



Mike DeWine, Governor
Jon Husted, Lt. Governor

**Office of Budget
and Management**

Kimberly Murnieks, Director

April 1, 2021

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

Dear Speaker Cupp:

The Office of Budget and Management, through our role as chair of the Financial Planning and Supervision Commissions, assists municipal corporations, counties, and townships declared by the Auditor of State to be in Fiscal Emergency. Division (E) of section 118.07 of the Ohio Revised Code requires Financial Planning and Supervision Commissions to annually report progress made towards eliminating the conditions that led to Fiscal Emergency to you and to the President of the Senate.

On behalf of all commissions in operation during the period April 2020 through March 2021, I submit the attached report.

I am happy to discuss the report and answer any questions that you have. I can be reached at 614-752-2579.

Very respectfully yours,

A handwritten signature in blue ink that reads "Kimberly Murnieks".

Kimberly Murnieks
Director

Attachment

c: The Honorable Emilia Sykes, House Minority Leader



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Jon Husted, Lt. Governor

**Office of Budget
and Management**

Kimberly Murnieks, Director

April 1, 2021

The Honorable Matt Huffman, President
Ohio Senate
Statehouse, 1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

Dear President Huffman:

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Kimberly Murnieks
Director

Attachment

c: The Honorable Kenny Yuko, Senate Minority Leader

Ohio

**Office of Budget
and Management**



2021

ANNUAL REPORT

*Financial Planning and
Supervision Commissions*

Governor Mike DeWine

Office of Budget and Management

Director Kimberly A. Murnieks

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Overview of Financial Planning and Supervision Commissions and Statutory Reporting Requirements

This report provides information about the local government Financial Planning and Supervision Commissions that operated between April 1, 2020 and March 31, 2021. The role of a Financial Planning and Supervision 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 each time that a commission meets. 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, 2020 through March 31, 2021

OBM chaired financial planning and supervision commissions for nine local governments in fiscal emergency at some point during the period April 1, 2020 through March 31, 2021. Three local governments successfully remedied the conditions that led to fiscal emergency declaration and were subsequently released from fiscal emergency during the past year – Manchester Township in Adams County, the City of Maple Heights in Cuyahoga County, and the Village of Wellsville in Columbiana County.



“ *The role of a Financial Planning and Supervision 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.* ”

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 emergency¹. Six local governments in fiscal emergency were not required to have a Financial Planning and Supervision Commission. They are the Village of Trimble in Athens County, the Village of Green Camp in Marion County, the Village of Clarksville in Clinton County, the Village of Grover Hill in Paulding County, the Village of Newtonsville in Clermont County, and the Village of Risingsun in Wood County. 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.

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

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

	2017	2018	2019	2020	2021
Total Financial Planning Commissions	17	12	9	9	6
Emergencies Declared	3	1	1	1	0
Released Requested	7	4	3	3	0
Released by AOS	2	4	3	0	3

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 five years and seven months. The most recent declaration was made on March 3, 2020 for the Concord Township in Champaign County.

Local Governments Successfully Released from Fiscal Emergency and Financial Planning and Supervision Commissions Terminated Since April 1, 2020

Manchester Township, Adams County

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. The Township gradually has reduced its expenditures to align with its revenues.
- In March 2019, a revised Financial Recovery Plan was approved, including a five-year forecast indicating the Township would end the fiscal year with positive balances. These projections held and the Township ended fiscal year 2019 with an overall fund

Population
2,723

**Date Fiscal
Emergency Declared**
September 20, 2002

Date of Release
October 12, 2020

balance of \$420,863.

- The Township has addressed all items identified in the Accounting Methods Report of the Auditor of State dated January 10, 2003. The Commission passed a resolution requesting release from fiscal emergency at the January 21, 2020 meeting and the Auditor of State officially released the Township from fiscal emergency on October 12, 2020.

City of Maple Heights, Cuyahoga County

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 collecting millage from a voter approved levy dating back to 1958 that had never been assessed.
- New businesses have started up in the City, stabilizing the economic condition.
- The Commission monitored revenue and expenditures to assure annual reduction of the deficit.
- Fiscal year 2019 ended with a positive balance in all funds. The new fiscal officer effectively addressed the deficiencies in accounting practices identified in the Accounting Methods Report of the Auditor of State dated August 22, 2017. The Commission passed a resolution requesting release from fiscal emergency at the January 23, 2020 meeting and the Auditor of State officially released the City from fiscal emergency on November 18, 2020.

Population

23,138

Date Fiscal Emergency Declared

February 13, 2015

Date of Release

November 18, 2020

Village of Wellsville, Columbiana County

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. The Village then overspent revenue in 2017 causing the negative balance to increase to \$231,000 (23% of revenue).

Action Steps Taken:

- 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 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 went from a deficit of \$231,911 in January 2018, to a positive balance of \$52,340.
- The Village completed all corrections to accounting methods and ended fiscal year 2019 with a balance of \$237,303 in the General Fund, \$5,758.48 in the Cemetery Fund and an overall fund balance of \$1,198,722. In addition, the Village addressed all items identified in the Accounting Methods Report of the Auditor of State dated December 12, 2017. The Commission passed a resolution requesting release from fiscal emergency at the January 16, 2020 meeting and the Auditor of State released the Village from fiscal emergency on November 18, 2020.

Population

3,541

Date Fiscal Emergency Declared

November 15, 2016

Date of Release

November 18, 2020

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

City of East Cleveland, Cuyahoga County

Brief Summary:

When declared to be in fiscal emergency by the Auditor of State, the City of East Cleveland had deficit fund balances exceeding \$5.8 million. The City was previously in fiscal emergency from 1988 to 2006. Many of the issues that existed then continued today.

Despite continued erosion of income tax revenue, East Cleveland has benefited from the collection of revenue from traffic camera fines. However, Ohio Amended Substitute House Bill 62, the state fiscal years 2020-2021 Transportation Budget, reduced Local Government Fund distributions in an amount equal to the revenue collected from traffic camera fines unless those fines are collected in school zones. The City of East Cleveland has moved most of their traffic cameras into school zones in an attempt to mitigate the impact of the law change. However, the local revenue funds collected in the amount equal to traffic camera revenue in school zones must be used for school safety purposes. The City has not received guidance on the expenses that can be properly attributed to school safety creating some uncertainty on the impact of the transportation budget provisions on the Local Government Funds. The City has filed suit against the State challenging the statutory changes implemented regarding traffic cameras and local government disbursements.

In addition to the revenue challenges facing the City, there are a number of legal cases against the City that are currently in appeal. These cases present the potential for significant future liability that could further impair the City's financial stability.

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

Population

17,843

**Date Fiscal
Emergency Declared**

October 9, 2012

all funds.

- East Cleveland is exploring starting its own impound lot rather than contracting out for this service.

Outlook:

The financial recovery plan for the City of East Cleveland was approved by the Commission at the January 15, 2020 meeting; the plan was more than six months late as the City failed to meet the initial deadline and was later granted an extended filing deadline. The first plan submitted for approval was rejected because it failed to include negotiated wage increases, an appropriate estimate of changes to the Local Government Fund, and an acknowledgement of potential liability from outstanding legal cases.

The City ended fiscal year 2020 with a positive General Fund balance of approximately \$5.8 million. This balance can be attributed, in part, to the transfer of approximately \$4 million in expenditures to the local Coronavirus Relief Fund made possible through the receipt of funding from the Federal CARES Act. Additionally, year end fund transfers of approximately \$1 million to close the deficits in eleven funds were not approved by City Council.

The Mayor and City Council have had a number of disagreements which delayed the passage of the fiscal year 2021 permanent appropriations, fund transfers, and the financial recovery plan. These items were each ultimately approved by City Council on March 18, 2021 and the Commission reviewed and approved the updated financial plan on March 25, 2021.

While the City ended fiscal year 2020 with a positive General Fund balance, the continued financial health of the City is dependent on the resolution of the City's internal disagreements, Local Government Fund disbursements, and outstanding lawsuits against the City. In addition, accounting processes will require additional work to align with best practices. It is not anticipated the City will be released from fiscal emergency in the near future.

City of Fostoria, Seneca County

Brief Summary:

The fiscal emergency declaration indicated that as of February 29, 2016, the Auditor of State determined the deficit fund balances of

Population

13,441

Date Fiscal Emergency Declared

May 26, 2016



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 percent of income tax reciprocity in 2017, and the remaining 50 percent was eliminated in 2018, which provided the City about \$500,000 in additional revenue.
- Voters approved a 6-million levy which increased revenues by \$850,000 in 2018.

Outlook:

The General Fund had a positive balance at the end of fiscal year 2020 and the financial recovery plan has been updated based on the most recent forecast and fund balances. The City has made significant progress in addressing the issues identified in the Accounting Methods Report.

Village of Mount Sterling, Madison County

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 employees.

Action Steps Taken:

- The Village ended calendar year 2020 with a positive ending balance of more than \$653,000.
- 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, to pay-off debt to the Ohio Water Development Authority that was incurred by the renovation of the water treatment plant.
- As of August of 2020, the Village has cleared all comments on the Report of Accounting Methods.

Population

1,782

Date Fiscal Emergency Declared

June 22, 2017



Outlook:

The Village's Mayor and Village Council president pro tempore are intent on getting the Village of Mount Sterling released from fiscal emergency. The Village's finances have improved steadily in recent years and all comments have been cleared from the Report on Accounting Methods. The final issue keeping the Village in fiscal emergency is the Water Fund, which still shows a deficit balance in the five-year forecast. The Village continues to work with the financial supervisor to develop a plan for the Water Fund.

City of Norwood, Hamilton County

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 from May 1980 to 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 Methods was released in December 2018, indicating 32 comments that need to be addressed by the City.
- Norwood continued to review its budget, consolidating deficit fund balances whenever possible and reducing expenses through more frugal management.
- The City successfully negotiated bargaining contracts with all four of its unions in March 2020.
- The City Auditor and City Treasurer worked together to identify deposits incorrectly credited to certain funds, alleviating some deficit fund balances.

Population

19,207

Date Fiscal Emergency Declared

October 6, 2016

Outlook:

The City of Norwood's General Fund is now healthy, and the City is working towards release from its fiscal emergency designation. While its finances have improved, Norwood must address all of the 32 comments that were included on the Report on Accounting Methods that was released in December 2018. The President of City Council has assigned these tasks to the applicable City department heads and members of Council. Until all comments have been addressed, Norwood must continue to update its financial recovery plan. The Commission is scheduled to receive, review, and then approve this plan at its meeting scheduled for March 30, 2021.

Village of Bridgeport, Belmont County

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.

In February 2020, the Mayor of Bridgeport was indicted on two third-degree felonies and two first-degree misdemeanors surrounding misconduct in office, including possible theft of Village funds. The Mayor voluntarily stepped down and the President of Council, served temporarily as Mayor for a short time and then resigned in March 2020. A new Mayor has served since that time.

Action Steps Taken:

- The first commission meeting was February 13, 2019.
- Review of prior year fiscal records are still in process. The fiscal supervisor continues to work with the Village to build appropriate financial records for fiscal year 2019.
- The Commission held five meetings during the April 1, 2020 to March 31, 2021 reporting period, all five being virtual due to COVID-19.
- Appropriations were increased in various funds during the October, November, and December 2020 meetings. The increases were for police equipment, COVID relief funding, a renewal of liability insurance, and to help solve the Village's water-related issues which began in the summer of 2020.

Population

1,831

Date Fiscal Emergency Declared

December 4, 2018

- Financial reports are now current through the end of February 2021.

Outlook:

The Village of Bridgeport’s financial recovery plan was revised in March 2021 and approved by the Commission. The plan meets all requirements in the Ohio Revised Code. The Village plans to add a police levy to the ballot in November 2021; a previous police levy and two other levy renewals did not pass in November 2020. The Chief Financial Officer will end his service to the Village on June 30, 2021.

The updated recovery plan extends through December 31, 2025; current forecasts indicate the General Fund will show a positive balance by the end of calendar year 2024, even if the police levy does not pass. The Street Construction, Maintenance, and Repair Fund will have a positive fund balance by the end of calendar year 2025. The Village should complete the construction of a permanent water pump station during the summer of 2021, which will be paid for using a principal forgiveness loan from the Ohio Water Development Authority.

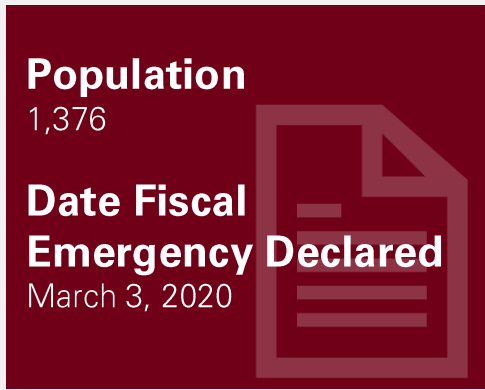
Concord Township, Champaign County

Brief Summary:

At the request of the Concord Township Board of Trustees, the Auditor of State’s office conducted an analysis to determine if the fiscal condition of the Township had deteriorated to the point that a declaration of fiscal watch or fiscal emergency was appropriate. The analysis identified the existence of two fiscal emergency conditions: a deficit fund balance of \$63,941 as of December 31, 2019, and a treasury deficit exceeding one-sixth of the treasury receipts on December 31, 2019, by \$20,888. The Auditor of State declared the Township to be in fiscal emergency on March 3, 2020.

Action Steps Taken:

- On July 30, 2020, the Concord Township Financial Planning and Supervision Commission met for the first time in Urbana, Ohio. At this meeting, the Commission elected officials, adopted bylaws, and passed a resolution accepting the Auditor of State’s engagement letter.



Population
1,376

**Date Fiscal
Emergency Declared**
March 3, 2020

- At its meeting on December 2, 2020, the Commission received a presentation by staff of the Auditor of State's office of a proposed financial recovery plan for the Township. Members of the Commission discussed and then adopted the proposed plan.

Outlook:

The Township hired a new fiscal officer who is implementing needed improvements to the Township's accounting practices and procedures. Improved financial recordkeeping and reporting will assist both the Board of Trustees and the Commission in their future decision-making. Additionally, pursuant to the financial recovery plan, the Board of Trustees redirected 0.9 inside-millage from its Road and Bridge Fund to its General Fund and transferred the balance in the Road and Bridge Fund to the General Revenue Fund.

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. Corrected and eliminated 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.