
Citizen Auditors of Ohio

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Historical Fitness Center [Proprietary] Fund Analysis Summary- City of Twinsburg, Ohio

The Fitness Center Fund [Proprietary Fund Type] is often referred to as the business-like operations of a municipal government. In this analysis we are looking specifically at the Fitness Center of the City of Twinsburg. The operations are recorded for the past ten (10) years, averaged for revenues and expenditures, General Fund subsidies in the form of transfers and then graphically presented for analysis Exhibits 'A-H'.

Exhibit 'C' is a trending average of the total revenues, expenditures, accumulated net assets, and recommended minimum Governmental Fund Officers Association (GFOA) to analyze financial resources (revenues, expenditures, net assets fund balance) for trending analysis for sustainability of program services and the stability of net assets fund balance. The GFOA minimum recommendation is used as a benchmark and the actual carryover net assets is subject to various factors including unknown financial risks to revenue sources; however, this benchmark is usually utilized in governmental funds, however, we have chosen to use it as benchmark in these reports also. Exhibit 'G' is a historical graphic of accumulated net assets and annual net assets changes (gain or loss) of the operations of the Fitness Center fund. The net change in assets appear to be trending stable while net change in fund equity is trending lower indicating the depletion or use of assets. This trend can also be created by inadequate capital outlay to maintain the assets.

Our analysis for the Fitness Center in the City of Twinsburg, Summit County, Ohio in Exhibit 'B' reports an increase of 14.9% in total revenues for 2019 above the 10 year average; the total expenditures are increasing 6.0% more than the 10 year average. Depreciation of the assets constitutes more than half of the operating losses annually, all of which require transfers/subsidy by the General Fund. Based upon previous years the expenditures appear to have been reduced, a trend that would help reduce the financial impact on the General Fund.

Operating a business activity, even when attempting to breakeven, requires close attention to operations and management, which appears to be wanting in this situation based upon data in the annual financial report which is rather limited. *The City Council should consider placing a subsidy cap on the transfers required from the General Fund to 20-25% annually which would require reducing personnel costs accordingly to maintain a balanced approach to a more reasonable taxpayer's subsidy, if the goal is to subsidize the operations. The operating loss for 2019 is (-15.4%) compared to the 10 year average operating loss of (-29.4%) which is primarily created by excessive personnel costs and depreciation of assets.*

The graph in Exhibit 'C' of the annual totals of revenues, expenditures, accumulated net assets Vs. the GFOA recommended minimum indicates revenues are somewhat stable from year to year, however, expenditures are accelerating. Most communities would be better served with more operational information disclosed in the annual financial reports, however, most of them choose not to for political reasons as a general rule.

In summary, our analysis reports indicate a *taxpayer subsidized Fitness Center operation with transfers from the General Fund averaging \$311,611 or 16.9% of the operating expenditures.* Although it is not unusual for non-profit business operations to depend on some General Fund transfers, *over the last 10 years the Fitness Center has required approximately \$3.12 million in subsidies from the General Fund which appears significant and have increased substantially beginning in 2014.* My experience with multiple municipalities is that legislators (City Council) usually get involved when revenue rate increases are recommended and large capital projects are being considered.

It appears from our analysis reports that the City of Twinsburg is committed to taxpayer subsidizing of the Fitness Center operations with between 15%-30% of the operating costs. It would be advisable to survey the community for support during current economic conditions that could possibly lead to reduction in other public health, safety, or general welfare programs with taxpayer subsidies increasing to leisure time activities.

This report is prepared and presented for an analysis of historical data from the audited financial reports (State Auditor Website) of the proprietary funds. The purpose is to report whether or not the business-like funds are stable and sustainable for the delivery of recreational Fitness Center operations.

If anyone reviewing this report has any questions, issue(s), or concerns, please contact Citizen Auditors of Ohio at the contact information contained hereon. The data contained in this report was input by Mr. Loren Sengstock. The reports and any opinions contained herein are those of Citizen Auditors of Ohio only and no charges for or expenses were incurred in the production thereof.

City of Twinsburg - Summit County, Ohio - Fitness Center Analysis Report

Data Source: Audited Annual Financial Reports - Ohio Auditor Website

Exhibit 'A'

Historical Report of Fitness Center [Proprietary] Fund

Description	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	Annual 10 Year Average (1)	Annual 10 Year Average % (1)
Revenues:												
Charges for Services	\$ 1,489,501	\$ 1,576,968	\$ 1,460,313	\$ 1,395,234	\$ 1,379,578	\$ 1,272,762	\$ 1,246,005	\$ 1,100,465	\$ 1,013,151	\$ 1,026,744	\$ 1,296,072	100.0%
Total Revenues	\$ 1,489,501	\$ 1,576,968	\$ 1,460,313	\$ 1,395,234	\$ 1,379,578	\$ 1,272,762	\$ 1,246,005	\$ 1,100,465	\$ 1,013,151	\$ 1,026,744	\$ 1,296,072	100.0%
Expenditures:												
Personnel Services	\$ 1,143,255	\$ 1,441,413	\$ 1,513,003	\$ 1,349,920	\$ 1,204,719	\$ 1,121,000	\$ 1,008,667	\$ 823,631	\$ 755,523	\$ 775,259	\$ 1,113,639	60.7%
Materials & Supplies	\$ 203,494	\$ 259,509	\$ 203,664	\$ 168,699	\$ 155,438	\$ 119,887	\$ 97,975	\$ 93,273	\$ 54,039	\$ 50,394	\$ 140,637	7.7%
Contractual Services	\$ 191,341	\$ 330,186	\$ 325,557	\$ 409,029	\$ 435,441	\$ 258,122	\$ 214,707	\$ 267,331	\$ 183,055	\$ 182,590	\$ 279,736	15.3%
Depreciation	\$ 359,654	\$ 362,100	\$ 355,003	\$ 314,037	\$ 59,326	\$ 316,688	\$ 300,843	\$ 296,664	\$ 292,954	\$ 298,181	\$ 295,545	16.1%
Capital Outlay & Other	\$ 46,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,696	0.3%
Total Expenditures	\$ 1,944,708	\$ 2,393,208	\$ 2,397,227	\$ 2,241,685	\$ 1,854,924	\$ 1,815,697	\$ 1,622,192	\$ 1,480,899	\$ 1,285,571	\$ 1,306,424	\$ 1,834,254	100.0%
Operating Income (Loss)	\$ (455,207)	\$ (816,240)	\$ (936,914)	\$ (846,451)	\$ (475,346)	\$ (542,935)	\$ (376,187)	\$ (380,434)	\$ (272,420)	\$ (279,680)	\$ (538,181)	
Transfers-In From General Fund [Subsidy]	\$ 233,000	\$ 206,111	\$ 480,643	\$ 926,261	\$ 250,000	\$ 496,000	\$ 98,641	\$ 73,723	\$ 172,515	\$ 179,217	\$ 311,611	
Other Operating Sources (Non-Transfers-In)	\$ -	\$ -	\$ -	\$ 62,684	\$ 90,213	\$ 65,391	\$ 25,240	\$ -	\$ -	\$ -	\$ 24,353	
Non-Operating Revenue (Expenses)	\$ (3,052)	\$ -	\$ -	\$ -	\$ (3,300)	\$ (6,073)	\$ -	\$ -	\$ -	\$ -	\$ (1,243)	
Net Change in Fund Equity	\$ (225,259)	\$ (610,129)	\$ (456,271)	\$ 142,494	\$ (138,433)	\$ 12,383	\$ (252,306)	\$ (306,711)	\$ (99,905)	\$ (100,463)	\$ (203,460)	
Fund Net Assets (Deficit) Beginning of Year	\$ 5,879,419	\$ 6,489,548	\$ 7,617,314	\$ 7,474,820	\$ 7,613,253	\$ 8,295,887	\$ 8,548,193	\$ 8,854,904	\$ 8,954,809	\$ 9,055,272	\$ 7,878,342	
Fund Net Assets (Deficit) End of Year	\$ 5,654,160	\$ 5,879,419	\$ 7,161,043	\$ 7,617,314	\$ 7,474,820	\$ 8,308,270	\$ 8,295,887	\$ 8,548,193	\$ 8,854,904	\$ 8,954,809	\$ 7,674,882	
Ending Fund Assets as % of Expenditures (1)	290.7%	245.7%	298.7%	339.8%	403.0%	457.6%	511.4%	577.2%	688.8%	685.4%	418.4%	
Ending Fund Cash Equity at GFOA 25% Average(1)	\$ 486,177	\$ 598,302	\$ 599,307	\$ 560,421	\$ 463,731	\$ 453,924	\$ 405,548	\$ 370,225	\$ 321,393	\$ 326,606	\$ 458,563	
Ending Fund Cash Equity as % = GFOA 25% Average (1)	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Excess Ending Fund Cash Vs. GFOA 25% Average (1)	\$ (465,013)	\$ (545,883)	\$ (507,682)	\$ (301,419)	\$ (393,957)	\$ (115,805)	\$ (268,610)	\$ (110,802)	\$ (43,607)	\$ (156,717)	\$ (290,949)	
Excess % Fund Cash More (Less) than GFOA 25% Average (1)	-8.2%	-9.3%	-7.1%	-4.0%	-5.3%	-1.4%	-3.2%	-1.3%	-0.5%	-1.8%	-3.8%	
Cash & Cash Equivalents - End of Year	\$ 21,164	\$ 52,419	\$ 91,625	\$ 259,002	\$ 69,774	\$ 338,119	\$ 136,938	\$ 259,423	\$ 277,786	\$ 169,889		
Cash & Cash Equivalents as % of Expenditures (1)	1.1%	2.2%	3.8%	11.6%	3.8%	18.6%	8.4%	17.5%	21.6%	13.0%		

Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields

Historical Report of Fitness Center [Proprietary] Fund - Variance Report 2019 Vs. 10 Year Average

Exhibit 'B'

Description	2019		Annual 10 Year Average		Variance 2019 to 10 Yr Average	
	2019	% of Total	Average	% of Total	to 10 Yr Average	to 10 Yr %
Revenues:			(1)	(1)	(1)	(1)
Charges for Services	\$ 1,489,501	100.0%	\$ 1,296,072	100.0%	\$ 193,429	14.9%
Total Revenues	\$ 1,489,501	100.0%	\$ 1,296,072	100.0%	\$ 193,429	14.9%
	\$ -		\$ -			
Expenditures:						
Personnel Services	\$ 1,143,255	58.8%	\$ 1,113,639	60.7%	\$ 29,616	2.7%
Materials & Supplies	\$ 203,494	10.5%	\$ 140,637	7.7%	\$ 62,857	44.7%
Contractual Services	\$ 191,341	9.8%	\$ 279,736	15.3%	\$ (88,395)	-31.6%
Depreciation	\$ 359,654	18.5%	\$ 295,545	16.1%	\$ 64,109	21.7%
Capital Outlay & Other	\$ 46,964	2.4%	\$ 4,696	0.3%	\$ 42,268	900.0%
Total Expenditures	\$ 1,944,708	100.0%	\$ 1,834,254	100.0%	\$ 110,455	6.0%
	\$ -		\$ -			
Operating Income (Loss)	\$ (455,207)		\$ (538,181)		\$ 82,974	-15.4%
0	\$ -		\$ -			
Transfers-In From General Fund [Subsidy]	\$ 233,000	101.3%	\$ 311,611	93.1%	\$ (78,611)	-25.2%
Other Operating Sources [Non-Transfers-In]	\$ -	0.0%	\$ 24,353	7.3%	\$ (24,353)	-100.0%
Non-Operating Revenue (Expenses)	\$ (3,052)	-1.3%	\$ (1,243)	-0.4%	\$ (1,810)	145.6%
Total Other Operating/Non-Operating	\$ 229,948	100.0%	\$ 334,721	100.0%	\$ (104,773)	-31.3%
	\$ -		\$ -			
Net Change in Fund Equity	\$ (225,259)		\$ (203,460)		\$ (21,799)	10.7%
0	\$ -		\$ -			
Fund Net Assets (Deficit) Beginning of Year	\$ 5,879,419		\$ 7,878,342		\$ (1,998,923)	-25.4%
0	\$ -		\$ -			
Fund Net Assets (Deficit) End of Year	\$ 5,654,160		\$ 7,674,882		\$ (2,020,722)	-26.3%
0	\$ -		\$ -			
Ending Fund Assets as % of Expenditures (1)	290.7%		418.4%		-127.7%	

Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields

Exhibit 'C'

**Actual Accumulated Fund Net Assets, Accumulated Funds Net Assets
at GFOA 25% Average, Annual Total Revenues, and**

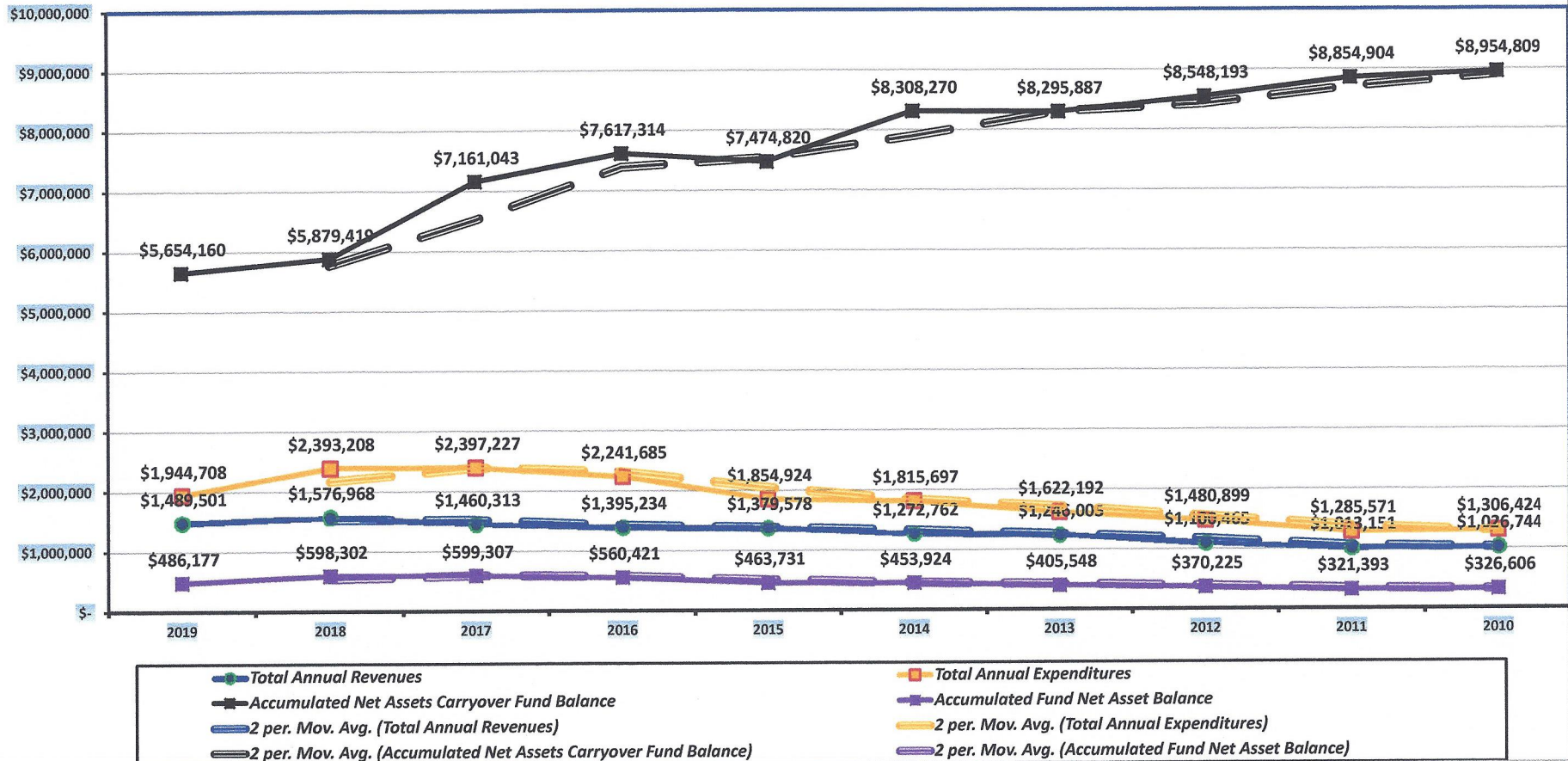
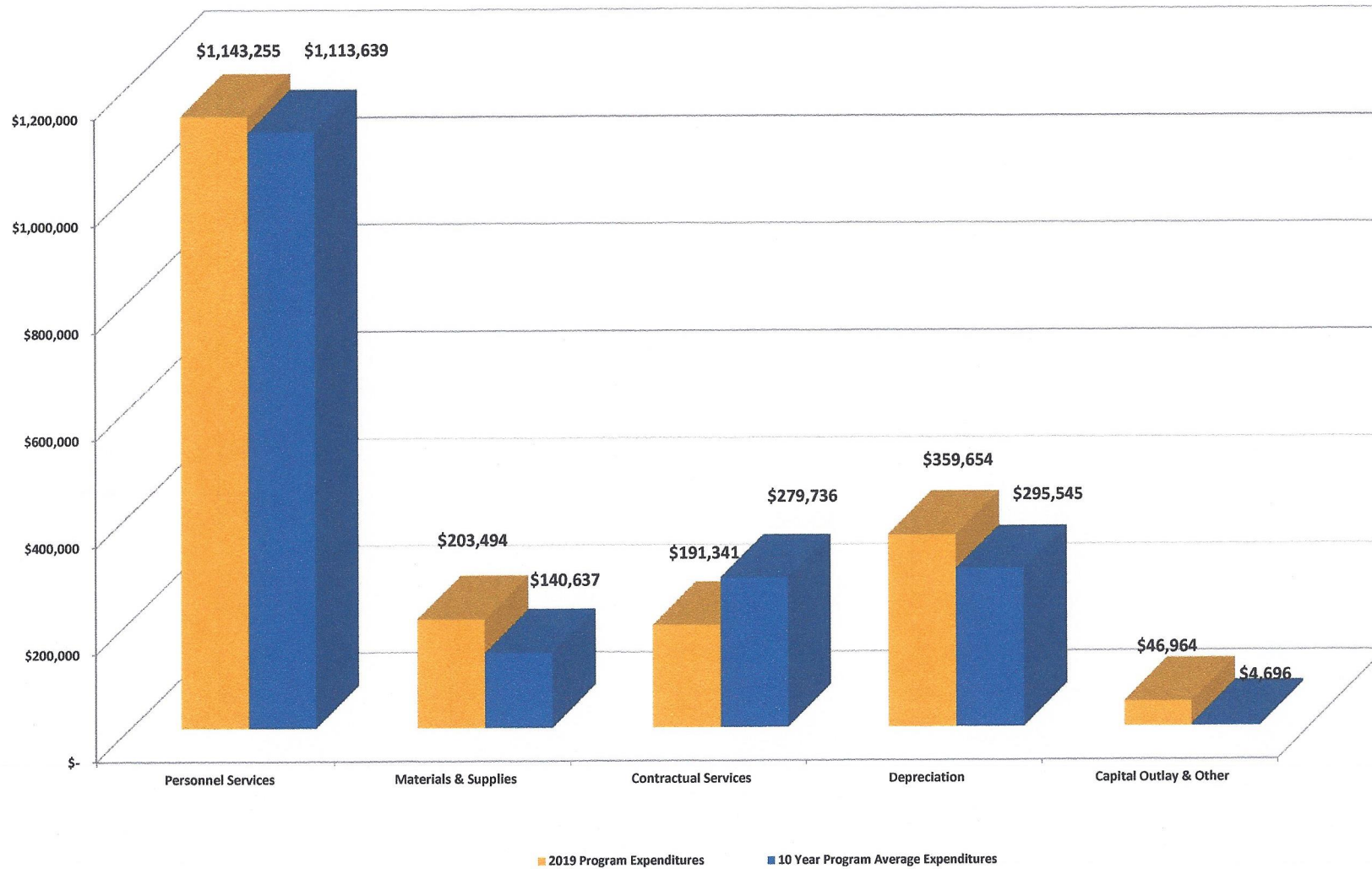


Exhibit 'D'

Comparative 2019 Vs. 10 Year Average Expenditures by Program



Comparative 2019 Vs. 10 Year Average Revenues by Source

Exhibit 'E'

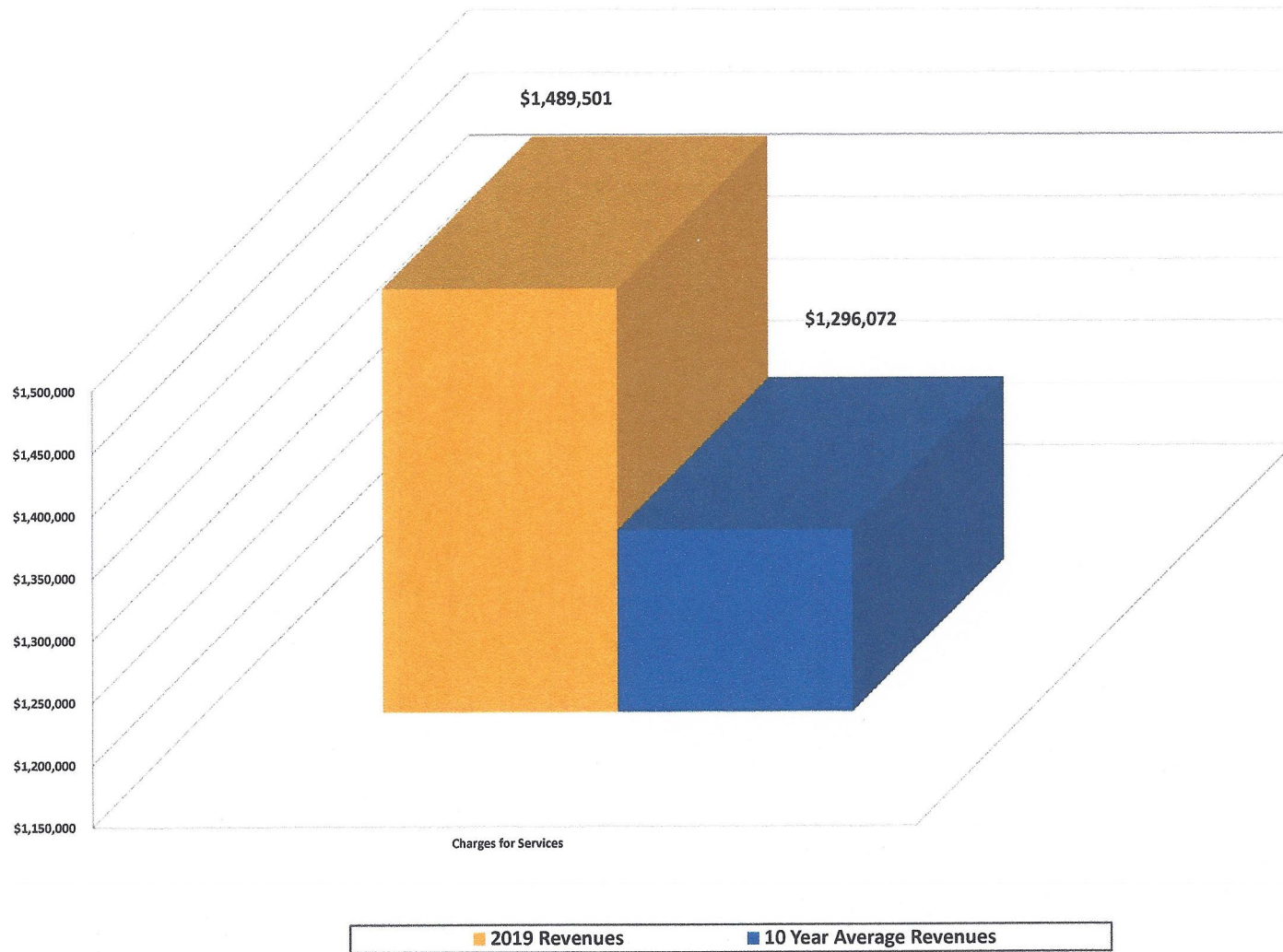
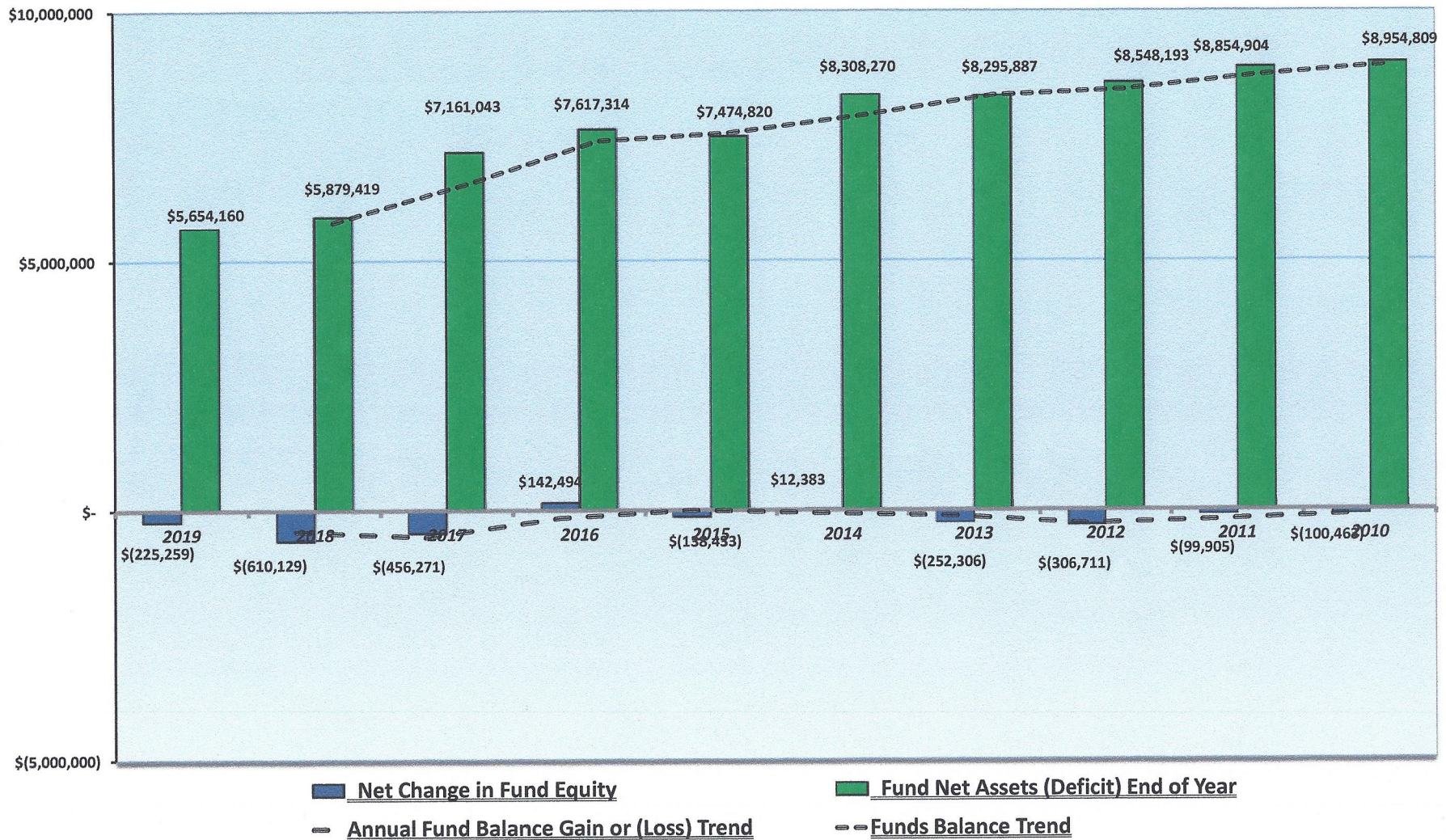


Exhibit 'G'

Fitness Center [Proprietary] Fund Accumulated Net Assets & Annual Net Change in Proprietary Fund Net Assets - Gain or (Loss)



Fitness Center Fund Annual Revenue, Expenditures, and General Fund Transfers Comparison

Exhibit 'H'

