

Citizen Auditors of Ohio

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Gleneagles Golf Course [Proprietary] Fund Analysis Summary - City of Twinsburg, Ohio

The Gleneagles Golf Course Fund [Proprietary Fund Type] is often referred to as a business-like operation in municipal governments. The operating results (audited) for the past ten (10) years are averaged for revenues and expenditures, General Fund transfers/subsidies, and contributed/donated resources are then graphically presented for analysis Exhibits 'A-F' as defined below.

The Golf Course Fund is an 'Enterprise' fund; which simply means it is accounted for similar to a for profit business in the private sector. The debt service for paying back the \$7.125 Million in 25-year G.O. Bonds is being accounted for in the G.O. Debt Retirement Fund and will require special reporting commencing in 2021. As an enterprise fund operation, recreational programs are intended to operate in a non-profit mode but in a business for-profit basis. Historically, golf courses require subsidizing by transfers from the General Fund that average around 20%-35% of the overall operations and for capital assets maintenance/ improvements. *The Gleneagles Golf Course is no exception, except beginning in 2013 and continuing thru 2020; the subsidy from the General Fund has increased with the overall average at 60.1% and is moving toward \$1.025 million annually on average. It should be noted from years 2011 – 2015 there are some significant contributions of capital for a waterline/sprinkler system that included \$435,404 from Escrow Development Fund; \$146,044 from Tap & Use Fee Fund; and \$781,503 from the General Fund. The fund has only experienced one year in the last decade of positive cash operations which was in 2012. The city did increase the long-term debt issuance by \$1,000,000 in 2020 to a total of \$7.125 million which did then reimburse the golf fund for the transfers in 2018 for the new clubhouse, since this will ultimately be repaid from operations over the next 25 years, the advance has been adjusted in 2018 & 2020 so that the averages are not distorted.*

Our analysis of the Golf Course in the City of Twinsburg, Summit County, Ohio in Exhibit 'B' reports an increase of 19.6% in total revenues for 2020 above the 10-year average and total expenditures increasing 20.8% more than the 10-year average. This increase in revenues and expenditures are primarily the

results of the operations of the golf course. The city initiated a private sector lease which will only generate \$72,000 annually in lease payments for the major portion of the new clubhouse which costs \$7.125 million which is a 1% return on investment with the average in the private sector at 10.48%, taxpayers might ask why a loss of (9.48%) was acceptable? ***The debt issuance was initiated by the city without a vote of people and is collateralized by un-voted property tax millage authorized under Section 6.01 of the City Charter.*** Operating a business activity, even when attempting to breakeven requires close attention to operating costs like personnel services, fringe benefits, management, and financial performance, which appears to be completely lacking any financial restraints in this situation based upon data in the annual financial report and averages.

The graph in Exhibit 'E' of the annual totals of revenues and expenditures demonstrates visually that revenues and expenses were completely off the charts as a result of the restaurant and banquet facilities implementation. ***It is estimated that when the \$7.125 million in long-term debt principal (bonded in 2020) is commenced to be paid back (starting in 2021) that the annual debt service will increase General Fund subsidy over \$400,000 +/- and certainly exacerbate the demands on General Fund resources further reducing resources available for capital improvements (Capital Outlay) and/or other public safety/service programs.*** The city is also awaiting the decision of the Ohio Tax Commissioner on whether or not a portion of the clubhouse which has been leased to a private sector company is taxable for property taxes; that decision could further cost the city's General Fund as the only fund other than levying an unvoted property tax on the taxpayers of Twinsburg. It should also be noted that the city was subject to a successful voter-initiated ballot issue on its City Charter, Section 6.01 in 2020 which reduced the unvoted property tax limit from 7.0 to 2.0 mills.

Citizens of Twinsburg would be better served and informed if more operational information were disclosed in the annual financial reports, however, most cities choose not to for political reasons and Twinsburg excels in that area. The graphic presentation in Exhibit 'F' clearly shows the increased transfers (taxpayer subsidy) required from the General Fund and other funds required covering the escalating losses and capital improvements.

In summary, our analysis reports indicate a heavily subsidized Golf Course, restaurant, and banquet facility operations with transfers from General Fund. Although it is not unusual for non-profit business operations (Enterprise Funds) to depend on some General Fund transfers, over the last 10 years ***the Golf Course has required approximately \$6.07 million in subsidies (interfund transfers) from the General Fund and Contributed Capital of \$4.18 million from the General Fund, Escrow Development Fund, and Tap & Use Fees Fund for a total subsidy of \$10.25 million and creates a significant financial impact on the city's General Fund.*** Basically, when a golfer plays this course, the taxpayers are paying approximately 26% above the total costs. For example, if a golfer pays \$100 for golf cart rental and golf fees, the taxpayers pay \$26 more for a total cost of \$126.

Commencing in 2020, City Council based upon the recommendation of the mayor has leased the restaurant, banquet facility, and included the liquor license to a private sector company for \$6,000 monthly or \$72,000 annually that in the private sector would be between \$350,000 and \$700,000; this decision by the city is financially reckless given the costs for debt service, property taxes, and maintenance costs of approximately \$50,000 monthly or \$600,000 annually that the General Fund must cover for the next 25 years. Combining the annual average General Fund subsidy for Golf Course operations annually of \$250,000-\$300,000 plus the \$600,000 annually losses for the restaurant, banquet facility, and liquor sales the total annual financial impact on Twinsburg's General Fund is estimated to be \$900K to \$1.1 million for the next 25 years!

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 Golf Course operations.

Exhibit Descriptions

Exhibit 'A' – This is the database of the last ten years of audited financial reports as submitted to the Ohio State Auditor with some calculated fields for totaling. Since the Golf Course is a recreational program and these type programs always require subsidy from the General Fund or other sources, we have included the percentage and dollar amounts of annual subsidy/transfers required to offset operating losses and capital outlay/improvements.

Exhibit 'B' – This is an analysis of the current year financial operations vs. the ten-year historical average with percentages and amounts of variances for comparative purposes.

Exhibit 'C' – This is a graphical comparison of the current year expenditures by category vs. the ten-year historical average.

Exhibit 'D' – This is a graphical comparison of the current year revenues vs. the Ten-year historical average.

Exhibit 'E' – This is a graphical trending of the annual total revenues and expenditures with moving average for projecting operating results comparison.

Exhibit 'F' – This is a graphical presentation of the annual amounts with percentages of fund transfers (or subsidy) from the General Fund, Escrow Development Fund, and Tap & Use Fund required to offset operating losses and capital outlay/improvement to the Golf Course.

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.

Historical Report of Golf Course [Proprietary] Fund

Exhibit 'A'

Description	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Annual 10 Year	Annual 10 Year
											Average	Average %
											(1)	(1)
Revenues:												
Charges for Services	\$ 1,318,113	\$ 2,097,887	\$ 1,246,533	\$ 893,228	\$ 901,491	\$ 853,200	\$ 812,664	\$ 947,968	\$ 993,049	\$ 959,889	\$ 1,102,402	100.0%
Total Revenues	\$ 1,318,113	\$ 2,097,887	\$ 1,246,533	\$ 893,228	\$ 901,491	\$ 853,200	\$ 812,664	\$ 947,968	\$ 993,049	\$ 959,889	\$ 1,102,402	100.0%
Expenditures:												
Personnel Services	\$ 998,553	\$ 2,404,272	\$ 1,133,868	\$ 830,866	\$ 708,220	\$ 637,856	\$ 629,072	\$ 546,888	\$ 542,693	\$ 513,717	\$ 894,601	52.4%
Materials & Supplies	\$ 407,552	\$ 771,056	\$ 446,836	\$ 320,493	\$ 252,307	\$ 305,058	\$ 203,458	\$ 226,674	\$ 219,693	\$ 196,489	\$ 334,962	19.6%
Contractual Services	\$ 213,661	\$ 660,999	\$ 304,100	\$ 150,225	\$ 320,182	\$ 532,092	\$ 279,863	\$ 217,970	\$ 118,877	\$ 216,468	\$ 301,444	17.7%
Depreciation	\$ 360,275	\$ 360,298	\$ 228,031	\$ 124,912	\$ 100,189	\$ 78,392	\$ 48,102	\$ 33,724	\$ 24,373	\$ 25,364	\$ 138,366	8.1%
Capital Outlay & Other	\$ 82,940	\$ 80,335	\$ -	\$ 61,281	\$ -	\$ -	\$ -	\$ 53,217	\$ 55,372	\$ 49,667	\$ 38,281	2.2%
Total Expenditures	\$ 2,062,981	\$ 4,276,960	\$ 2,112,835	\$ 1,487,777	\$ 1,380,898	\$ 1,553,398	\$ 1,160,495	\$ 1,078,473	\$ 961,008	\$ 1,001,705	\$ 1,707,653	100.0%
Operating Income (Loss)	\$ (744,868)	\$ (2,179,073)	\$ (866,302)	\$ (594,549)	\$ (479,407)	\$ (700,198)	\$ (347,831)	\$ (130,505)	\$ 32,041	\$ (41,816)	\$ (605,251)	
Transfers-In From General Fund [Subsidy] (2)	\$ 540,000	\$ 646,600	\$ 649,152	\$ 912,810	\$ 374,168	\$ 445,000	\$ 443,781	\$ 213,310	\$ -	\$ 1,846,656	\$ 607,148	
Other Operating Sources [Non-Transfers-In]	\$ -	\$ -	\$ 473,517	\$ -	\$ 848,932	\$ 1,155,596	\$ 1,270,190	\$ 438,575	\$ -	\$ -	\$ 418,681	
Non-Operating Revenue (Expenses)	\$ (202,119)	\$ (88,459)	\$ (74,937)	\$ -	\$ (776)	\$ (1,076)	\$ 613	\$ (1,265)	\$ (754)	\$ (35,240)	\$ (40,401)	
Net Change in Fund Equity	\$ (406,987)	\$ (1,620,932)	\$ 181,430	\$ 318,261	\$ 742,917	\$ 899,322	\$ 1,366,753	\$ 520,115	\$ 31,287	\$ 1,769,600	\$ 380,177	
Fund Net Assets (Deficit) Beginning of Year	\$ 5,631,530	\$ 7,252,462	\$ 6,071,032	\$ 6,180,320	\$ 5,437,403	\$ 4,538,081	\$ 3,540,376	\$ 3,020,523	\$ 3,071,424	\$ 1,301,824	\$ 4,604,498	
Fund Net Assets (Deficit) End of Year	\$ 5,224,543	\$ 5,631,530	\$ 6,252,462	\$ 6,498,581	\$ 6,180,320	\$ 5,437,403	\$ 4,907,129	\$ 3,540,638	\$ 3,102,711	\$ 3,071,424	\$ 4,984,674	
Taxpayer Subsidy (General & Other Funds) % of Expenditure	26.2%	15.1%	53.1%	61.4%	88.6%	103.0%	147.7%	60.4%	0.0%	184.4%	60.1%	
General & Other Fund Annual Subsidy Total	\$ 540,000	\$ 646,600	\$ 1,122,669	\$ 912,810	\$ 1,223,100	\$ 1,600,596	\$ 1,713,971	\$ 651,885	\$ -	\$ 1,846,656	\$ 1,025,829	
Ending Fund Assets as % of Expenditures (1)	253.3%	131.7%	295.9%	436.8%	447.6%	350.0%	422.8%	328.3%	322.9%	306.6%	291.9%	
Ending Fund Cash Equity at GFOA 25% Average(1)	\$ 515,745	\$ 1,069,240	\$ 528,209	\$ 371,944	\$ 345,225	\$ 388,350	\$ 290,124	\$ 269,618	\$ 240,252	\$ 250,426	\$ 426,913	
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)	\$ (396,855)	\$ (1,061,456)	\$ (184,913)	\$ 2,811,997	\$ (270,132)	\$ (286,877)	\$ 24,636	\$ (14,558)	\$ (54,214)	\$ 12,089	\$ 57,972	
Excess % Fund Cash More (Less) than GFOA 25% Average (1)	-7.6%	-18.8%	-3.0%	43.3%	-4.4%	-5.3%	0.5%	-0.4%	-1.7%	0.4%	1.2%	
Cash & Cash Equivalents - End of Year	\$ 118,890	\$ 7,784	\$ 343,296	\$ 3,183,941	\$ 75,093	\$ 101,473	\$ 314,760	\$ 255,060	\$ 186,038	\$ 262,515		
Cash & Cash Equivalents as % of Expenditures (1)	5.8%	0.2%	16.2%	214.0%	5.4%	6.5%	27.1%	23.7%	19.4%	26.2%		

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

(1) Calculated Fields

(2) The 2018 and 2020 General Fund Transfers-in and Transfers out are adjusted by \$1,000,000 due to debt issuance increased so that no over or under statement the dependence on the General Fund for operational subsidies are not distorted.

Historical Report of Golf Course [Proprietary] Fund - Variance Report 2020 Vs. 10 Year Average

Exhibit 'B'

Description	2020	2020 % of Total	Annual 10 Year Average	Annual 10 Year % of Total	Variance 2020 to 10 Yr Average	Variance 2020 to 10 Yr %
Revenues:			(1)	(1)	(1)	(1)
Charges for Services	\$ 1,318,113	100.0%	\$ 1,102,402	100.0%	\$ 215,711	19.6%
Total Revenues	\$ 1,318,113	100.0%	\$ 1,102,402	100.0%	\$ 215,711	19.6%
	\$ -		\$ -			
Expenditures:						
Personnel Services	\$ 998,553	48.4%	\$ 894,601	52.4%	\$ 103,953	11.6%
Materials & Supplies	\$ 407,552	19.8%	\$ 334,962	19.6%	\$ 72,590	21.7%
Contractual Services	\$ 213,661	10.4%	\$ 301,444	17.7%	\$ (87,783)	-29.1%
Depreciation	\$ 360,275	17.5%	\$ 138,366	8.1%	\$ 221,909	160.4%
Capital Outlay & Other	\$ 82,940	4.0%	\$ 38,281	2.2%	\$ 44,659	116.7%
Total Expenditures	\$ 2,062,981	100.0%	\$ 1,707,653	100.0%	\$ 355,328	20.8%
	\$ -		\$ -			
Operating Income (Loss)	\$ (744,868)		\$ (605,251)		\$ (139,617)	23.1%
0	\$ -		\$ -			
Transfers-In From General Fund [Subsidy] (2)	\$ 540,000	159.8%	\$ 607,148	61.6%	\$ (67,148)	-11.1%
Other Operating Sources (Non-Transfers-In)	\$ -	0.0%	\$ 418,681	42.5%	\$ (418,681)	-100.0%
Non-Operating Revenue (Expenses)	\$ (202,119)	-59.8%	\$ (40,401)	-4.1%	\$ (161,718)	400.3%
Total Other Operating/Non-Operating	\$ 337,881	100.0%	\$ 985,427	100.0%	\$ (647,546)	-65.7%
	\$ -		\$ -			
Net Change in Fund Equity	\$ (406,987)		\$ 380,177		\$ (787,164)	-207.1%
	\$ -		\$ -			
Taxpayer Subsidy (General & Other Funds) % of Expenditures	26.2%		60.1%		-33.9%	-56.4%
	\$ -		\$ -			
Fund Net Assets (Deficit) Beginning of Year	\$ 5,631,530		\$ 4,604,498		\$ 1,027,033	22.3%
	\$ -		\$ -			
Fund Net Assets (Deficit) End of Year	\$ 5,224,543		\$ 4,984,674		\$ 239,869	4.8%
	\$ -		\$ -			
Ending Fund Assets as % of Expenditures (1)	253.3%		291.9%		-38.6%	

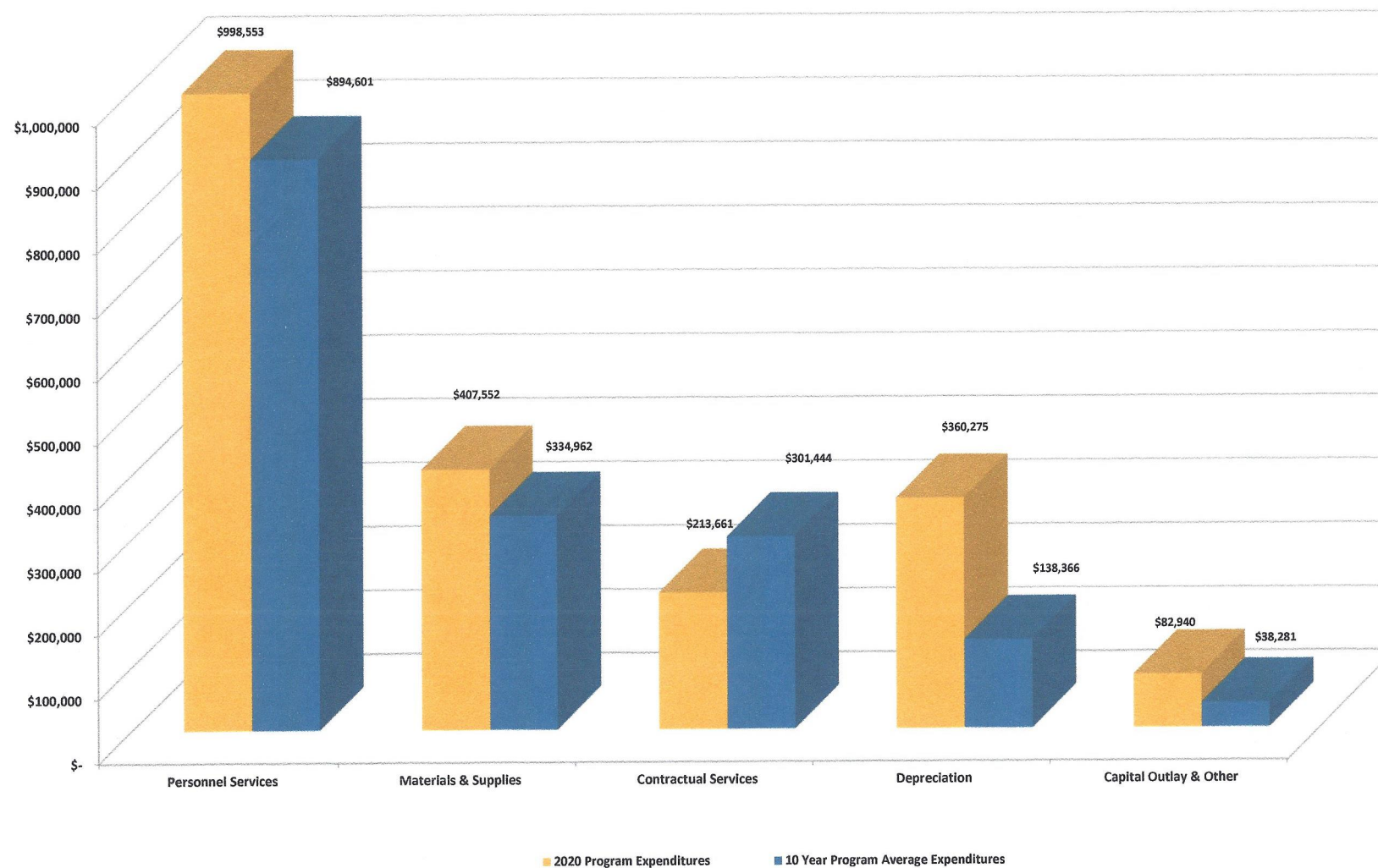
Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields

(2) The 2018 and 2020 General Fund Transfers-in and Transfers out are adjusted by \$1,000,000 due to debt issuance increased so that no over or under statement the dependence on the General Fund for operational subsidies are not distorted.

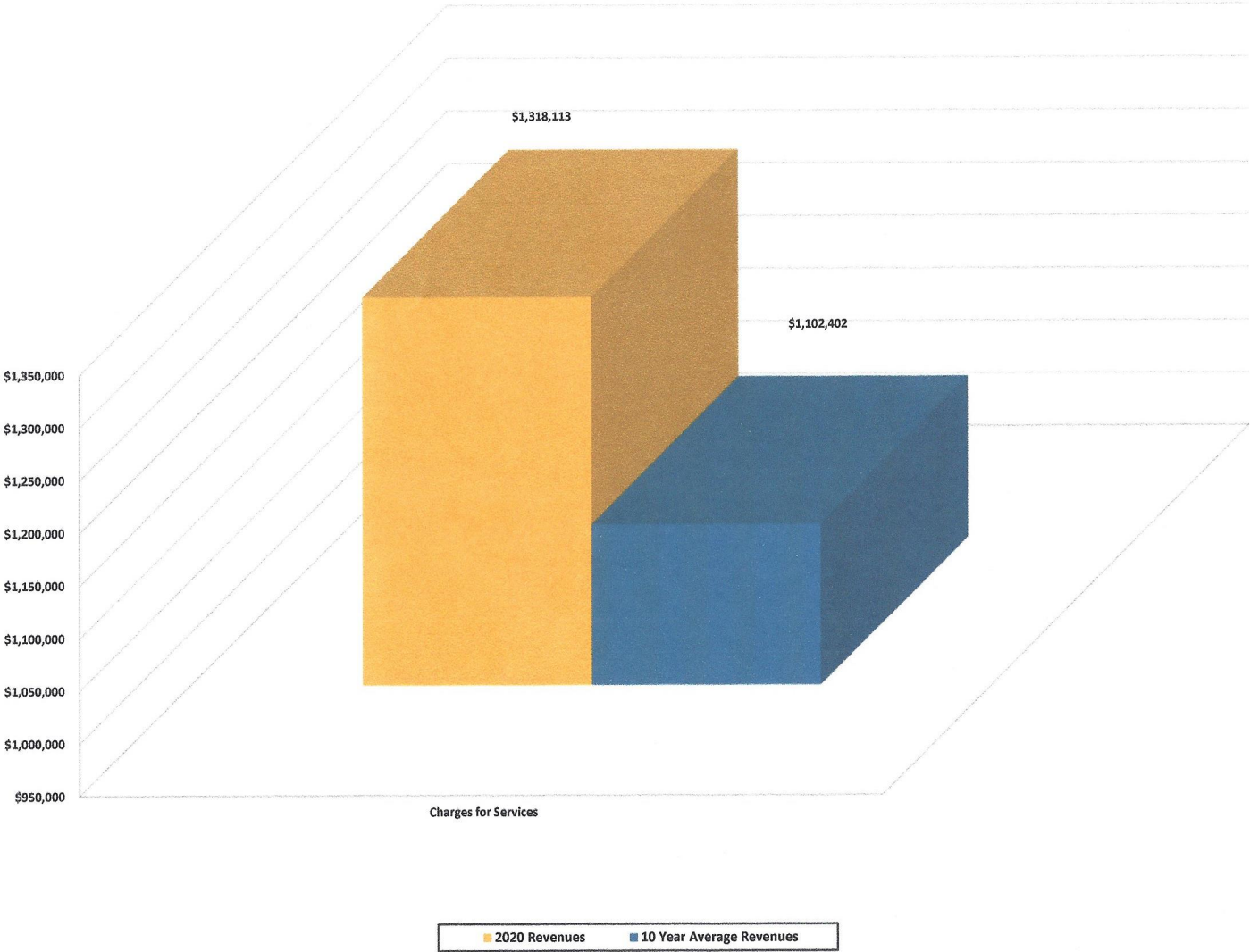
Comparative 2020 Vs. 10 Year Average Expenditures by Program

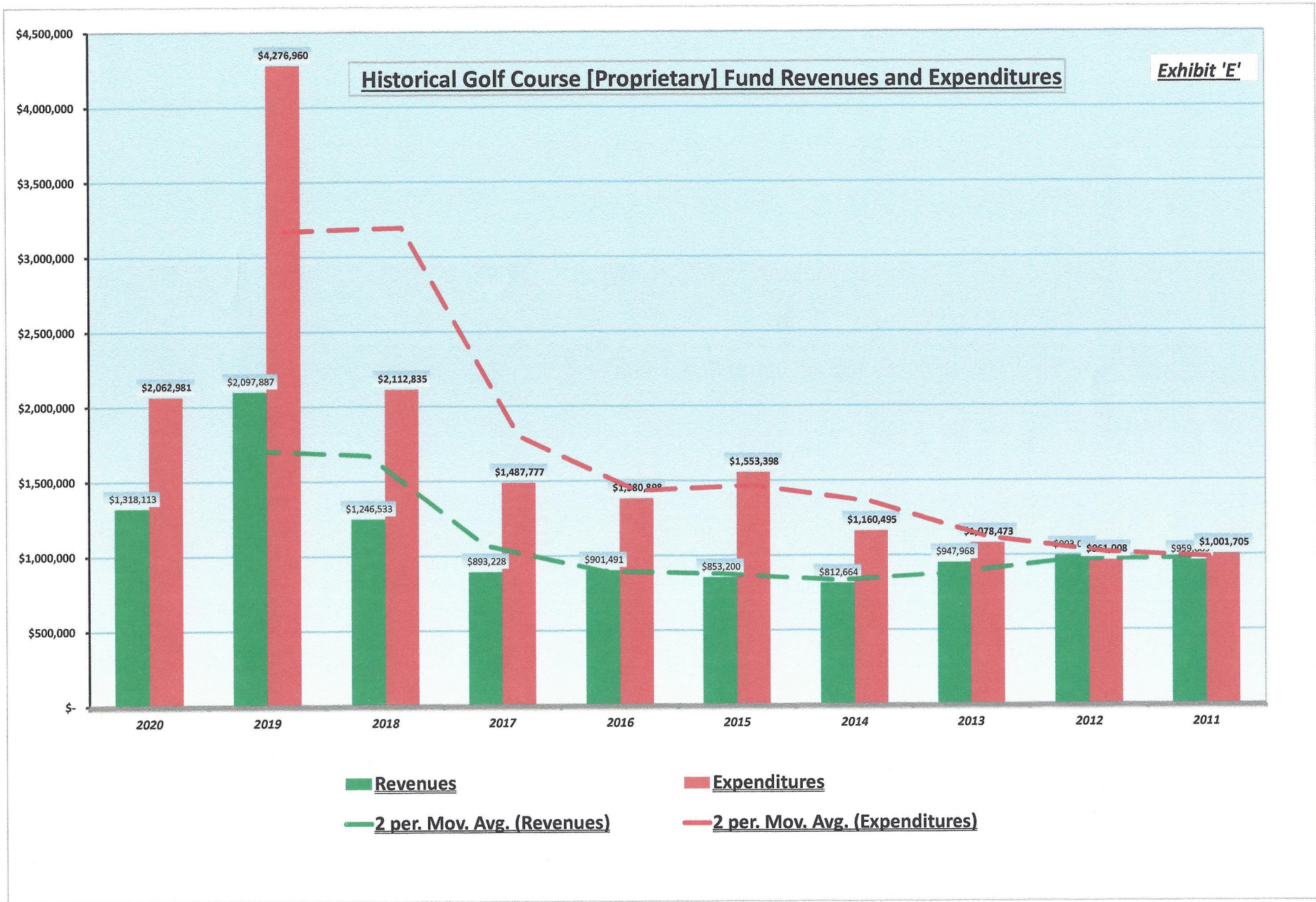
Exhibit 'C'



Comparative 2020 Vs. 10 Year Average Revenues by Source

Exhibit 'D'





**Historical General Fund, Escrow Development Fund, and Tap & Use Fee Fund
Transfers/Subsidy of Golf Course Operating & Capital Improvements**

Exhibit 'F'

