fiscal emergency is to occur:

1. Plan and is in the process of a good faith implementation of an effective financial accounting and reporting system, and it is reasonably expected that such implementation will be completed within two years;

2. Correct and eliminate, or has planned and is in the process of good faith implementation of correcting and eliminating, all of the fiscal emergency condition and no new fiscal emergency conditions have occurred;

3. Met the objectives of the financial recovery plan described in section 118.06 of the Revised Code;

4. Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State. The Auditor of State must render an opinion that the financial forecast is considered to be nonadverse.

The first condition for termination is met by addressing the comments made on the Report on Accounting Methods issued by the Auditor of State's office. This report focuses on the development or lack of written policies, the need for adequate cash controls, and the use of spending restraints among other items. By addressing these comments, the municipal corporation, county, or township often addresses the reasons why it found itself in fiscal emergency, thereby precluding a repeat of this declaration.

Overview of Local Governments in Fiscal Emergency during the Period April 1, 2014 through March 31, 2015

There were 28 local governments in fiscal emergency at some point during the period April 1, 2014 through March 31, 2015. Six of them were released from fiscal emergency, and three more have requested release and are awaiting completion of a termination analysis. Of the 19 remaining, 15 had or will have financial planning and supervision commissions under divisions (A) through (K) of section 118.05 of the Revised Code.

There are four local governments in fiscal emergency that do not have financial planning and supervision commissions. Am. Sub. H.B 153 of the 129th General Assembly amended section 118.05 of the Revised Code to create a new form of oversight for those local political jurisdictions with populations under 1,000 that meet any of the six conditions for fiscal emergency. In these cases, the powers and duties previously assumed by a commission are delegated to a financial supervisor who is employed by the Auditor of State. The first entity subject to this amendment was the Village of Tiro in Crawford County in August of 2012. Since that time, four more entities were added the Village of Morral in Marion County, the Village of Patterson in Hardin County, the Village of Trimble in Athens County, and the Village of Smithfield in Jefferson County. Morral and Patterson were declared in fiscal emergency on May 14, 2013, although Morral was later released on March 26, 2015; Trimble was declared on May 13, 2014; and Smithfield was declared on February 19, 2015. The remaining villages are overseen by the Auditor of State under division (L) of section 118.05 of the Revised Code and are not discussed in this report.

The average length of time that the governments that are the subject of this report have been in fiscal emergency is four and one half years. Manchester Village, however, has been in fiscal emergency for approximately seventeen and one half years. The most recent declaration was made on February 13, 2015, and was for the City of Maple Heights.

The following municipal corporations, counties, or townships have been declared in fiscal emergency and have either been released from fiscal emergency as a result of the termination of their commission; have requested release and are awaiting the completion of a termination analysis by the Auditor of State; or have, or will have, a commission formed and are currently working on the four conditions detailed above in order to be released from fiscal emergency.

Financial Planning and Supervision Commissions Terminated Since April 1, 2014

Village of Fort Shawnee, Allen County

Population: 3,726
Date Fiscal Emergency Declared: September 16, 2010
Brief Summary:

The Village of Fort Shawnee was declared in fiscal emergency as a result of deficit fund balances and a treasury deficiency. In addition, the village had past due accounts payable that were at least thirty days behind at the end of the previous calendar year, and at least sixty days behind at the time of declaration. The village made spending cuts, reduced staffing, and reduced the hours of current staff. In spite of these actions, the only way the village could hope to be released from fiscal emergency was by increasing its current revenue stream.

An attempt to do so in November of 2011 with the placement of a 4.4 mil property tax levy on the ballot failed by a wide margin. In November 2012, the village tried once more to pass a tax levy, and again met with strong opposition. What did meet with much greater success was a measure placed on that same ballot by voter referendum to surrender the village's corporate powers and dissolve. In compliance with section 703.21 of the Revised Code, the results of the election were certified to the secretary of state and the county recorder and subsequently recorded, thereby ceasing the village's corporate powers. The transfer of deeds and property took place under judicial supervision, the village's financial records were closed out, and a check for the remaining fund balances was issued to Shawnee Township.

Although Fort Shawnee no longer exists as a village, it technically remained in fiscal emergency because it could not meet the criteria for termination of a commission under the existing version of section 118.27 of the Revised Code. The fiscal emergency laws were amended in HB 483 of the 130th General Assembly to address the dissolution of local governments in fiscal emergency. Under the provisions of the statute, which became effective on September 15, 2014, Fort Shawnee was removed from fiscal emergency.

City of Mansfield, Richland County

Population: 47,821
Date Fiscal Emergency Declared: August 19, 2010
Brief Summary:

The city of Mansfield had eleven funds with deficit balances of over $9.7 million dollars when it was declared in fiscal emergency. Since the declaration of fiscal emergency, Mansfield instituted layoffs, restructured operations citywide to realize efficiencies and economies of scale, and sought and received some concessions from safety forces.

Although the general fund has been in the black for some time, the inability of the Safety Services Fund to support the full operation of police and fire services places considerable stress on the general fund to supplement the costs of these services. To alleviate the stress on the general fund and provide a more stable base for operations in the future, the city placed a 0.25% income tax levy on the November 2013 ballot. The levy was approved by voters and its passage provided additional funds for safety, parks, and demolition of blighted properties.

An updated five-year forecast with no deficit funds was presented at the Mansfield Planning and Supervision Commission meeting in April of 2014. At that same time, the Commission voted to request release for the city. Mansfield was subsequently released from fiscal emergency on July 7, 2014.

Scioto County

Population: 79,499
Date Fiscal Emergency Declared: August 19, 2009
Brief Summary:

Scioto County was the first county in the State of Ohio to be declared in fiscal emergency. When the declaration was made, the county had four funds with deficit balances totaling over $3.5 million. Since that time, the county's commitment to keep spending in line, combined with strong gains in sales tax collections were responsible for the eradication of all deficit balances. One of the most problematic was the deficit in the Juvenile Detention Center fund which was remediated through a series of transfers from the general fund.

The county completed its work on its five year forecast and projected healthy positive balances in all funds. The Financial Planning and Supervision Commission requested the Auditor of State to release the county from fiscal emergency on February 20, 2014. Scioto County officially emerged from fiscal emergency on June 30, 2014.

Village of Waynesville, Warren County

Population: 2,834
Date Fiscal Emergency Declared: April 15, 2008
Brief Summary:

Five deficit fund balances were responsible for the fiscal emergency declaration for the Village of Waynesville. Unlike most deficit funds situations, the general fund was healthy, but could not offset the deficits in the street maintenance and repair fund, the police fund, the sidewalk assessment fund, the parks and recreation fund, and the historic preservation fund. On its second attempt, the village passed a 1% income tax with 100% credit/reciprocity if paid to another jurisdiction. The increased revenues permitted the village to accelerate principal payments on a bond anticipation note reducing its interest expenses, as well as offset its outstanding fund deficits. The village continued to keep spending in line and resolved the remaining comments on the Report on Accounting Methods.

Although the village originally requested release from fiscal emergency in September of 2011, three subsequent changes to their financial recovery plan as well as a change in staffing in their fiscal operations slowed progress on the fiscal emergency termination analysis. Completion of the analysis was finally achieved, and Waynesville was released from fiscal emergency on April 22, 2014.

Village of Willshire, Van Wert County

Population: 397
Date Fiscal Emergency Declared: December 29, 2005
Brief Summary:

When the Village of Willshire was declared in fiscal emergency, it had two funds with deficit balances totaling over $100,000, and a treasury deficiency of slightly more than $40,000. Water and wastewater operations were the primary concern. The water system is operating with excess capacity, and the village is looking to add new customers to improve cash flow. In the interim, the existing population has been forced to cover the operating costs of the system, which can be cost prohibitive. Water and sewer rates, for instance, have increased by 15 percent in 2010 and 10 percent in 2011, although the rate of increase has abated a bit and is not expected to exceed one percent starting in 2016.

Additional revenue enhancements instituted by Wilshire include the passage of a 3 mil levy for fire department operations and a one percent income tax with no credit given for taxes paid to other municipalities. Coupled with a series of austere budgets, the village was finally able to eliminate its deficits at the end of calendar year 2013. Willshire still had some considerable work to do in order to address its comments on the Report on Accounting Methods and the commission was not able to request release from fiscal emergency until July 1, 2014. Since that time, the Auditor of State's Office discovered some additional issues that needed to be addressed by the village before it could be released. These issues have been resolved, and although Willshire will need to continue to work very closely with the Auditor's Office in the future, the village was released from fiscal emergency on March 31, 2015.

Local Governments Currently in Fiscal Emergency for Which Release has been Requested by Their Commissions

Bloom Township, Scioto County

Population: 3,235
Date Fiscal Emergency Declared: August 9, 2005
Brief Summary:

Bloom Township's deficits in its general fund and motor vehicle license tax fund were responsible for the declaration of fiscal emergency in August of 2005. Several attempts to increase revenues to generate positive fund balances were rejected by the voters, and the township trustees had to perform services themselves, decrease expenditures, and adjust the allocation of expenses among funds.

By August of 2009, the township had resolved all deficit fund balances, and prepared to request release from fiscal emergency. Attempts by the Auditor of State to meet with the fiscal officer to prepare for the termination analysis were unsuccessful, and the township remained in fiscal emergency. In February of 2011, a second request for release was sent to the Auditor's Office and office staff is continuing to work with the township to resolve comments on the Report on Accounting Methods and arrive at a non-adverse five year forecast.

Village of Manchester, Adams County

Population: 2,052
Date Fiscal Emergency Declared: September 29, 1997
Brief Summary:

Deficit fund balances prompted the declaration of fiscal emergency for the Village of Manchester. Through various spending cuts and revenue enhancements, the village was ready to request release from fiscal emergency in 2005. Remaining deficits and issues with the inability of the village's clerk to correct the problems identified in the Report on the Accounting Methods precluded removal at that time. A change in the staffing of the clerk's position, and further revenue enhancements enabled the village to formulate a non-adverse five-year projection and to remain on solid ground in the future.

Although the village requested release from fiscal emergency on February 14, 2012, staffing changes and other related issues impeded the village's implementation of an effective financial accounting and reporting system as provided in section 118.27 of the Revised Code. The resolution of these issues culminated in another commission meeting on February 26, 2015 at which time members unanimously voted to request the Auditor of State's Office to begin the termination analysis.

Village of New Bavaria, Henry County

Population: 99
Date Fiscal Emergency Declared: May 6, 2010
Brief Summary:

The Village of New Bavaria was declared in fiscal emergency as the result of a deficit in the general fund of more than $12,000, as well as a corresponding treasury deficiency. In an attempt to resolve this deficit, the village passed a 3 mil property tax, and instituted a one percent income tax.

Given their small tax base, it had been thought that it would take some time to fully address the general fund deficit. Income tax revenues, however, have exceeded expectations, bringing the general fund to a positive balance. The village now projects a five month carryover balance in the fund at the end of its five-year forecast that was presented to the Commission on January 15, 2015. On that same date, the Commission unanimously voted to request the release of the Village of New Bavaria from fiscal emergency.

Local Governments Currently in Fiscal Emergency with Active Financial Planning and Supervision Commissions

City of East Cleveland, Cuyahoga County

Population: 17,843
Date Fiscal Emergency Declared: October 9, 2012
Brief Summary:

When declared to be in fiscal caution by the Auditor of State, the City of East Cleveland had deficit fund balances in an amount exceeding $5.8 million. An inability to formulate a plan to correct the fiscal practices or budgetary conditions that prompted this declaration first led the city into fiscal watch, and then finally into fiscal emergency.

East Cleveland is no stranger to fiscal emergency, having been first declared in 1988. After a struggle to achieve fiscal solvency that stretched over 17 years, the city was terminated from fiscal emergency in 2006. However, many of the problems that plagued the city then continue today. East Cleveland's financial difficulties are the result of a structural imbalance that has resulted in the provision of basic services at costs that exceed revenues. It is not just the cost of services that has compounded the problem, but the loss of revenues that has devastated the city's financial base. The city income tax, which is its greatest source of revenue, has been dealt a serious blow by the loss of employers such as the United States Postal Service and Huron Road Hospital.

Further exacerbating its existing structural imbalance was an overly optimistic revenue forecast for 2013 that fell far short of actual receipts. Based on the poor performance of revenues in 2013, 2014 estimates were amended downward. The subsequent reduction in revenue estimates required a further reduction in appropriations to ensure a balanced budget.

The City of East Cleveland has finalized its permanent appropriations for 2015. Not only must the city provide services with a smaller budget, it must also find the means to address unpaid bills and other liabilities of over $3.3 million and the existing fund deficits now totaling over $4.8 million. It is likely that the city will not only have to decide what services it will provide residents, but how these services will be provided and by whom.

Village of Edgerton, Williams County

Population: 2,012
Date Fiscal Emergency Declared: December 17, 2013
Brief Summary:

The Village of Edgerton was declared in fiscal emergency as a result of deficit fund balances in the General, Street Construction, Maintenance and Repair, State Highway, Infrastructure, Storm water, and Garbage Funds as of August 31, 2013. Although the village's financial records did not rise to the level of unauditable, much reconstruction, revisions, and reconciliation had to take place before the true nature of the village's financial distress was known.

This has not prevented the village from taking action to address these deficits and it arrived at a preliminary recovery plan well in advance of its June 24, 2014 due date. One of the items included in that plan was an increase in the income tax. The additional income tax went on the November 2014 ballot and passed by majority vote.

The village administration has stressed that it is their goal to get out of fiscal emergency as soon as possible and to continue operations of the village on more sound financial footing. A recent update to its five-year forecast indicates that Edgerton may be in a position to request release in 2019 and could possibly request release earlier should the income tax base broaden or other opportunities present themselves.

City of Galion, Crawford County

Population: 10,512
Date Fiscal Emergency Declared: August 9, 2004
Brief Summary:

When the city of Galion was declared in fiscal emergency, it had 13 separate funds that were running deficits totaling more than $10.9 million, and a treasury deficiency of slightly over $4.3 million. Throughout the years, the city has reduced general expenditures, employed layoffs, aggressively negotiated labor and health insurance contracts, and increased revenues through water, sewer, and electric rate hikes as well as increases in income tax. All fund deficits have been cured as a result.

In November of 2012, voters abolished the city charter, and Galion is now a statutory municipal corporation. The city's change in governance has required more than a few adjustments to operations, but Galion continues to work towards resolution of any remaining issues, intent on gaining release from fiscal emergency. At present, the city is working through challenges brought about by its loss of institutional knowledge and a lack of experience in some governmental procedures and requirements. Galion will remain in fiscal emergency so that it can benefit from the expertise of staff from the Auditor of State's Office.

Hamilton Township, Warren County

Population: 23,556
Date Fiscal Emergency Declared: April 9, 2014
Brief Summary:

Hamilton Township was placed in fiscal emergency as a result of deficit fund balances and a treasury deficiency. Concerns over the extent of the deficits prompted a criminal investigation, which later found insufficient skills and ability, rather than mis- or malfeasance to be the blame. A new fiscal officer was appointed who immediately installed a computerized accounting system and hired a certified public accountant to monitor financial transactions.

The fiscal officer proceeded to align appropriations with estimated revenues and actual need. Finding a number of funds left dormant, he closed those funds and transferred the cash balances first to the general fund, and then to funds with deficit balances. In doing so, all deficit balances were cured.

The township is currently working on addressing the comments on the Report on Accounting Methods, and is awaiting the release of their 2014 audit to insure that the transfers made as a part of their recovery plan will not lead to audit findings. Should these transfers pass scrutiny by the auditors, the township will be in a position to request release from fiscal emergency.

Village of Lakemore, Summit County

Population: 3,068
Date Fiscal Emergency Declared: August 31, 2010
Brief Summary:

The Village of Lakemore was declared in fiscal emergency as a result of deficit fund balances and a treasury deficiency. Although improvements in its financial condition have been made, the village is still struggling with the loss of its major employer.

Lakemore reduced the income tax credit given to residents employed outside of the village until its efforts to grow its economy bear fruit. Few developable areas are available to entice new employment opportunities, but the village has met with some measured success. Some new businesses have located in the village, and along with the expansion of established businesses and the income tax revenues from the construction of a new high school for Springfield Local School District, the village was able to end 2013 with a reduction of almost $260,000 in their general fund deficit. By the end of 2014, Lakemore had reduced its deficit in the general fund to a little over $100,000.

The village is confident that it will completely eliminate its deficits in 2015. The real struggle now is how to arrive at a non-adverse five year forecast. Although the reduction in the tax credit has given the village the revenues necessary to reduce the deficit, it was promised that the tax credit would be restored once Lakemore was released from fiscal emergency. The village will have to live without those revenues in the future, and this will place additional stress on the budget and the ability to fund village operations.

Village council is currently studying taxes and income, as well as infrastructure needs in the future. Issues that have been considered are the potential increase in taxes or levies or a reduction in fire department coverage to reduce those costs. In the meantime, Lakemore is continuing to work on holding costs down, investigating potential grants, and formulating additional collaborative relationships with local, state, and federal partners.

Village of Leipsic, Putnam County

Population: 2,093
Date Fiscal Emergency Declared: September 16, 2010
Brief Summary:

As of May 31, 2010 when a fiscal emergency analysis was conducted, the Village of Leipsic had five funds with deficits totaling over $1 million and three OWDA loans for which payments were thirty days past due. Leipsic had incurred more debt than it could reasonably manage in an attempt to keep pace with the demands of investments made in the area.

The Village of Leipsic has increased water and sewer rates to cover debt service obligations and future maintenance and improvements to those systems. Leipsic will continue to refinance debt so that the burden of these payments can be more readily handled and will search out grants and other funding as well. The village passed a 0.5% income tax that is up for renewal in 2015. Nine percent of the tax is used to remediate blighted properties with the remainder used to retire the reservoir debt service. Failure to renew this levy would have a significant effect on the village's finances and its ability to be released from fiscal emergency.

Leipsic experienced a setback recently when a major employer was sold to another company. The former employer had overestimated its expansion needs, and thus, its potential income tax liability. Rather than receive credit for overpayments over a length of time, the former employer requested a lump sum refund of over $800,000.

Given the change in ownership of the company, Leipsic is closely monitoring the operational needs of the new owners and is working to create and maintain a good relationship between the village and the new owners of the company. In addition, close attention is being paid to the progress of any expansion plans previously announced by other employers in the area. The potential expansion or contraction of the tax base will have a direct impact on the revenues received by Leipsic in the future, and the village will continue to scrutinize the stability of this important revenue source.

<u>Manchester Township, Adams County</u>

Population: 2,052
Date Fiscal Emergency Declared: September 20, 2002
Brief Summary:

When fiscal emergency was declared, Manchester Township had a number of funds with deficit balances, a treasury deficiency, and had used gas tax revenues to support general operations. In almost ten years of fiscal emergency, improvements to the township's financial picture have been negligible. Past levy results indicate a reluctance to support the township with additional funding, and the general fund remains in a deficit position. The township is a likely candidate for dissolution, as it has no feasible means to eradicate its deficit balances.

<u>City of Maple Heights, Cuyahoga County</u>

Population: 23,138
Date Fiscal Emergency Declared: February 13, 2015
Brief Summary:

When Maple Heights was declared in fiscal emergency, it had debt payments that were thirty days past due, and deficit funds totaling almost $2.8 million. The city's administration has been contacted concerning the statutory nature of fiscal emergency and its obligations under the law. We are awaiting a response by the city, which is statutorily necessary to form a commission.

City of Massillon, Stark County

Population: 32,149
Date Fiscal Emergency Declared: October 8, 2013
Brief Summary:

The City of Massillon was declared in fiscal emergency on October 8, 2013. Cash balances, accounts payables, and encumbrances were calculated to bring eleven funds of the city into a deficit position.

The new city administration began to reduce expenditures as soon as it took office in 2012. A deficit of $2.4 million in the general fund from 2012 was carried over into 2013, but by year's end that deficit was reduced to $1.1 million. The reduction in the deficit was accomplished through spending cuts, increased income tax collections, and the receipt of one time revenues such as workers' compensation rebates, and personal property and estate tax collections. In addition, Massillon continues to aggressively pursue economic development initiatives, grant funding, and collaborative partnerships.

Massillon submitted its first fiscal recovery plan within the one hundred and twenty days prescribed by the Revised Code. Among many of the initiatives included in this plan was the reduction of an income tax credit from 100 percent to 75 percent for residents employed outside the city; a ballot initiative to increase the income tax rate from 1.8 percent to 1.9 percent; the phase out for existing employees and the elimination for all new hires of an educational stipend; and an additional street lighting fee.

After initially rejecting the recovery plan due to questions about the feasibility of implementation and the bona fide nature of the plan, the commission approved the final plan submitted. Since that time, a major component of the plan, an increase in the income tax, was rejected by voters. The commission requested another plan that would address the loss of these potential revenues. The city submitted a revised plan by the due date, but the plan had not been passed by ordinance or resolution as required by law. The commission agreed to give the city until March 31st to pass the necessary ordinance or resolution, and plans to hold a special meeting on April 7th to either approve or reject the revised plan.

Village of Newcomerstown, Tuscarawas County

Population: 3,822
Date Fiscal Emergency Declared: October 11, 2012
Brief Summary:

Although the Village of Newcomerstown has struggled financially for a number of years, it wasn't until 2012 when the village met the criteria for declaration of fiscal emergency under sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code. Of the four funds that revealed adjusted deficit balances as of April 30, 2012, the largest deficit was in the village's cemetery fund. An attempt to address this deficit by instituting a cemetery levy failed in November of 2012. Efforts to place another levy on the ballot have been unable to even get a motion to present it to council for consideration. In order to reduce the deficit, council has agreed to transfer funds from the general fund to the cemetery fund on a periodic basis.

The village has made great strides in the past year with the hiring of a full-time experienced fiscal officer. Financial reports are produced and distributed to the administration and council in a timely manner, which allows them to make critical, informed financial decisions. Better management for the park/pool and the receipt of 50% of bed tax will support and balance the park fund and the general fund now has enough cash to transfer to the cemetery fund to eliminate its deficit completely.

Once the Report on Accounting Methods is issued and all comments on the report are addressed, the village should be in a position to request release from fiscal emergency.

City of Niles, Trumbull County

Population: 19,266
Date Fiscal Emergency Declared: October 7, 2014
Brief Summary:

The City of Niles was declared in fiscal emergency on October 7, 2014 due to deficit fund balances. A determination of the existence of a treasury deficiency could not be made at the time, since it had been discovered that the city had not performed bank reconciliations since December 31, 2011. The State Auditor's Office assigned dedicated staff to reconcile the statements to provide the city and the commission with accurate financial information integral to future decision making.

Once the statements were reconciled, the Auditor's Office was able to present financial information on 2015 beginning fund balances, estimated revenues and expenses, and estimated year end balances to the commission and the city. The information indicates that the following funds will be in a deficit position on December 31, 2015: general fund ($919,405), computer fund ($1,299), capital project ($17,367), water ($2,358,527) and hospital self-insurance ($196,022). Although the deficit in the water fund surpasses the remaining deficits, the deficit in the general fund is the most problematic. Since December 31, 2010, the general fund's balance has declined almost 85%. The fund can no longer be used to supplement the operations of other funds or cost centers, and its current revenue stream indicates that reductions in its expenditures must take place.

One of the major difficulties encountered is the lack of centralized, current data on a more detailed level. The city has been performing financial operations without the benefit of technology, posting expenditures on ledgers or spreadsheets, and manually calculating payroll and all payroll deductions due. Computerization is on the horizon, although roll out is slow and may not be completed until June or late summer at the earliest.

The lack of technology will make not only the formulation of the recovery plan difficult, but will make monitoring of its success or failure even more so. The recovery plan, which is expected to address both expenditures and revenues, is due on May 12, 2015.

Village of Portage, Wood County

Population: 438
Date Fiscal Emergency Declared: April 8, 2009
Brief Summary:

When the Village of Portage was declared in fiscal emergency, it had two funds with deficit balances totaling over $135,000 and a treasury deficiency of over $77,000. To remedy the situation, the village reduced expenditures, imposed a one percent income tax and has annexed property north of the village to generate additional income.

A recent five-year projection indicates that the village may be in the position to request release from fiscal emergency in 2015 or 2016 when sufficient carryover cash balances will be realized. The village's major barrier to release from fiscal emergency is now its inability to address all the comments on the Report on Accounting Methods.

St. Clair Township, Butler County

Population: 6,908
Date Fiscal Emergency Declared: May 15, 2014
Brief Summary:

St. Clair Township was declared in fiscal emergency on May 15, 2014 as a result of deficit fund balances. At the time, the general, life squad, ambulance and emergency, and lighting districts funds were all in a deficit position.

To complicate matters further, the financial records were in disarray. With a great deal of help from the State Auditor's Office, the new fiscal officer was able to reconcile the bank accounts and adjust appropriations to be In line with estimated revenues. Commission members are now able to receive financial information and monitor progress made by the Township.

Before the first commission meeting, the township had reduced dental and health insurance and discontinued the payment of cell phone coverage for the trustees. As a part of St. Clair Township's Recovery plan, it plans to place a 1.5 mil levy on the November 2015 ballot and will split out payroll costs across funds based upon time spent on duties of the office. Should the levy pass and all other assumptions hold true, the five year forecast included in the Recovery Plan indicates that St. Clair Township could be in a position to request release from fiscal emergency in 2016 or 2017.

City of Wellston, Jackson County

Population: 5,663
Date Fiscal Emergency Declared: October 1, 2009
Brief Summary:

When the City of Wellston was declared in fiscal emergency, it had a treasury deficit of over $1.7 million. Since this time, the city has been able to reduce cash deficits and has actually built positive balances in some funds that previously were in the red.

Reductions in deficit balances have continued, and as of the end of 2014, the only fund with a deficit was the cemetery fund. The passage of a cemetery levy in 2013 will gradually take care of the deficit, but the city would like to get out of fiscal emergency as quickly as possible.

To do so, Wellston has worked to alleviate stress upon the general fund. A healthier general fund would not only provide for city services in the future, but could be used to transfer funds to the cemetery fund in order to cure its deficit earlier than anticipated.

In November of 2014, Wellston passed a street levy and a fire equipment levy. The city has also explored non-tax sources of income and has been very successful at securing grants and in-kind assistance. One of its most innovative actions has been the creation of a Fire School that will offer training to other communities and is taught in-house. The School's profit less overhead expenses will provide additional funding for Wellston's fire department.

Wellston is continuing to address comments made on the Report on Accounting Methods. It has contracted with Maximus to provide an indirect cost plan and is currently working on the codification of all its ordinances. The city has made huge improvements and is on track to request release sometime later this year or early in 2016.

<u>Village of West Mansfield, Logan County</u>

Population: 682
Date Fiscal Emergency Declared: August 13, 2009
Brief Summary:

The Village of West Mansfield had five funds with deficit fund balances totaling well over $200,000 and a corresponding treasury deficiency. The most problematic of these deficits involves water and sewer operations. While a 1.5 mil levy for repairs and EPA required improvements to water facilities was renewed, a different allocation scheme between the two funds was required, as well as a series of rate hikes in order to achieve solvency. Water and sewer charges increased by 20 percent in 2012, ten percent in 2013, and will increase by one percent in years 2014 through 2018.

The village has received some grants from the Ohio Public Works Commission and the Development Services Agency to complete projects related to their water operations. It will also seek some debt financing for required projects.

West Mansfield chose not to renew a 2.5 mil levy for street repairs, but it enacted a one percent income tax that became effective in January of 2013. The biggest question right now concerning the village's fiscal stability is the passage of a 5 year, 3 mil levy for general operations in November of 2015. The current recovery plan indicates a healthy balance in the general fund with the inclusion of the millage. Without passage, the future is less than certain.