



# Mary Taylor, CPA Ohio Auditor of State



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## What is Fiscal Watch/Emergency?

Presented by:

Local Government Services  
Section

Auditor of State's Office

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# Objectives

- Answer the following questions:
  - How are Fiscal Watch/Emergency entities identified?
  - What constitutes Fiscal Watch/Emergency?
  - What is a “Commission” and who makes it up?
  - What is a “Recovery Plan” and why is it needed?
  - What is the Commission’s mission?



# How are Fiscal Watch/Emergency entities identified?

- Mayor of the municipal corporation notifies the Auditor of State in writing
- Presiding officer of the legislative authority of the municipal corporation notifies the Auditor of State in writing
- Board of county commissioners notifies the Auditor of State in writing
- The Auditor of State may initiate the analysis
- Once the request comes in to do an analysis, the Auditor of State must reply by certified letter that it has been received



# What constitutes Fiscal Watch?

- A financial analysis is compiled under ORC Section 118
- Any one of the following conditions constitutes grounds for a fiscal watch:
  - Accounts payable in the general fund at the end of the preceding fiscal year that had been due and payable for at least 30 days less the year-end balance in the general fund, exceeded 1/12 of the general fund budget for that year



# What constitutes Fiscal Watch?

- 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, exceeded 1/12 of the general fund budget.
- At the end of the preceding fiscal year, cash and investments, minus outstanding checks, were less than the positive balance of the general fund, and that deficiency exceeded 1/12 of the total received into the unrestricted treasury during the preceding fiscal year
- Based on an examination of the financial forecast approved by the entity's legislative authority, the Auditor of State certifies that the general fund deficit at the end of the current fiscal year will exceed 1/12 of the general fund revenue from the preceding fiscal year



# WHAT?!!!!

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# Declaration of Fiscal Watch

- If one or more of the prior conditions exists, the Auditor of State shall issue a written declaration of the existence of fiscal watch



# What happens when you are in Fiscal Watch?

- Auditor of State provides technical and support services as the Auditor of State considers necessary
- State controlling board provides funding for any costs that the Auditor of State may incur for the determination of fiscal watch analysis and for providing technical and support services



# How do you get out of Fiscal Watch?

- Auditor of State does another financial analysis to determine that none of the conditions are any longer present and cancels the watch – analysis is done at fiscal year end



# What constitutes Fiscal Emergency?

- An analysis is done as of fiscal year end under ORC Section 118
- A The existence of a default on any debt obligation for more than thirty days
- B The existence of a lack of cash to make payment of all payroll to employees for more than thirty days
- C An increase, by action of the county budget commission, in the minimum levy of the entity for the next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts



# What constitutes Fiscal Emergency?

- D Accounts payable in the general fund at the end of the preceding fiscal year that had been due and payable for at least 30 days less the year-end balance in the general fund, exceeded 1/6 of the general fund budget for that year
- E 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, exceeded 1/6 of the general fund budget.
- F At the end of the preceding fiscal year, cash and investments, minus outstanding checks, were less than the positive balance of the general fund, and that deficiency exceeded 1/6 of the total received into the unrestricted treasury during the preceding fiscal year



# Declaration of Fiscal Emergency

- If conditions A, B or C exists, the Auditor of State shall issue a written declaration of the existence of fiscal emergency
- If conditions D, E or F exists, the Auditor of State must give 120 days for the entity to correct the condition.



# What happens when you are in Fiscal Emergency?

- General assembly establishes appropriation that provides funding for any costs that the Auditor of State may incur for the determination of fiscal emergency analysis and for up to two years of technical and support services
- Financial Planning and Supervision Commission (FPSC) is established
- Recovery plan is prepared by the executive and legislative authorities of the entity and presented to the FPSC
- Fiscal supervisor is appointed
- Auditor of State prepares an accounting report



# Financial Planning and Supervision Commission

- A FPSC shall consist of the following seven voting members:
  - Representative of the Treasurer of State
  - Representative of the Director of Budget and Management
  - Mayor of the municipal corporation or president of the board of county commissioners
  - President of council of the municipal corporation or the county auditor
  - Three members of the community appointed by the Governor of Ohio (One member if population is less than 1,000)



# Financial Planning and Supervision Commission

- Immediately upon appointment of the FPSC members, the Governor calls the first meeting
- Director of Budget and Management representative shall serve as chairperson of the FPSC
- Quorum is four members (three members if a five 5 member commission)

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# Powers and Duties of FPSC

- Instrumental in approving the Financial Recovery Plan
- Review all tax budgets, tax levy ordinances, bond and note ordinances, appropriation measures, certificates of estimated resources to require that they are consistent with the financial plan and a balanced appropriation budget is in place
- Inspect any documents pertaining to the financial accounting and reporting system, debt obligations and limits, financial plan, balanced appropriation budgets and measures, audit reports, statements, invoices or records of the entity.



# Powers and Duties of the FPSC

- Inspect documents from the county budget commission, county auditor or any official or employee of the entity
- Review, revise and approved certifications affecting the entity made by the county budget commission or county auditor
- Bring civil actions, including mandamus to enforce this chapter
- Approve the amount and purpose of any issue of debt obligations



# Powers and Duties of the FPSC

- Authenticate and assist the officers of the entity in the delivery of debt obligations
- Consult with entity officials and the Auditor of State to bring the accounting records, systems or financial procedures and reports into compliance with requirements prescribed by the Auditor of State
- Enter into all contracts and agreements necessary to the performance of its duties
- Consult with officials of the entities and make recommendations for cost reductions or revenue increases
- Annually on or before the first day of April make reports and recommendations to the speaker of the house and the president of the senate concerning each respective fiscal emergency entity



# Financial Supervisor

- Auditor of State (or a representative) shall serve as the financial supervisor



# Role as Financial Supervisor

- Provide guidance to management in correcting the issues addressed in the Auditor of State's Report on Accounting Methods
- Provide training and assistance when necessary
- Review of the revised Financial Recovery Plan to ensure compliance with ORC Section 118
- Monitor the entity monthly to ensure compliance with Ohio Budgetary Law and progress with items addressed in the revised Financial Recovery Plan and provide periodic updates to the Commission



# Role as Financial Supervisor

- Review budgetary documents including: appropriation ordinances, budgets, amended certificates, and any other budgetary documents to ensure compliance with Ohio law
- Provide guidance to the entity in the development of a five year forecast which will be required for the termination of fiscal emergency
- Attend monthly commission meetings and any other meeting with the entity in connection with the fiscal emergency and assist in the completion of any and all requirements of the fiscal emergency law as requested by the Commission



# Financial Recovery Plan

- Plan needs to have been approved by the city council or the board of county commissioners before submission to the FPSC
- Plan should be presented by the mayor or the board of county commissioners to the FPSC within 120 days after the first meeting of the FPSC



# Financial Recovery Plan

- Plan should include the following:
  - Eliminate all fiscal emergency conditions determined to exist at declaration of fiscal emergency
  - Satisfy any judgments, past due accounts payable and all past due and payable payroll and fringe benefits
  - Eliminate the deficits in all deficit funds
  - Restore to other funds moneys from those funds that were used for purposes not within the purposes of such funds



# Financial Recovery Plan

- Balance the budgets, avoid future deficits in any funds and maintain current payments of payroll fringe benefits and all accounts
- Avoid any fiscal emergency condition in the future
- Restore the ability of the entity to market long-term general obligation bonds
- Enumerate the legal authorities permitting the entity to take the actions listed in the plan
- Detail the approximate dates of the commencement, progress upon and completion of the actions enumerated to eliminate the fiscal emergency conditions



# Financial Recovery Plan

- Detail the amount and purpose of any issue of debt obligations that will be issued, together with assurances that any such debt obligation will not exceed debt limits supported by appropriate certifications by the fiscal officer
- Assurances that the entity will establish monthly levels of expenditures that guarantee a balanced budget and reduce the deficit balances
- Assurances that the entity will conform to statutes with respect to tax budgets and appropriation measures
- The financial recovery plan should be revisited continually and updated frequently to facilitate removing the entity from fiscal emergency



# Elimination of Fiscal Emergency

- FPSC should have done all of the following:
  - Planned an effective financial accounting and reporting system
  - Corrected and eliminated all of the fiscal emergency conditions that put them in fiscal emergency and that no new conditions have occurred.
  - Met the objectives of the financial plan
  - The entity should prepare a five year financial forecast in accordance with the standards issued by the Auditor of State and receive a nonadverse opinion from the Auditor of State



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