



**Financial Reports**  
(unaudited)  
**December 31, 2018**

Dear Mayor Davis, Members of the Commission, and Ms. Jackson:

Consistent with the practice of keeping the Mayor and Commission apprised of the financial condition of the government, we present the preliminary financial reports of several major operational funds for the year ended December 31, 2018. This presentation differs slightly from that of the quarterly financial reports, which is a cash basis report with the focus on several major funds. The General Fund and Law Enforcement Fund have been combined. This format more closely resembles that of the yearend financial audit.

The results presented today are preliminary and will differ from the results reported in the annual audit. The audit reporting combines several operating funds into the general fund as required by auditing standards. The attached reports present preliminary results of the combined General and Law Enforcement funds, Urban Services fund, Fire Protection, Water and Sewerage, Garbage Collection, Augusta Regional Airport and Stormwater Funds on an operational basis. Reports for Sales Tax collections are also included since these revenues have a major impact on the level of our governmental operations.

For the 2018 fiscal year, with no further accruals or adjustments, the General and Law Enforcement funds combined would show total revenue exceeding expenditures by \$3,900,376, or approximately 2.5% of the total budget of \$156,243,870. Under GAAP (General Accepted Accounting Principles), we are required to make accruals for obligations for expenditures that were incurred but not expended at fiscal yearend. Adjustments for the timing of revenue collections such as ad valorem taxes are also required. These adjustments will be prepared both by staff and by external auditors over the next several months. The final audited statements are due to the state 180 days after the close of our fiscal year – by June 30, 2019.

There are several special revenue funds that do require additional funding to offset funding that did not reach budgeted levels. These funds include Solicitors Crime Victims assistance fund, Housing and Community development, Street Lights and Transit. We will bring forward a recommendation for additional funding for these funds when the March 31, 2019 financial reports are presented. At that time, we will have finished our audit preparation and will have closed the books on those funds

Revenue streams are more difficult to control. During presentations of quarterly reports for the first three quarters of the year, we have made the governing body aware of concerns. Two areas, electric franchise fees and state court revenues combined, resulted in a revenue shortfall of \$2 million. Expectations for both were lowered in the 2019 budget process. Fortunately, sales tax collections continued to accelerate and concluded the year 102% of budget and \$2.5 million above the 2017 level for General Fund and \$426,100 for Urban Services Fund. Historically we have held expenditures unrelated to catastrophic weather occurrences within budgeted levels. In 2018, actual expenditures were 96.91% of budgeted levels.

While the increase in the fund balance of the general fund is a positive, I would like to remind everyone that we are able to produce such results by sound fiscal policies, practices and goals. This allows Augusta to maintain the solid Aa2 bond rating. One of the goals is to have a fund balance that is equal to 90 days of operations, currently we have 70 days in fund balance. Not spending the net income for 2018 and increasing fund balance reserves, demonstrates sound fiscal practices that rating agencies are looking for as they review our status and is one of the first steps to move towards an upgrade in our ratings.

Augusta discontinued its appeal for 2014 ice storm related expenditures in September, 2018. The total amount approved but held as retainage and still outstanding is \$ 2.5 million.

The Fire Protection Fund will add \$970,000 to its fund balance at the conclusion of 2018. Of that amount \$107,000 will be obligated in 2019 for capital items approved in 2018 which were not completed prior to year end. Insurance premium tax distributed from the State of Georgia Department of Insurance Commissioner exceeded budget projections by \$1 million. Expenditures, which for this fund over 80% is salaries and benefits, totaled 95% of budget. The addition to fund balance will provide resources for the new fire station on Gordon Highway.

The Water and Sewer fund continues to show growth in business, consumer and Fort Gordon revenues and operational results continue to be positive. The planned and sustained growth in revenues was one reason; the refunding of bonds in 2017 also provided for an increase in cash reserves by a lower debt service amounts for the year. The ultimate goal of the system is to eliminate the need for funding capital projects by issuing bonds and pay for capital projects using funds generated by operations.

The Stormwater Utility program completed its third year of operation in 2018. Revenues exceeded expenditures by \$488,000, which will be added to fund balance for use in future years.

On November 21, 2017, the 2018 budget was adopted as a financial blueprint for that fiscal year. Today, some sixteen months later, we have a measurement of our execution of that annual plan. Like most plans, some changes and adjustments were required during the process. Some were planned enhancements. Some were reactions to factors beyond our control. Yet at the end of this process, Augusta's financial position has shown improvement due to those sometimes-difficult decisions.

Please remember that the statements received today are *preliminary*. Audited statements for all funds for the fiscal year ending December 31, 2018 will be presented to the Commission in late June or early July depending on the timing of the completion of the reports and scheduled commission meetings.

# Today's Discussion

- Good News
- Results not Final
- Adaptions
- Individual Funds
- Sales Tax Charts
- Upcoming Events

# Good News

- Funds with year end surplus:
  - General Fund (including Law Enforcement) \$3.9 million
  - Fire Protection \$970,000
  - Stormwater Utilities \$488,000
- Sales Tax Revenues
  - 4<sup>th</sup> Quarter collection 11% higher than 4<sup>th</sup> quarter last year
  - \$2.9 million higher than amount collected in 2017
- Interest earnings
  - Interest earnings increased
    - Higher cash balance from increase sales tax collections, reduced lag time in TIA reimbursements
    - Interest rates have increased
      - Effective Georgia Fund one rates: 2018 – 1.85%    2017 - .88%
      - Georgia fund one rate at January 1, 2018 – 1.2%
      - Georgia fund one rate at December 31, 2018 – 2.34%
- TAVT revenues
  - 4<sup>th</sup> quarter collections up - 33.9% higher than 4<sup>th</sup> quarter last year
  - \$2.2 million higher than amount collected in 2017

# Results not final

- **General Fund**
  - \$250,000 obligated to fund balance
- **Other Funds needing assistance**
  - Solicitors Crime Victims Assistance
  - HCD
  - Transit
  - Street Lights
- **Fire**
  - Obligated \$107,000 carryover for projects not completed in 2018
  - New station coming online in 2019

# Adaptations

- **Electric Franchise Fees and State Court Fines**
  - Combined revenue shortfall - \$2 Million
  - 2019 budgets adjusted to closer reflect expectations
- **Probation Services**
  - Method of operations under discussion
- **Street Lights**
  - Review structure approved in 2018

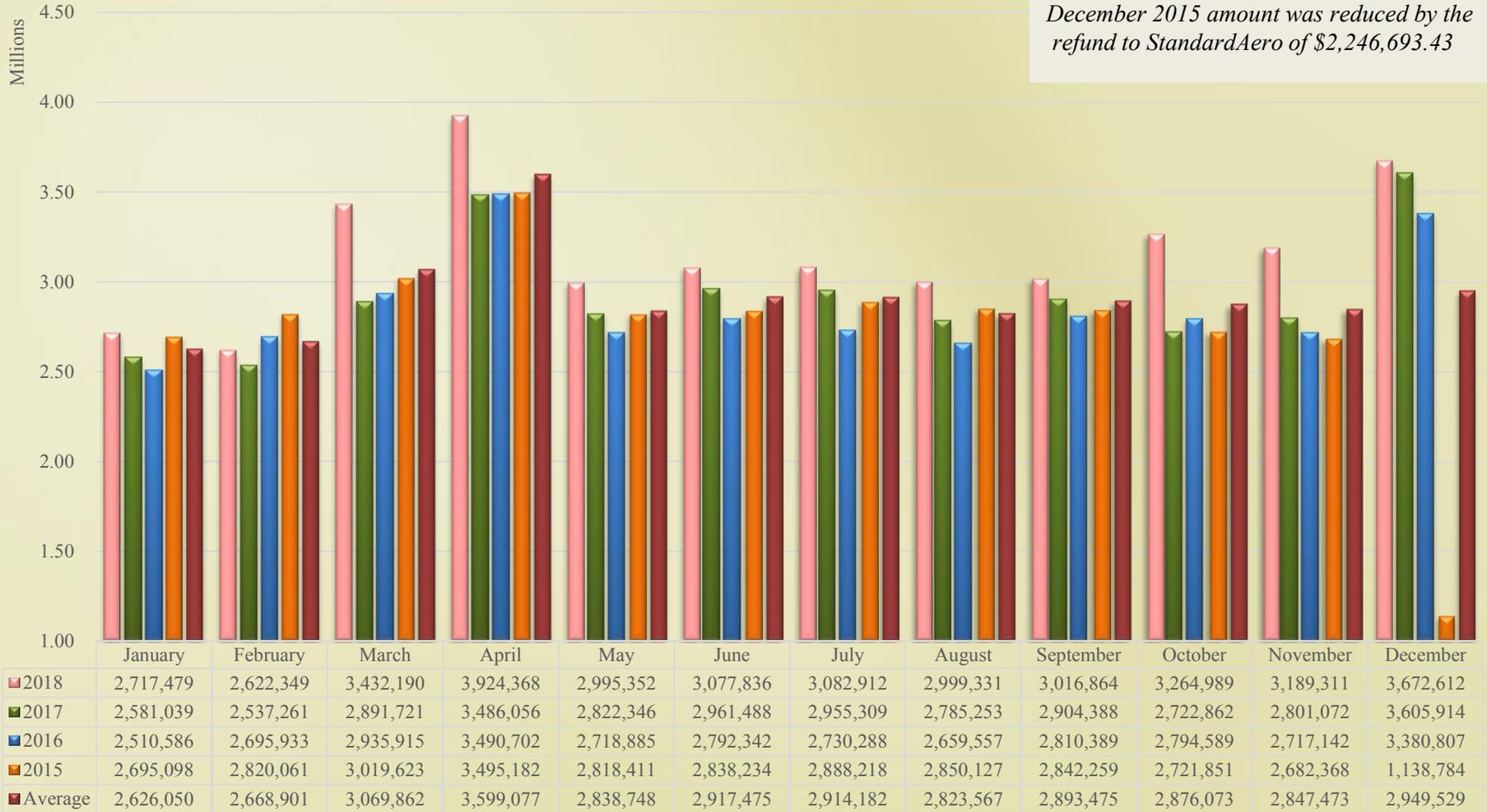
# Fund Reports

- General Fund / Law Enforcement page 5
- Urban Service District page 6
- Fire Protection page 7
- Water & Sewerage page 8
- Garbage Collection page 9
- Augusta Regional Airport page 10
- Stormwater Utilities page 11
- SPLOST reports pages 16 - 25

# SPLOST Reports

- All open phases reported
  - Phase II page 16
  - Phase III page 17
  - Phase IV page 18
  - Phase V page19
  - Phase VI pages 20 – 22
  - Phase 7 pages 23 - 24
- All open projects
- Amount spent to date
- Project Balances
- Unallocated fund balance by fund

# Sales Tax Collections



# Upcoming Events

- 1<sup>st</sup> Quarter 2019 results
  - May 14, 2019
- 2018 Audit Results
- 2019 Millage Rate Process
- 2020 Budget Process

# Questions / Comments