



# James P. Stith II

## City Auditor

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May 20, 2016

To: City of Norwood City Council  
Committee of Housing, Health, and Recreation

Subject: 2016 Budgetary and Cash Flow Issues for the Recreation Fund

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Dear Committee Members,

Reviewing the recent payroll history for the Recreation Fund -20 there is serious concern at the level of spending in this fund. As you may recall, 2015 ended with the fund in the negative and the inability to pay its employees due to significant over expenditures in the funds payroll appropriations and cash balances. Carrying the negative amount forward leaves the fund with a beginning balance below that of 2015. The Recreation Fund has a history of over expenditures requiring multiple year-end bail outs by the General fund. The payroll for the fund continues to be exhausted at an unsustainable level in 2016. This year, our office does not see any opportunity for another cash infusion from the General Fund due to significant cash flow restrictions throughout the City's budget.

This letter is to provide an early warning that the Recreation Fund and Department must be managed carefully or it will run out of funding far before the end of the year. Payroll and hiring practices must be carefully monitored and need projected through the end of the year. Our projections show that, given current expenditures, the fund will run out in early Fall 2016. When the payroll amounts exceed the limit of appropriations allowed by law, or the cash balance falls to zero, this office cannot issue payroll and the manager scheduling employees without authority and signing time sheets will be responsible.

Sincerely,

Jim Stith  
Auditor

Cc: Joe Sanker, Chairman Finance Committee  
Hon. Thomas Williams, Mayor  
Joe Geers, Safety Service Director  
Keith Moore, Law Director  
Jenny Wallace, Recreation Director