ATTN. Sylvia Masters

While our 2017 Audit Report did show that the City had cash balances of $5,484,463 as of December 31, 2017, it should be pointed out that a year later our 2018 Audit Report showed cash balances of $5,257,910, and our most recent Treasurer's Report as of February 29, 2020 reflected cash balances of $5,084,585. This downward trend is being carefully monitored and is likely indicative of broader trends throughout the state in communities that face the challenges associated with increasing costs of healthcare, and increasing retirement costs mandated by our state retirement systems, and increasing costs of maintaining the water, sewer, and electrical systems necessary for our citizens. (But one cannot focus just on the cash balance in a financial report while ignoring all of the liabilities and other legal restrictions and obligations surrounding those funds. Sales taxes and most other revenue sources are <u>dedicated</u> for specific purposes and cannot be utilized except for the intended purpose.)

As shown in the City's 2018 financial report the Governmental expenditures were nearly $12 million and the Utility System expenses were nearly $12 million dollars. Critically important to realize is that the Governmental operations depend on receiving nearly $6 million in operating transfers from the Utility System. Without the support of profits from the operation of our Utility System the City cannot fund the governmental side of operations (i.e. fire, police, street departments).

* The financial report shows that for 2018 and 2019 the unassigned fund balances were about $550,000 which represents about one month of funds received from the utility fund or only half of a month of annual government expenditures.

We routinely analyze our cash balances when preparing annual budgets in a manner that distinguishes between the purposes of those funds. That analysis demonstrates that the City basically has about 30 days of operating cash in relation to historical annual expenditures. We simply cannot allow our resources to diminish further.