

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

FINANCIAL REPORT

JUNE 30, 2010

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

**FINANCIAL REPORT
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners of the
Brunswick-Glynn County Joint Water and Sewer Commission
Brunswick, Georgia**

We have audited the accompanying basic financial statements of **Brunswick-Glynn County Joint Water and Sewer Commission** (the "Commission"), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2010, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Funding Progress (on page 17) is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Commission has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Mauldin & Jenkins, LLC

Macon, Georgia
March 21, 2011

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS	
CURRENT ASSETS	
Cash	\$ 8,062,591
Accounts receivable, net of allowance for uncollectibles	2,773,178
Inventory	385,742
Prepaid expenses	188,137
Restricted assets:	
Cash	17,561,358
Investments	947,272
Accrued interest	<u>21,572</u>
Total current assets	<u>29,939,850</u>
NON-CURRENT ASSETS	
Capital assets:	
Land	623,079
Construction in progress	13,450,335
Buildings	3,042,478
Improvements other than buildings	175,552,347
Vehicles	349,483
Machinery and equipment	<u>2,750,875</u>
	195,768,597
Less accumulated depreciation	<u>75,700,195</u>
Total capital assets, net of accumulated depreciation	<u>120,068,402</u>
Other assets	<u>1,166,857</u>
Total non-current assets	<u>121,235,259</u>
Total assets	<u>151,175,109</u>

See Notes to Financial Statements.

LIABILITIES

CURRENT LIABILITIES

Payable from current assets:

Accounts payable	\$ 612,828
Retainage payable	1,017,841
Compensated absences payable	139,984
Accrued expenses and other liabilities	188,838
Customer deposits payable	1,839,446
Current portion of revenue bonds payable	<u>1,565,000</u>
	<u>5,363,937</u>

LONG-TERM LIABILITIES

Revenue bonds payable, net	50,641,717
Compensated absences payable	<u>163,838</u>
	<u>50,805,555</u>
Total long-term liabilities	<u>50,805,555</u>
Total liabilities	<u>56,169,492</u>

NET ASSETS

Invested in capital assets, net of related debt	72,861,685
Unrestricted	<u>22,143,932</u>
Total net assets	<u>\$ 95,005,617</u>

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

Operating revenues:	
Charges for services:	
Water sales	\$ 7,205,423
Sewer sales	10,539,695
Connection fees	659,693
Other fees and charges	776,888
Total operating revenues	<u>19,181,699</u>
Operating expenses:	
Personnel services	5,334,538
Contractual services	5,030,625
Supplies	3,174,552
Other costs	206,009
Depreciation expense	4,965,876
Total operating expenses	<u>18,711,600</u>
Operating income	<u>470,099</u>
Non-operating revenues (expenses):	
Interest income	51,770
Interest expense and fiscal charges	(1,693,780)
Total non-operating revenues (expenses), net	<u>(1,642,010)</u>
Loss before contributions	(1,171,911)
Capital contributions	<u>11,044,666</u>
Change in net assets	9,872,755
Total net assets, beginning	<u>85,132,862</u>
Total net assets, ending	<u><u>\$ 95,005,617</u></u>

See Notes to Financial Statements.

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 19,679,569
Payments to suppliers	(8,136,629)
Payments to employees	(5,309,128)
Net cash provided by operating activities	6,233,812

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer in from City of Brunswick	2,452,011
Transfer in from Glynn County	944,376
Net cash provided by noncapital financing activities	3,396,387

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments for bond issuance costs	(1,128,007)
Purchases of capital assets	(12,022,947)
Proceeds from bond issuance including premium	78,206,717
Principal payments on long-term borrowings	(63,291,547)
Interest paid on long-term borrowings	(2,059,462)
Net cash used in capital and related financing activities	(295,246)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(32,928)
Interest received	60,391
Net cash provided by investing activities	27,463

Net increase in cash	9,362,416
Cash and cash equivalents, beginning of year	16,261,533
Cash and cash equivalents, end of year	\$ 25,623,949

Classified as:

Cash	\$ 8,062,591
Restricted assets, cash	17,561,358
	\$ 25,623,949

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

Operating income	\$ 470,099
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	4,965,876
Changes in assets and liabilities:	
Increase in accounts receivable	(41,295)
Increase in allowance for bad debts	539,165
Increase in inventory	(24,753)
Increase in prepaid expenses	(27,272)
Decrease in accounts payable and accrued expenses	(497,786)
Increase in retainage payable	823,101
Increase in customer deposits payable	11,855
Increase in accrued compensated absences	14,822
Net cash provided by operating activities	<u>\$ 6,233,812</u>

**SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND
CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital contributions - capital assets	<u>\$ 7,648,279</u>
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See Notes to Financial Statements.

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Brunswick-Glynn County Joint Water and Sewer Commission (the "Commission") was established by an act of the Georgia State Assembly in 2006 and approved by referendum on July 18, 2006. The Commission is governed by a five-member board of Commissioners. Members of the board are made up of two Glynn County, Georgia Commissioners, two City of Brunswick, Georgia Commissioners, and one citizen member. The Commission provides and accounts for the provision of water and sewer services to the residents of Glynn County and the City of Brunswick.

Fund Accounting:

The Commission uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - *Enterprise Fund*. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net assets. Net assets are segregated into capital assets net of related debt and restricted and unrestricted net asset components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges for goods and services provided. Operating expenses of the Commission include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting:

In accounting and reporting for its proprietary operations, the Commission applies all Governmental Accounting Standards Board (GASB) pronouncements, and applies all Financial Accounting Standards Board (FASB) pronouncements and interpretations issued on or before November 30, 1989. Such FASB pronouncements are applied unless they conflict or contradict GASB pronouncements. The Commission also has the option of following subsequent private-sector guidance, subject to the same limitation. The Commission has elected not to follow subsequent private-sector guidance.

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Investments:

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Commission.

For purposes of the statement of cash flows, the Commission considers all highly liquid investments (including restricted assets) with an original maturity date of three months or less, and customer deposits to be cash equivalents.

Investments are stated at fair value.

Customer Accounts Receivable:

Customer accounts receivable include billed but uncollected amounts and unbilled receivables based upon a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Inventories:

Inventories of materials and supplies are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The Commission uses the consumption method of accounting for inventory, in that as materials are purchased, they are coded to inventory and then as subsequently used, they are expensed in the fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets:

Restricted cash and cash equivalents consist of two restricted fund types. Funds received in payment of customer deposits and refunds of customer deposits are recorded in this category. Funds received in payment of capital tap fees are also recorded in this category.

Capital Assets:

Capital assets are carried at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. These assets are depreciated over the estimated useful life using the straight-line method. The Commission defines its capitalization policy as assets costing \$5,000 and having an estimated useful life of greater than three years.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. During the fiscal year ended June 30, 2010, \$310,376 was capitalized.

Capital assets are depreciated using the straight line method over the following useful lives:

Asset Category	Years
Buildings	10-50
Improvements other than buildings	5-50
Vehicles	5
Machinery and equipment	2-25

Capital Contributions:

Capital contributions consist of contributions from Glynn County and the City of Brunswick.

Compensated Absences:

The liability for compensated absences has been accrued and reported in the Statement of Net Assets. The Commission permits employees to accumulate earned but unused vacation and sick pay benefits. Employees may carry over a maximum of 400 hours of vacation time from year to year. Accumulated vacation benefits will be liquidated in future years as employees elect to use them or will be paid upon termination of employment. Accumulated sick pay benefits are not payable upon termination of employment. In the normal course of business, all payments of accumulated benefits will be funded by revenues of the year in which the benefits are paid. All compensated absences are accrued when earned by employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued):

An employee may accrue an unlimited amount of sick leave. Sick leave may be taken only for personal illness or illness of an immediate family member.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2010, are summarized as follows:

As reported in the Statement of Net Assets:	
Cash	\$ 8,062,591
Restricted:	
Cash	17,561,358
Investments	947,272
	<u>\$ 26,571,221</u>
Cash deposited with financial institutions	<u>\$ 26,571,221</u>

Credit risk. State statutes authorize the Commission to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At June 30, 2010, the Commission's sole investment was a certificate of deposit issued by a local bank. The certificate matures on July 31, 2010.

Interest Rate Risk. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2010, the Commission did not have any deposits which were uninsured or under collateralized as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2010:

Receivables	\$ 4,710,929
Less allowance for uncollectibles	1,937,751
Net total receivables	<u>\$ 2,773,178</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 617,731	\$ 5,348	\$ -	\$ 623,079
Construction in progress	2,075,119	11,375,216	-	13,450,335
Total	<u>2,692,850</u>	<u>11,380,564</u>	<u>-</u>	<u>14,073,414</u>
Capital assets, being depreciated:				
Buildings	2,945,173	97,305	-	3,042,478
Infrastructure	167,308,683	8,243,664	-	175,552,347
Machinery and equipment	2,559,747	191,128	-	2,750,875
Vehicles	280,543	68,940	-	349,483
Total	<u>173,094,146</u>	<u>8,601,037</u>	<u>-</u>	<u>181,695,183</u>
Less accumulated depreciation for:				
Buildings	(2,301,779)	(56,251)	-	(2,358,030)
Infrastructure	(66,343,084)	(4,746,873)	-	(71,089,957)
Machinery and equipment	(2,047,200)	(134,698)	-	(2,181,898)
Vehicles	(42,256)	(28,054)	-	(70,310)
Total	<u>(70,734,319)</u>	<u>(4,965,876)</u>	<u>-</u>	<u>(75,700,195)</u>
Total capital assets, being depreciated, net	<u>102,359,827</u>	<u>3,635,161</u>	<u>-</u>	<u>105,994,988</u>
Total capital assets, net	<u>\$ 105,052,677</u>	<u>\$ 15,015,725</u>	<u>\$ -</u>	<u>\$ 120,068,402</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT AND CAPITAL LEASES

The following is a summary of long-term debt activity for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases payable to:					
City of Brunswick	\$ 14,647,431	\$ -	\$ (14,647,431)	\$ -	\$ -
Glynn County	18,644,116	-	(18,644,116)	-	-
Total capital leases payable	<u>33,291,547</u>	<u>-</u>	<u>(33,291,547)</u>	<u>-</u>	<u>-</u>
Revenue bonds payable	4,000,000	76,125,000	(30,000,000)	50,125,000	1,565,000
Premium on revenue bonds	-	2,081,717	-	2,081,717	-
Total bonds payable	<u>4,000,000</u>	<u>78,206,717</u>	<u>(30,000,000)</u>	<u>52,206,717</u>	<u>1,565,000</u>
Compensated absences	<u>289,000</u>	<u>14,822</u>	<u>-</u>	<u>303,822</u>	<u>139,984</u>
Total long-term liabilities	<u>\$ 37,580,547</u>	<u>\$ 78,221,539</u>	<u>\$ (63,291,547)</u>	<u>\$ 52,510,539</u>	<u>\$ 1,704,984</u>

Capital Leases

In connection with the transfer of operations, the Commission entered into capital lease agreements with the City and County. The lease agreements were capital leases for accounting purposes (title transfers at the end of the lease term); therefore, the leases were recorded at the present value of the future minimum lease payments as of the date of inception. The leases were scheduled to mature in 2028. During the year, the capital leases were retired through the issuance of the 2010C Revenue Bonds. There were no capital leases or assets held under capital leases as of June 30, 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Revenue Bonds

In June 2010, the Commission issued Series 2010C Revenue Bonds in the amount of \$50,125,000. Principal payments are due each year on June 1, beginning June 1, 2011. Interest payments are due each December 1 and June 1, beginning December 1, 2010. The bonds are secured by a pledge of and lien on revenues of the water and sewer system and yield 3.0% to 5.0% interest. There was no accrued interest at June 30, 2010.

Debt service requirements to maturity on the revenue bonds are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,557,315	\$ 1,565,000	\$ 1,992,315
2012	3,799,919	1,680,000	2,119,919
2013	3,804,519	1,735,000	2,069,519
2014	3,800,119	1,800,000	2,000,119
2015	3,798,119	1,870,000	1,928,119
2016 - 2020	18,986,570	10,465,000	8,521,570
2021 - 2025	15,317,100	8,855,000	6,462,100
2026 - 2030	14,128,963	9,820,000	4,308,963
2031 - 2035	14,124,925	12,335,000	1,789,925
	<u>\$ 81,317,549</u>	<u>\$ 50,125,000</u>	<u>\$ 31,192,549</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

The Commission's defined benefit pension plan, Brunswick-Glynn County Joint Water and Sewer Commission Retirement Plan, provides retirement, disability, and death benefits to plan members and beneficiaries. The Commission's pension plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The benefit provisions and all other requirements are established by the Commission. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

The funding policy for the Brunswick-Glynn County Joint Water and Sewer Commission Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The Commission makes all contributions to the Plan. The Commission is required to contribute at an actuarially determined rate; the current rate is 7.77% of annual covered payroll.

Annual Pension Cost

The Commission's annual recommended contribution for the pension plan year beginning July 1, 2010 was \$280,716. The recommended contribution was determined as part of the January 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2009, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the valuation's investment return assumption.

Trend Information

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Actual Commission Contribution</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 263,160	\$ 263,160	100 %	\$ -

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Trend Information (Continued)

As of the most recent valuation date, January 1, 2010, the funded status of the Brunswick-Glynn County Joint Water and Sewer Commission Retirement Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/10	\$ 634,435	\$ 1,658,252	\$ 1,023,817	38.3 %	\$ 3,550,891	28.8 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

NOTE 7. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to: torts; theft of assets; damage to and destruction of assets; errors and omissions; and natural disasters. The Commission carries commercial insurance for these risks of loss, as well as other risks of loss such as workers' compensation insurance and general property and liability insurance.

NOTE 8. RELATED PARTY TRANSACTIONS

Effective January 1, 2008, the water and wastewater functions of the City of Brunswick and Glynn County, Georgia, were assumed by the Commission. As a result, substantially all assets and liabilities related to these functions were transferred to the Commission. Capital contributions from the City and County during the year ended June 30, 2010 totaled \$2,452,011 and \$8,592,655, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

**BRUNSWICK-GLYNN COUNTY JOINT
WATER & SEWER COMMISSION**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
05/01/09	\$ 201,410	\$ 1,455,636	\$ 1,254,226	13.8 %	\$ 2,818,385	44.5 %
01/01/10	634,435	1,658,252	1,023,817	38.3	3,550,891	28.8

The assumptions used in the preparation of the above schedule are disclosed in Note 6 in the Notes to the Financial Statements. Information for prior years is not available as the plan was newly effective as of January 1, 2008.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Commissioners of the
Brunswick-Glynn County Joint Water and Sewer Commission
Brunswick, Georgia**

We have audited the basic financial statements of the Brunswick-Glynn County Joint Water and Sewer Commission (the "Commission"), as of and for the year ended June 30, 2010, and have issued our report thereon dated March 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2010 - 1 to be a material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as items 2010 - 2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Commission, management, others within the organization, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
March 21, 2011

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

Not applicable as a single audit was not performed for the year ended June 30, 2010 due to the Commission not expending \$500,000 or more of federal funds.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2010 - 1. Maintenance of Allowance for Doubtful Accounts

Criteria: Generally accepted accounting principles generally require that an allowance be established for those amounts in accounts receivable that are not expected to be collected.

Condition: The Commission did not properly address the above criteria as of June 30, 2010 as it relates to the allowance for uncollectible accounts.

Context: See above condition.

Effect: Audit adjustments to decrease net accounts receivable in the amount of \$385,181 were required for reporting as of June 30, 2010.

Recommendation: We recommend the Commission review accounts receivable periodically and review the accounts to determine those deemed uncollectible.

Views of Responsible Officials and Planned Corrective Action: The Commission concurs with the finding. Certain current year activity was posted through the net asset accounts. This condition has been corrected.

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)**

2010 - 2. Management of Accounts Payable and Accrued Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The Commission did not properly address the above criteria as of June 30, 2010 as it relates to accounts payable and accrued liability items.

Context: We addressed this matter with Commission officials, and they were able to determine the amount of accounts payable and accrued liabilities that should be recorded as of June 30, 2010.

Effect: Audit adjustments to increase accounts payable in the amount of \$83,896 and accrued liabilities in the amount of \$34,635 were required for reporting as of June 30, 2010.

Recommendation: We recommend the Commission begin recognizing and recording accrued liabilities as required, and record the necessary adjustments to reflect the accrued liability balances at the conclusion of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: The Commission concurs with the finding. Data input and reconciliation processes have been instituted to correct this condition.

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not applicable.

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

2009 - 1. Management of Accounts Payable and Accrued Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The Commission did not properly address the above criteria as of June 30, 2009 as it relates to accounts payable and accrued liability items.

Auditee Response/Status: Unresolved. See current year finding number 2010-1.

2009 - 2. Maintenance of Equity / Fund Balance Accounts

Criteria: Generally accepted accounting principles generally require only the closing out of income and expense and any prior period adjustments be recorded within equity and fund balance accounts.

Condition: The Commission improperly posted certain current year activity through its net asset accounts.

Auditee Response/Status: Resolved.

2009 - 3. Management of Long-Term Debt Accounts

Criteria: Generally accepted accounting principles require that principal payments be recorded as reductions on long-term debt obligations in the year of payment.

Condition: The Commission did not properly record principal payments to the City and County based on the above criteria as of June 30, 2009.

Auditee Response/Status: Resolved.

2009 - 4. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner.

Condition: The Commission did not properly expense items below the entity's capitalization threshold of \$5,000 during the year ended June 30, 2009. In addition, the Commission did not properly depreciate certain contributed capital assets.

Auditee Response/Status: Resolved.

**BRUNSWICK-GLYNN COUNTY JOINT
WATER AND SEWER COMMISSION**

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)**

2009 – 5. Management of Cash Accounts

Criteria: Generally accepted accounting principles require that cash on hand at year end be reported as an asset.

Condition: The Commission did not properly account for all cash and investment transactions in a timely manner as of June 30, 2009.

Auditee Response/Status: Resolved.