



Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

April 2, 2018

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

The Honorable Larry Obhof, President
Ohio Senate
Statehouse, 1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

Dear Speaker Rosenberger and President Obhof:

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 2017 through March 2018, I submit the following report.

Sincerely,

Timothy S. Keen
Director

cc: The Honorable Fred Strahorn, House Minority Leader
The Honorable Kenny Yuko, Senate Minority Leader

FINANCIAL PLANNING AND SUPERVISION COMMISSIONS ANNUAL REPORT APRIL 2, 2018

TABLE OF CONTENTS

Overview of Local Governments in Fiscal Emergency during the Period April 1, 2017 through March 31, 2018	Page 3
Overview of Financial Planning and Supervision Commissions and Statutory Reporting Requirements	Page 3
Financial Planning and Supervision Commissions by Report Year	Page 3
Financial Planning and Supervision Commissions Terminated Since April 1, 2017	
1. Bloom Township, Scioto County	Page 5
2. Village of Edgerton, Williams County	Page 5
3. Village of Leipsic, Putnam County	Page 5
4. City of Massillon, Stark County	Page 6
5. Village of Portage, Wood County	Page 6
6. City of Wellston, Jackson County	Page 7
7. Village of West Mansfield, Logan County	Page 7
Local Governments Currently in Fiscal Emergency for which Release has been Requested by Their Commission	Page 8
Local Governments Currently in Fiscal Emergency with Active Financial Planning and Supervision Commissions	
1. City of East Cleveland, Cuyahoga County	Page 8
2. City of Fostoria, Seneca County	Page 9
3. City of Galion, Crawford County	Page 9
4. Manchester Township, Adams County	Page 10
5. Village of Manchester, Adams County	Page 11
6. City of Maple Heights, Cuyahoga County	Page 11
7. Village of Mount Sterling, Madison County	Page 12
8. City of Niles, Trumbull County	Page 12
9. City of Norwood, Hamilton County	Page 13
10. St. Clair Township, Butler County	Page 14
11. Village of Wellsville, Columbiana County	Page 14
Appendix: Conditions for Declaration and Termination of Fiscal Emergency	Page 16

Overview of Local Governments in Fiscal Emergency during the Period April 1, 2017 through March 31, 2018

There were 24 local governments in fiscal emergency at some point during the period April 1, 2017 through March 31, 2018. Eighteen local governments had or will have financial planning and supervision commissions under divisions (A) through (K) of section 118.05 of the Revised Code. Seven local governments under section 118.05 were released from fiscal emergency and there are no commissions with a release requested but pending Auditor of State termination analysis.

Of the 24 local governments in fiscal emergency, there are six local governments that do not have financial planning and supervision commissions¹. In September 2011, the 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 emergency². 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. These local governments are not discussed in this report.

Overview of Financial Planning and Supervision Commissions and Statutory Reporting Requirements

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. Below is a table that shows the number of commissions currently operating, the number of commissions that requested release, the number of new commissions during the year, and the number of ongoing commissions.

Financial Planning and Supervision Commissions by Report Year (April 1 through March 31)

Report Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Financial Planning Commissions	20	24	24	23	24	19	18	16	17	11
§118.05 Emergencies Declared	5	5	6	0	2	2	4	0	3	1
Release requested	2	2	4	4	8	4	3	3	7	0
Released by AOS	1	1	6	1	1	7	5	2	2	7

Note: Total Financial Planning Commissions and Release requested amounts are as of March 31. ORC Section 118.05 Emergencies Declared and Released by AOS are totals during the report year. Local governments in fiscal emergency that are overseen by a financial supervisor instead of a commission (i.e., those local governments with populations under 1,000 that were placed into fiscal emergency post September 2011) are not reflected in this table.

¹ The six entities are: the Village of Tiro in Crawford County, the Village of Trimble in Athens County, the Village of Smithfield in Jefferson County, the Village of Green Camp in Marion County, the Village of Clarksville in Clinton County, and the Village of Grover Hill in Paulding County.

² The six conditions for fiscal emergency can be found in the appendix to this report.

The average length of time that the local governments that are the subject of this report have been in fiscal emergency is six years and 3 months. The Village of Manchester, however, has been in fiscal emergency for over 20 years. The most recent declaration was made on June 22, 2017, and was for the Village of Mount Sterling.

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 achieving fiscal stability in order to be released from fiscal emergency. Information on population is drawn from the AOS report and based on the date of declaration.

Financial Planning and Supervision Commissions Terminated Since April 1, 2017

Bloom Township, Scioto County

Population: 3,235

Date Fiscal Emergency Declared: April 9, 2005

Date of Release: December 8, 2017

Brief Summary:

Bloom Township's deficits in its general fund and motor vehicle license tax fund were responsible for the declaration of fiscal emergency.

Action Steps Taken:

- The township decreased expenditures and adjusted allocations of expenditures resulting in positive fund balances.
- To reduce costs, the township also ended its practice of reimbursing employees for health and cancer insurance.

Village of Edgerton, Williams County

Population: 2,012

Date Fiscal Emergency Declared: December 17, 2013

Date of Release: July 6, 2017

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.

Action Steps Taken:

- The passage in November 2014 of an additional 0.75% ongoing income tax levy gave the village a needed boost in revenues.
- Financial records are balanced and the implementation of new financial software ensures that the village will have timely and accurate information upon which to base financial decisions in the future.

Village of Leipsic, Putnam County

Population: 2,236

Date Fiscal Emergency Declared: September 16, 2010

Date of Release: November 16, 2017

Brief Summary:

When the 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 30 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.

Action Steps Taken:

- Village of Leipsic increased water and sewer rates to cover debt service obligations and future maintenance and improvements to those systems.
- Leipsic renewed a 0.5% income tax for another ten years starting in 2016. Nine percent of this additional tax is used to remediate blighted properties with the remainder used to retire the reservoir debt.

City of Massillon, Stark County

Population: 32,149

Date Fiscal Emergency Declared: October 8, 2013

Date of Release: April 27, 2017

Brief Summary:

A deficit of \$2.4 million in the general fund from 2012 was carried over into 2013, and the Auditor of State declared the city in fiscal emergency. The deficit balance was reduced to \$1.1 million for the start of 2014.

Action Steps Taken:

- The deficit balance was eliminated 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.
- Also among the financial plan initiatives was the reduction of an income tax credit from 100 percent to 75 percent for residents employed outside the city.
- In August of 2016 the city passed an income tax increase of .2% dedicated to street maintenance and repair.
- In October 2016, the general fund carried a \$1.4 million balance and in November the commission approved a resolution to request release.

Village of Portage, Wood County

Population: 438

Date Fiscal Emergency Declared: April 8, 2009

Date of Release: October 2, 2017

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.

Action Steps Taken:

- Portage reduced expenditures, imposed a one percent income tax and annexed property north of the village to generate additional income.
- The village's success with annexation has also attracted potential development from outside sources, which has greatly enhanced their short and long term financial picture.
- All comments on the Report on Accounting Methods were addressed.

City of Wellston, Jackson County

Population: 6,078

Date Fiscal Emergency Declared: October 1, 2009

Date of Release: July 21, 2017

Brief Summary:

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

Action Steps Taken:

- Through a combination of tax increases, reductions in expenses, and expansion of its tax base, all of Wellston's funds returned to a positive position.
- Wellston established a FIRE and EMS Training Academy for the purpose of providing required certified training for firefighters in its geographical area.
- The city addressed comments made on the Report on Accounting Methods and overcame the deficit in the five-year forecast of the general fund. In December 2016, the general fund carried a \$900,000 fund balance.

Village of West Mansfield, Logan County

Population: 700

Date Fiscal Emergency Declared: August 13, 2009

Date of Release: December 11, 2017

Brief Summary:

The Village of West Mansfield had five funds with deficit fund balances totaling well over \$200,000 and a corresponding treasury deficiency when it was placed in fiscal emergency. The most problematic of these deficits involved water and sewer operations.

Action Steps Taken:

- Fund deficits were addressed over the years with a combination of renewal levies and rate hikes ranging from 20 percent in 2012 to one percent in years 2014 and onward.
- Improvements to the water and sewer systems have been made with grants from the Ohio Public Works Commission and the Development Services Agency as well as debt financing.

- To offset some of the costs borne by residents as the result of utility rate hikes, West Mansfield chose not to renew a 2.5 mill levy for street repairs.
- While the deficits in the water and sewer funds were reduced over time, concerns arose about the health of the general fund as the result of the village's stagnant tax base. The village enacted a one percent income tax that became effective in January of 2013 and in November of 2015 passed a 3 mill levy for general operations.

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

- As of April 2, 2018, there are no Commissions with request for release pending AOS action.

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 emergency by the Auditor of State, the City of East Cleveland had deficit fund balances in an amount exceeding \$5.8 million. The city was previously in fiscal emergency from 1988 to 2006. However, many of the problems that plagued the city then continue today.

Despite continued erosion of income tax revenue, East Cleveland has benefited greatly from federal grants for fire and police services. These grants have allowed the city to maintain critical staffing while relieving the general fund of some of the obligation to pay for these safety services. As a result, the city has reduced its general fund deficit from \$2.9 million at the start of 2017 to a \$1.3 million deficit (or 12.5% of revenue) for the start of 2018. However, it is clear the City of East Cleveland will need to reduce safety forces if the federal grants are not reauthorized for 2019. The city is not showing an ability to grow revenues necessary to sustain critical services, and is in fact vulnerable to revenue deterioration if there is a loss of businesses located within the city.

Action Steps Taken:

- East Cleveland has increased garbage fees, leased a cell tower, sold property, combined some job positions, and instituted a city-wide layoff and salary freeze.
- It has also transferred cash from inactive funds via the general fund to reduce and/or eliminate deficit balances in all funds with the exception of the general fund.

- The city started 2017 with \$2.2 million in accounts payable, an amount that has been reduced by \$200K in early 2018.
- A change in leadership, the mayor and council president were recently elected, has renewed an effort to make the city's finances sound and they have opted to cease discussions with the City of Cleveland regarding a potential merger.

Outlook:

The City of East Cleveland will continue to operate with little cash available for emergency purposes and will need to continue to exercise extreme restraint on spending for services usually provided by cities in Ohio. The City has very little cash and is vulnerable to any revenue losses due to lost business, or extraordinary expenses. Therefore, it is unlikely that East Cleveland will extricate itself from its financial distress any time soon and the commission has limited ability to remedy this status.

City of Fostoria, Seneca County

Population: 13,441

Date Fiscal Emergency Declared: May 26, 2016

Brief Summary:

The fiscal emergency declaration indicated that as of February 29, 2016, the Auditor of State determined the deficit fund balances of the City of Fostoria to be \$505,330. By the end of 2017, the general fund deficit has grown to just under \$1 million (14% of revenue).

Action Steps Taken:

- The city rescinded 50% of income tax reciprocity in 2017, and the remaining 50% is eliminated in 2018, which will net the city about \$500K additional revenue.
- Voters approved a 6 mill levy that will increase revenues by \$850K in 2018.
- They have evaluated outsourcing dispatching and have taken steps to lower the cost of this service.

Outlook:

The City of Fostoria will continue to look for cost cutting measures to assist in eliminating the 2018 starting deficit balance of \$967K or 14% of 2017 actual revenue. 2018 will be a significant year in the fiscal recovery of Fostoria, with increased revenue, the City should be able to reduce the deficit by \$600K this year and eliminate it in early 2019. However, careful monitoring will be necessary in 2019 to determine if additional action steps need to be added.

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. The city has made many changes in the 14 years of fiscal emergency and is currently carrying more than \$4 million in the general fund balance (82% of revenue) and a treasury balance exceeding \$20 million.

Action Steps Taken:

- 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.
- In November of 2012, voters abolished the city charter, and Galion is now a statutory municipal corporation. The change in governance has required more than a few adjustments to operations.

Outlook:

The City of Galion's most recent financial recovery plan indicates healthy fund balances with more than adequate carryover cash. The Commission expects to request release from emergency soon, but is currently waiting on receiving a favorable analysis from the financial supervisor.

Manchester Township, Adams County

Population: 2,723

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.

Action Steps Taken:

- In almost 16 years of fiscal emergency, improvements to the township's financial picture have been negligible although administrative operations have recently strengthened. Past levy results indicate a reluctance to support the township with additional funding. The general fund of approximately \$13,000 in annual expenditures remains in a deficit position of \$10,400.

Outlook:

The auditor's review of financials indicates that the township is slowly but surely reducing expenditures. In March 2018, a Financial Recovery Plan was approved, including a five-year forecast that indicates the township will have positive balances by 2020. If reductions continue at the current rate and revenue estimates prove to be accurate, Manchester Township could be in a position to request release sometime in the next two to three years.

Village of Manchester, Adams County

Population: 2,223

Date Fiscal Emergency Declared: September 29, 1997

Brief Summary:

Deficit fund balances prompted the declaration of fiscal emergency for the Village of Manchester.

Action Steps Taken:

- Through various spending cuts and revenue enhancements, the village was originally 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.
- Since 2005, the village has requested release a number of times, only to face similar issues with staffing and finances. At the commission meeting in late December 2016, the commission unanimously decided to rescind its February 2015 request for release and to continue to provide assistance and guidance to the village.

Outlook:

Administratively, the village has strengthened its operations. In March 2017, village council voted to disband the village police department. The current mayor would like to see the police department reinstated when finances permit. In addition, the village is in the process of using grants and loans to satisfy an EPA mandated wastewater system upgrade, estimated to be \$1.5 million. An updated Financial Recovery Plan was approved by the commission in October 2017. Deficit balances are slowly being reduced in the \$270,000 general fund and there are only a handful of items left to be corrected from the Report on Accounting Methods. These positive developments are encouraging and may lead to the village being able to request release from financial emergency, perhaps as soon as the end of 2018.

City of Maple Heights, Cuyahoga County

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 ended 2017 with a deficit of \$875,000 (or 7.5% of revenue) a reduction of almost \$1 million from the end of 2016.

Action Steps Taken:

- The city adhered to the financial recovery plan primarily by restraining expenditures, and has increased the property tax by 3.2 mills by eliminating uncollected, but voter approved, millage from a levy dating back to 1958.

- The city's economic condition has stabilized through added businesses.
- The commission is monitoring revenue and expenditures to assure annual reduction of the deficit.

Outlook:

The City of Maple Heights has made very good progress in reducing the general fund deficit reducing it from almost 28% of revenue to 7.5% of revenue by the end of 2017. However, given recent actions to increase spending, it appears that the fiscal emergency conditions that currently exist will not be cleared for at least another year.

Village of Mount Sterling, Madison County

Population: 1,782

Date Fiscal Emergency Declared: June 22, 2017

Brief Summary:

The Village of Mount Sterling had deficit fund balances of \$269,000 as of April 30, 2017, as noted when the Auditor of State declared the fiscal emergency. The village is also recovering from illegal financial actions of former village employees.

Action Steps Taken:

- At the end of 2017, the general fund balance was -\$62,000 on a total general fund of \$615,000.
- The Financial Recovery Plan was unanimously approved by the commission on March 6, 2018, having been developed by the mayor and unanimously approved by village council.
- Approximately \$200,000 in restitution has been received by the city with an additional \$40,000 in bond anticipated.
- An ordinance has been passed to replace the 25 percent allocation of income tax for capital improvements with zero percent for 2018, 3 percent for 2019, 5 percent for 2020, 7 percent for 2021 and 9 percent for 2022.

Outlook:

The village's newly elected mayor and village council president pro tempore are intent on getting the Village of Mount Sterling returned to financial order. Much work is being devoted to re-building financial records and establishing spending accounts to more accurately reflect services provided. These are hopeful developments in a village that appears to want to correct the errors of the past and move to a stronger future. It should also be noted that this financial planning commission is the first one to be created utilizing the appointing process enacted in H.B. 103 of the 132nd General Assembly.

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 due to deficit fund balances, most significantly in the sewer and water funds. Shortly thereafter, it was also determined that the city had not performed bank reconciliations since December 31, 2011.

Action Steps Taken:

- Working with the financial supervisors, all reconciliations were completed and a 2015 starting balance of the general fund was determined to be \$1,399,140.
- The Niles water fund started 2015 with a negative \$2,358,527 balance and due to fee increases ended 2017 with a \$237K balance. The water fund is projected to continue to recover, although increased spending to replace old and faulty water meters is expected in 2018.
- The general fund ended 2017 with a \$2.3 million balance (19.8% of revenue), an increase of \$1.9 million from the starting balance.

Outlook:

Niles will continue in fiscal emergency for at least another year. As recently as February 2018 they have failed to reconcile their accounts to bank statements and there are issues related to asset management that will need to be improved before the Commission can consider requesting release from fiscal emergency. The city will also need to continue with discipline on the spending side so that they may continue to improve balances, particularly in the general and the water funds.

City of Norwood, Hamilton County

Population: 19,207

Date Fiscal Emergency Declared: October 6, 2016

Brief Summary:

The City of Norwood was declared in fiscal emergency due to deficit general fund balances (\$38,000 as of December 2015 and \$260,000 as of June 2016). Norwood had previously been in fiscal watch from October 2004 until October 2016. In the early 1980s, Norwood was also in fiscal emergency, being declared in May 1980 and terminated in October 1982.

Action Steps Taken:

- In addition to budget deficits, Norwood also had unpaid bills, some dating back years. Reconciliation, still underway, has taken much work by the Auditor of State's office. Unreconciled account amounts have been reduced and are continuing to be reviewed due to voided checks and deposits to wrong accounts.
- The city's initial financial recovery plan, approved in July 2017, anticipated continued savings in health care expenses which has proven to not be the case for 2018.
- At the end of 2017, the city's ending balance in the general fund was -\$1.13 million on general fund expenditures of \$23.5 million.

Outlook:

Historically, Norwood revenues from a 2% city income tax and property tax collections have been stable. Operating expenditures continue to need restraint, particularly in the largest spending area of public safety or consider increasing revenue to support the current spending levels. Successfully achieving the projected five-year forecast will require fiscal discipline and resolve over time on the part of the administration and city council.

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 the 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.

Action Steps Taken:

- Before the first commission meeting, the township had reduced dental and health insurance and discontinued the payment of cell phone coverage for the trustees.
- With a great deal of help from the State Auditor's Office, the new fiscal officer reconciled the bank accounts. Trustees adjusted appropriations to be in line with estimated revenues. Commission members are now able to receive financial information and monitor the financial condition of the township.

Outlook:

While an additional 1.5 mill levy placed on the November 2015 ballot overwhelmingly failed, the township has reduced expenditures enough to move toward release from fiscal emergency over time without additional revenues. During 2017, the general fund went from a beginning negative balance of \$33,000 to an ending positive balance of \$11,000 (6.9% of revenue). The township is in the process of aligning policies and practices to reflect the requirements outlined in the Report on Accounting Methods released in 2017. It is realistic to project that St. Clair Township may be able to seek release from fiscal emergency, possibly by the end of 2018.

Village of Wellsville, Columbiana County

Population: 3,541

Date Fiscal Emergency Declared: November 15, 2016

Brief Summary:

Deficit funds were identified by the Auditor of State as follows; \$93,021 as of December 31, 2015, and \$28,710 as of May 31, 2016. However, the Village overspent revenue in 2017 causing the negative balance to increase to \$231K (23% of revenue).

Action Steps:

- The Village passed a 0.5% income tax increase in November 2017, with half of the proceeds going to street repairs and half going to support the Village Police Department.
- One time revenue sources from the sale of land and other assets were transferred to the credit of the general fund.
- The Village failed to present a Financial Recovery Plan that will resolve the deficit existing in the general fund early in 2018. In accordance with ORC 118.12, spending of general funds was limited to 85% starting in February 2018.

Outlook:

The Village of Wellsville will need to either reduce spending or develop increases in ongoing revenue, otherwise, they will not be able to produce an adequate Financial Recovery Plan. As of this writing they do not have a plan in place, and the outlook, therefore, is for the Village to remain in fiscal emergency for at least the next several years.

APPENDIX

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 non-adverse.

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.