



Mike DeWine, Governor  
Jon Husted, Lt. Governor

Office of Budget  
and Management

Kimberly Murnieks, Director

April 1, 2022

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

***Delivered via email***

Dear President Huffman:

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 Speaker of the House.

On behalf of all commissions in operation during the period April 1, 2021, through March 31, 2022, 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 A. Murnieks".

Kimberly A, Murnieks  
Director

Attachment

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, 2022

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

***Delivered via email***

Dear Speaker Cupp:

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Kimberly A. Murnieks  
Director

Attachment

c: The Honorable C. Allison Russo, House Minority Leader



# **FINANCIAL PLANNING AND SUPERVISION COMMISSION**

## **ANNUAL REPORT 2022**

**Mike DeWine**  
Governor | State of Ohio

**Kimberly Murnieks**  
Director | Ohio Office of Budget and Management

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

*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.*



This report provides information about the local government Financial Planning and Supervision Commissions that operated between April 1, 2021, and March 31, 2022. 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, 2021 through March 31, 2022

The Office of Budget and Management chaired Financial Planning and Supervision Commissions for six local governments in fiscal emergency at some point during the period April 1, 2021, through March 31, 2022. There were no local governments that were released from fiscal emergency during the past year.

In September 2011, the General Assembly amended section 118.05 of the Ohio 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>. Five 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, 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 Ohio Auditor of State (AOS). These local political jurisdictions are not discussed in this report.

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<sup>1</sup> 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)

	2018	2019	2020	2021	2022
Total Financial Planning Commissions	12	9	9	6	6
Section 118.05 Emergencies Declared	1	1	1	0	0
Released Requested	4	3	3	0	0
<b>Released by AOS</b>	4	3	3	0	0

*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.*

No local governments in Ohio have been declared to be in fiscal emergency and no additional Financial Planning and Supervision Commissions have been established during the past year. The most recent local government declared to be in fiscal emergency requiring a Commission was Concord Township in Champaign County on March 3, 2020. The average length of time that the local governments in this report have been in fiscal emergency is five years and two months.

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

**City of East Cleveland,  
Cuyahoga County**

**17,843**  
Population

**10/9/2012**  
Emergency Declared

## **Brief Summary:**

When declared to be in fiscal emergency by the Auditor of State on October 9, 2012, the City of East Cleveland had deficit fund balances exceeding \$5.8 million. The City was previously in fiscal emergency from 1988 to 2006 and the financial uncertainty/instability that existed then continues 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 to mitigate the impact of the law change but was mandated by law to use those revenues solely for school safety purposes. The City has filed suit against the State challenging the statutory changes implemented regarding traffic cameras and local government disbursements. Oral arguments were held in the Ohio Supreme Court on February 9, 2022.

In addition to the revenue challenges facing the City, there are a number of legal cases against the City which have exhausted appeals with outstanding damages to be paid by the City and additional cases currently in appeal. These cases present the potential for significant future liability that could further impact the City's financial solvency.

## **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.
- East Cleveland started its own impound lot rather than contracting for this service.

## **Outlook:**

The City ended fiscal year 2021 with a deficit in the permanent improvement fund and expenditures exceeding appropriations in many of the general fund line items. This is despite passage of final appropriations on December 28.

The Commission extended the deadline for an updated recovery plan to provide the City time to



revise the plan based on the final rules passed by the U.S. Treasury regarding federal American Rescue Plan Act funds.

The financial health of the City is largely dependent on reaching internal agreement regarding financial priority matters, and final resolution of legal cases referenced above. In addition, accounting processes require additional work to align with best practices. It is not anticipated the City will be released from fiscal emergency in the near future.

**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:**

- In 2017, the City reduced the credit on income tax given to residents who work in other cities by 50 percent. The remaining tax credit was eliminated in 2018, which provided the City about \$500,000 in additional revenue.
- Voters approved a 6-mill levy which increased revenues by \$850,000 in 2018.

**Outlook:**

The City is in a stable financial position that could lead to release from fiscal emergency. However, accounting and reporting standards continue to be challenges. The City Council recently hired a new Fiscal Officer to address these matters.

**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:**

- The Village ended calendar year 2021 with a positive ending balance of more than \$963,000.
- Income tax revenues are healthy, in part due to more diligent 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.

**Outlook:**

The Village's Mayor and Village Council President Pro Tempore are focused on ensuring that the Village is positioned to be 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 Water Fund now shows a positive balance in the five-year forecast. Mt. Sterling recently worked with the Ohio Environmental Protection Agency (EPA) to resolve a compliance issue with the park restroom that had prevented the Village from requesting release from fiscal emergency. The Auditor of State's Office recently received a resolution letter from the EPA regarding the restroom issue. The financial supervisor and the Village plan to meet in March to confirm that there are no other outstanding issues. If none are found, a request for release from fiscal emergency will be forthcoming.

**Brief Summary:**

The City of Norwood was declared in fiscal emergency due to deficit General Fund balances of \$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 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. At the end of 2021, the General Fund's ending balance increased to \$7.9 million while Norwood's General Fund expenditures totaled \$25.6 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, consolidate deficit fund balances whenever possible, and reduce expenses through more frugal management.
- The City successfully negotiated contracts with all four of its bargaining units in March 2020 and has entered another phase of contract negotiations.
- The City Auditor and City Treasurer worked together to identify deposits incorrectly credited to certain funds, alleviating some deficit fund balances.

**Outlook:**

The City of Norwood's General Fund is now solvent, and the City is working towards release from fiscal emergency designation. While its finances have improved, Norwood must address all 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 the next meeting scheduled for April 6, 2022.

**Brief Summary:**

As of August 31, 2018, 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 insufficient to meet accounting standards.

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:**

- A review of prior year fiscal records was conducted, and the fiscal supervisor worked with the Village to build appropriate financial records for fiscal year 2019.
- 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.
- The Commission held two virtual meetings during the April 1, 2021, to March 31, 2022, reporting period. The meeting in September 2021 was held in person.
- Financial reports are now current through the end of December 2021.

**Outlook:**

The Village of Bridgeport’s financial recovery plan was revised in March 2021 and approved by the Commission. The plan met all requirements in the Ohio Revised Code. The Village added a police levy to the ballot in November 2021 and the levy passed.

The recovery plan was updated in September and approved by the Commission. Given the passage of the police levy in November, the Village is restructuring some departments and updating its recovery plan with a potential approval by the Commission in late March or April 2022. It is anticipated that the General Fund will reflect a positive balance by 2025. However, the Street Fund must be brought into balance and this may necessitate a transfer from the General Fund.

The recovery plan is currently being updated and should be ready for Commission approval by the end of March 2022. The plan will incorporate the impacts of the police levy passing along with several department restructurings.

**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:**

- 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.
- Prior to the next meeting on August 18, 2021, the Township transferred cash from the Road and Bridge Fund to the General Fund and increased the inside millage in the General Fund to 1.8 mills by reducing the Road and Bridge millage.
- On February 10, 2022, the Commission received its first complete year of accounting data based on standard accounting practices. No major unexpected expenses were found from prior years or during 2021 and the deficit in the General Fund declined to (\$41,654) from the beginning of 2021.

**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 Fund. The deficit in the General Fund continues to decline and forecasts from the Auditor of State's office estimate that the deficit will be eliminated at the end of 2024.

# APPENDIX

## Conditions for Declaration and Termination of Fiscal Emergency

Section 118.03 of the Ohio 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 Ohio 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 Ohio 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 fiscal emergency conditions and no new fiscal emergency conditions have occurred.
3. Met the objectives of the financial recovery plan described in section 118.06 of the Ohio 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.