



**Mike DeWine**, Governor  
**Jon Husted**, Lt. Governor

## Office of Budget and Management

**Kimberly Murnieks**, Director

April 1, 2019

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

Dear 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 2018 through March 2019, I submit the following report.

Very respectfully yours,

A handwritten signature in black ink that reads "Kimberly A. Murnieks". The signature is written in a cursive, flowing style.

Kimberly Murnieks  
Director

c: The Honorable Kenny Yuko, Senate Minority Leader



**Mike DeWine**, Governor  
**Jon Husted**, Lt. Governor

## Office of Budget and Management

**Kimberly Murnieks**, Director

April 1, 2019

The Honorable Larry Householder, Speaker  
Ohio House of Representatives  
77 S. High St., 14<sup>th</sup> Floor  
Columbus, Ohio 43215

Dear Speaker Householder:

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 2018 through March 2019, I submit the following report.

Very respectfully yours,

A handwritten signature in black ink that reads "Kimberly A. Murnieks". The signature is written in a cursive, flowing style.

Kimberly Murnieks  
Director

c: The Honorable Emilia Sykes, House Minority Leader

**FINANCIAL PLANNING AND SUPERVISION COMMISSIONS ANNUAL REPORT  
APRIL 1, 2019**

**TABLE OF CONTENTS**

Overview of Local Governments in Fiscal Emergency during the Period April 1, 2018 through March 31, 2019 .....	3
Overview of Financial Planning and Supervision Commissions and Statutory Reporting Requirements .....	3
Financial Planning and Supervision Commissions by Report Year .....	3
(April 1 through March 31) .....	3
Financial Planning and Supervision Commissions Terminated Since April 1, 2018.....	5
City of Galion, Crawford County .....	5
Village of Manchester, Adams County .....	5
St. Clair Township, Butler County .....	6
City of Niles, Trumbull County .....	6
Local Governments Currently in Fiscal Emergency for Which Release has been Requested by Their Commission .....	7
Local Governments Currently in Fiscal Emergency with Active Financial Planning and Supervision Commissions .....	7
City of East Cleveland, Cuyahoga County .....	7
City of Fostoria, Seneca County .....	8
Manchester Township, Adams County .....	8
City of Maple Heights, Cuyahoga County .....	9
Village of Mount Sterling, Madison County .....	9
City of Norwood, Hamilton County .....	10
Village of Wellsville, Columbiana County .....	10
Village of Bridgeport, Belmont County .....	11
APPENDIX Conditions for Declaration and Termination of Fiscal Emergency .....	12

## Overview of Financial Planning and Supervision Commissions and Statutory Reporting Requirements

This report provides information on all local government Financial Planning and Supervision Commissions which operated at some time during the period of the report. The role of the commission is to provide support and review of the financial activities and practices of certain local government units declared in fiscal emergency by the Ohio Auditor of State. The Auditor assigns a fiscal supervisor to each entity in fiscal emergency and the supervisor provides the commission with an independent assessment of the entity's financial health and adherence to the fiscal recovery plan at each meeting of the commission. In addition, the fiscal supervisor prepares a Report on Accounting Methods which identifies fiscal processes in place which do not adhere to legislative requirements or financial best practices. During commission meetings, the fiscal supervisor provides updates on the progress of the local government entity to address the issues identified in the accounting practice report and the steps taken to correct those processes.

Section 118.07(E) of the Ohio Revised Code requires the Financial Planning and Supervision Commissions to provide an annual report 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.

### Overview of Local Governments in Fiscal Emergency during the Period April 1, 2018 through March 31, 2019

OBM chaired financial planning and supervision commissions for 12 local governments in fiscal emergency at some point during the period April 1, 2018 through March 31, 2019 under divisions (A) through (K) of section 118.05 of the Revised Code. Four of these local governments under section 118.05 were released from fiscal emergency and there are no commissions with a release requested pending Auditor of State termination analysis.

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 emergency<sup>1</sup>. Six local governments in fiscal emergency were not required to have a financial planning and supervision commission<sup>2</sup>. 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.

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

Report Year	2014	2015	2016	2017	2018
Total Financial Planning Commissions	19	18	16	17	12
§118.05 Emergencies Declared	2	4	0	3	1
Release Requested	4	3	3	7	4
<b>Released by AOS</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>4</b>

Note: Total Financial Planning Commissions and Release requested are as of March 31. ORC Section 118.05 Emergencies Declared and Released by AOS are the totals for 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.

The average length of time that the local governments in this report have been in fiscal emergency is six years and eight months. The most recent declaration was made on December 4, 2018 for the Village of Bridgeport in Belmont County.

---

<sup>1</sup> The six conditions for fiscal emergency can be found in the appendix to this report.

<sup>2</sup> The Village of Trio, 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.

## **Financial Planning and Supervision Commissions Terminated Since April 1, 2018**

The following municipal corporations, counties, or townships have been declared in fiscal emergency and have been released from fiscal emergency as a result of the termination of their commission. Information on population is drawn from the AOS report and based on the date of declaration.

### ***City of Galion, Crawford County***

Population: 10,512

Date Fiscal Emergency Declared: August 9, 2004

Date of Release: October 4, 2018

#### **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.

### ***Village of Manchester, Adams County***

Population: 2,223

Date Fiscal Emergency Declared: September 29, 1997

Date of Release: October 16, 2018

#### **Brief Summary:**

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

#### **Action Steps Taken:**

- Through various spending cuts, including disbanding the police department, and revenue enhancements, the village has been able to balance its budget.
- Administratively, the village strengthened its operations.
- All deficient practices identified in the Report on Accounting Methods were corrected.

### ***St. Clair Township, Butler County***

Population: 6,908

Date Fiscal Emergency Declared: May 15, 2014

Date of Release: January 8, 2019

#### **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:**

- The township 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.
- All deficient practices identified in the Report on Accounting Methods were corrected.

### ***City of Niles, Trumbull County***

Population: 19,266

Date Fiscal Emergency Declared: October 7, 2014

Date of Release: March 11, 2019

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:**

- 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.
- All deficient practices identified in the Report on Accounting Methods were corrected.

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

- As of April 1, 2019, 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.
- The city started 2017 with \$2.2 million in accounts payable, an amount that has been reduced by \$200K in early 2018.

#### **Outlook:**

The City of East Cleveland ended fiscal year 2018 with a positive general fund balance of approximately \$750,000 after beginning the year with a deficit of \$1.2 million. Revenues and expenditures are consistent with the standards set in the financial recovery plan. Accounting processes still require additional work to bring them in line with best practices. Provided the city



can maintain revenue and expenditures in line with the recovery plan, the city may be able to leave fiscal emergency once the deficiencies in accounting practices have been addressed.

### ***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 General Fund had a positive balance at the end of fiscal year 2018 and the financial recovery plan has been updated based on the most recent forecast and fund balances. The city continues to address the issues identified in the Accounting Methods Report.

### ***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:**

- Improvements to the township's financial picture remain steady. Administrative operations have also strengthened. Past levy results indicate a reluctance to support the township with additional funding. The general fund of approximately \$7,700 in annual expenditures remains in a deficit position of \$3,600.

#### **Outlook:**

The auditor's review of financials indicates that the township is slowly but surely reducing expenditures. The originally forecast 2018 ending fund balance deficit of \$10,400 instead proved to be a deficit of \$3,600. Expenditures in 2018 were 58 percent of what had been budgeted. In March 2019, a revised 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 may be able to request release by early 2020.

### ***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**

Fiscal year 2018 ended with all funds at a positive balance except grant funds awaiting reimbursements of expenses. The city recently hired a new fiscal officer who will begin to address the deficiencies in accounting practices identified in the Accounting Methods Report. The forecast for 2019 and beyond is positive.

### ***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 2018, the general fund cash balance was \$234,500. Total general fund expenditures were \$784,000.
- Income tax revenues are healthy, in part due to more aggressive collection efforts by the village.
- Village council increased water rates effective January 1, 2019 in order to pay-off debt to the Ohio Water Development Authority that was incurred by the renovation of the water treatment plant.

#### Outlook:

The village's mayor and village council president pro tempore are intent on getting the Village of Mount Sterling returned to financial order. However, in February 2019 three of six village council members abruptly resigned, temporarily leaving the village unable to convene a quorum of council. Work is progressing to re-build financial records and establish spending accounts to reflect services provided.

#### ***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 has taken much work by the Auditor of State's office.
- At the end of 2018, the city's ending balance in the general fund was \$1.6 million on general fund expenditures of \$23.6 million.
- The Report on Accounting on Accounting Methods was released in December 2018, indicating 32 comments that need to be addressed by the city.

#### Outlook:

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. Labor contract negotiations are ongoing with the city's four unions. To date, the city employee union negotiations have not been resolved with a contract that is consistent with the costs that were used as the assumptions for the approved Financial Recovery Plan, including an anticipated employee contribution toward health care costs.

#### ***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 adopted a financial recovery plan with a projected positive general fund balance in 2019 and a positive balance in the cemetery fund beginning in 2020. The General Fund has gone from a deficit of \$231,911 in January 2018, to a positive balance of \$52,340. While a good portion of the success is due to one-time influxes of revenue, it also reflects the positive influences of reduced overtime costs and reduced spending generally. The focus of the commission this year will be to review and encourage addressing the findings in the Report on Accounting Methods.

#### ***Village of Bridgeport, Belmont County***

Population: 1,831

Date Fiscal Emergency Declared: December 4, 2018

#### Brief Summary:

The Village of Bridgeport failed to make semi-annual payments on loans from the Ohio Water Development Authority and the Ohio Public Works Commission. Missed payments totaled \$90,636. In addition, village financial records are in disarray.

#### Action Steps:

- The first commission meeting was February 13, 2019.
- Previous year fiscal records are in the process of being reviewed by the financial supervisor, including unpaid bills.

#### Outlook:

The Village of Bridgeport's financial recovery plan is required to be presented to the commission by June 13, 2019. Consideration is being given by the village for the implementation of a local income tax.

## 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.