BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

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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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the **Brunswick-Glynn County Joint Water and Sewer Commission** (the "Commission"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the Commission's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 10) and the pension information for the Brunswick-Glynn County Joint Water and Sewer Commission Retirement Plan (on pages 32 and 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 9, 2015

As management of the Brunswick-Glynn County Joint Water and Sewer Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Proprietary Fund Accounting and Reporting

The Commission operates as a single fund in a business-like manner. Thus, the Commission uses the accrual approach to account for and report financial transactions. This means that revenues are recognized as they are earned and expenses are recognized as the liability is incurred, regardless of the timing of related cash inflows and outflows. All assets and liabilities that are measurable and probable are included in the financial statements. The full acquisition costs of all fixed assets are included in the Statement of Net Position and are depreciated over their estimated useful life. Consequently, the Commission's accounting practices generally resemble a commercial entity's approach.

Overview of the Financial Statements

Net Position: The following table reflects the overall financial condition of the Commission as of the last two fiscal years.

	2015	2014
Current assets	$ 5,293,992	$ 9,011,954
Restricted assets	34,295,523	31,047,357
Capital assets	122,734,070	122,091,216
Other long-term assets	266,722	280,058
Total assets	162,590,307	162,430,585
Deferred outflows of resources	292,468	289,633
Current liabilities	7,170,006	5,775,504
Long-term liabilities	42,747,953	45,023,452
Total liabilities	49,917,959	50,798,956
Deferred inflows of resources	79,298	-
Net investment in capital assets	86,303,042	85,179,142
Restricted for Debt Service	422,254	422,163
Restricted for Capital Projects	4,686,465	4,443,952
Unrestricted	21,473,757	21,876,005
Total net position	$ 112,885,518	$ 111,921,262

In June 2010 the Commission adopted a five year rate plan and implemented the first year of that plan by adoption of a rate resolution for the fiscal year ended June 30, 2015. The rate plan and rate resolution included a provision for the funding of an operating reserve, a repair and replacement reserve and a capital reserve.

An increase in restricted assets reflects the funding of these reserves.

The following table reflects the balances of current and restricted assets for the last two fiscal years.

	2015	2014
Current Assets:		
Cash	$ 849,892	$ 4,985,644
Accounts receivable, net of allowance for uncollectibles	3,105,042	3,133,654
Inventory	1,062,067	575,976
Prepaid expenses	276,991	316,680
	$ 5,293,992	$ 9,011,954
Restricted Assets:		
Customer Deposits	$ 2,713,555	$ 2,524,094
Series 2010C Bond Funds:		
Bond Construction Fund	2,645,587	4,163,461
Cost of Issuance Fund	102,965	102,957
Sinking Fund	319,289	319,206
Debt Service Reserve Fund	3,805,385	3,805,143
Capital Tap Fee Reserves:		
City of Brunswick	945,297	535,369
Saint Simons Island	1,276,846	1,161,184
North Mainland	2,219,099	2,467,005
South Mainland	245,223	380,394
Operating, Repair and Replacement and Capital Reserves:	20,022,277	15,688,544
	$ 34,295,523	$ 31,147,357

The decrease in capital assets is largely due to depreciation of capital assets.

The Commission paid $1,870,000 in principal and $1,928,119 in interest expense on its Series 2010C Revenue Bond during the fiscal year ended June 30, 2015.

Revenues, Expenses and Changes in Net Position: The following table illustrates the history of revenues, expenses and changes in net position for the past two years.

	2015	2014
Operating revenues:		
Charges for services:		
Water sales	$ 7,421,081	$ 7,367,998
Sewer sales	14,323,095	13,988,980
Connection fees	403,589	446,090
Other fees and charges	2,077,187	1,993,496
Total operating revenues	24,224,952	23,796,564
Operating expenses:		
Personnel services	7,671,454	7,424,292
Contractual services	3,585,291	3,046,689
Supplies	2,660,562	2,599,817
Electricity, natural gas and other fuel	1,606,461	1,599,002
Other costs	839,998	655,760
Depreciation expense	5,145,703	5,187,881
Total operating expenses	21,509,469	20,513,441
Operating income	2,715,483	3,283,123
Non-operating revenues (expenses)		
Interest income	34,250	54,852
Other income	21,379	69,111
Interest expense and fiscal charges	(1,806,856)	(1,873,972)
Total non-operating revenues (expenses), net	(1,751,227)	(1,750,009)
Income before contributions	964,256	1,533,114
Capital Contributions	-	780,663
Change in net position	964,256	2,313,777
Total net position, beginning	111,921,262	111,106,637
Prior period adjustment	-	(1,499,152)
Total net position, beginning, as restated	111,921,262	109,607,485
Total net position ending	$ 112,885,518	$ 111,921,262

Water and Sewer Revenues – As of June 30, 2015 the JWSC utilized a standardized billing structure for the former City of Brunswick district and the former Glynn County districts. Customers are billed based on the infrastructure they utilize for provision of water and/or sewer service for Debt Recovery Charges.

Administrative and usage charges are standardized throughout the service area. All meters are read electronically (radio read) each month and customers receive a monthly statement based on that reading. As of June 30, 2015 the JWSC has 28,799 billable service addresses: 14,624 in Brunswick, 10,117 on Saint Simons Island, 3,152 in the North Mainland and 906 in the South Mainland.

Debt Recovery Charges

Brunswick District:
Debt Recovery Charge (Water) – $2.48 per Residential Equivalent Unit (REU)
Debt Recovery Charge (Sewer) – $2.79 per Residential Equivalent Unit (REU)

Glynn Districts:
Debt Recovery Charge (Water) – $2.30 per Residential Equivalent Unit (REU)
Debt Recovery Charge (Sewer) – $7.57 per Residential Equivalent Unit (REU)

Administrative Fees and Usage Charges

All Districts:
Administrative Base Charge (Water) - $4.72 per customer
Administrative Base Charge (Sewer) - $4.72 per customer

Water revenues - All water is metered and sold at a usage rate per thousand gallons on an increasing step rate. The rates in place for the year ended June 30, 2015 were:

Water Usage Charges:
$1.19 per thousand gallons for 3,000 or less gallons
$1.60 per thousand gallons for 4,000 to 6,000 gallons
$1.99 per thousand gallons for 7,000 to 12,000 gallons
$2.47 per thousand gallons for 13,000 to 20,000 gallons
$3.74 per thousand gallons for 21,000 or more total gallons

Sewer charges are based on metered water usage at the rate of $5.53 per thousand gallons.

Connection fees (Capital tap fees) - A connection fee is required for all new connections onto the system. As of June 30, 2015 the charge is $625.00 per REU and $525.00 per REU for water in the Brunswick District and the Glynn Districts, respectively. The connection fee for sewer is $625.00 and $1,200.00 per REU for the Brunswick and Glynn Districts, respectively. In addition, if the JWSC is required to tap into the water or sewer main and run the service line to the customer's property, the JWSC charges a fee to recover the cost for doing so.

Other fees and charges - The JWSC charges 1.5% of arrears per month for late payments. Additionally, as in past years, the JWSC maintains various fees for services and actions taken in collection efforts. Other revenues such as tower rentals and inspection fees are also included in this line item.

Personnel Services – This is the cost of the JWSC for the salaries and wages of personnel and the related payroll taxes and benefits provided. The JWSC employs 127 full time employees in seven departments and divisions. Administration and management includes the Office of the Director, Planning and Construction, Purchasing and the Finance departments with 34 employees. Wastewater operations include the Systems Pumping and Maintenance, and Wastewater Treatment divisions with 76 employees. The Water Production and Water Distribution divisions employ 17 people. The JWSC provides eligible employees with health insurance, on a participatory basis, long-term disability insurance and a defined benefit retirement plan administered by the Georgia Municipal Association. The JWSC is fully insured for workers compensation and is self–insured for unemployment insurance.

Contractual Services – This cost consists of services that are required for the functions and operations of the JWSC which are necessary to purchase from outside sources, such as legal, auditing and insurance services. Purchasing other types of services, such as personnel administration and printing, inserting and mailing of bills has been found to be the most cost effective by the JWSC.

Supplies – These costs consist of the following:

	2015	2014
Chemicals	$ 751,079	$ 581,318
Infrastructure and Pump Maintenance	1,554,092	1,567,855
Office, Computer and Lab Supplies	183,558	152,637
Small Equipment	86,836	88,633
Uniforms	84,997	44,059
	$ 2,660,562	$ 2,434,502

Depreciation - This is the JWSC's second largest expense line item. It continues to grow each year as the JWSC continues to complete construction projects and bring them on line. Capital Assets, before depreciation, increased by $5.691 million from June 30, 2014 to June 30, 2015.

Interest Income- Funds are invested as permitted in accordance with Chapter 83 of Title 36 of the *Official Code of Georgia*, which establishes guidelines for local government investment procedures. As interest rates have continued to decrease, so has our interest income.

Interest Expense – Interest expense consists solely of the interest on the JWSC Series 2010C Revenue Bond issued dated June 30, 2010. Fiscal charges for the year ended June 30, 2015 were paid in the amount of $500.

Capital Contributions –Capital contributions are received by the dedication of privately constructed infrastructure to the JWSC and the JWSC's acceptance of that infrastructure. There were no contributions for the year ended June 30, 2015. In all cases, the assets are recorded at fair market value and are capitalized by the JWSC.

Capital Asset and Debt Administration

Capital Assets:

The JWSC's investment in capital assets as of June 30, 2015 amounts to $122,734,070 (net of accumulated depreciation). This investment in capital assets includes land and easements, buildings, water wells, elevated storage tanks, wastewater treatment plants, system improvements, vehicles and equipment. A summary of the major infrastructure is as follows:

	Brunswick District	Glynn District	Total
Wastewater treatment facilities	1	2	3
Miles of gravity sewer lines	157	159	316
Miles of forced main sewer lines	38	69	107
Sewer manholes	3,475	4,368	7,843
Sewer lift stations	60	93	153

	Brunswick District	Glynn District	Total
Water wells	7	15	22
Elevated water storage towers	6	4	10
Water pumping facilites	6	6	12
Miles of water lines	257	289	546
Fire hydrants	1,612	2,648	4,260

Although the JWSC has scaled back on its aggressive capital improvement program because of the relatively flat population growth over the last five years, it is imperative that the JWSC be poised to accommodate a steeper growth rate that may be somewhat similar to that of previous years.

Debt Administration:

As an entity created by an act of the General Assembly of the State of Georgia, long-term borrowing by the JWSC is provided through Revenue Bonds issued by the JWSC and loans from the Georgia Environmental Finance Authority (GEFA).

On June 30, 2010, the JWSC issued $50,125,000 of Revenue Bonds at an average yield of 4.389086% and a final maturity of 2035. The proceeds from these bonds were used primarily to retire the outstanding water and sewer debt of the City of Brunswick ($11,365,000) and of Glynn County ($32,780,000) to enable transfer of ownership of the respective governments water and sewer assets to the JWSC. The JWSC borrowed an additional $5,000,000 to acquire an administrative facility and for other infrastructure projects. Other costs paid from the bond proceeds at issuance amounted to $980,000.

The Series 2010C Revenue Bonds are the first debt issue by the JWSC. The initial ratings for this insured issue are AAA from Standard & Poor's and Aa3 from Moody's.

The 2010C Revenue Bonds include a Rate Covenant containing the requirement that Net Revenues are at least equal to 1.10 times Debt Service in the then current Sinking Fund Year. For the current fiscal year this debt coverage ratio has been computed to be 2.08 as follows:

Income Before Contributions	$ 964,256
Add: Depreciation Expense	5,145,703
Amortization of Bond Insurance	13,336
Bond Interest (before amortization of premium)	1,793,520
	7,916,815
Less: Interest on Construction Fund	(261)
	7,916,554
2015 Debt Service	3,798,119
Debt Coverage Ratio	2.08

Currently Known Conditions Affecting Future Operations

On June 30, 2014, the Commission purchased a building and property to serve as its administrative offices. The purchase and necessary improvements were funded by the Construction Fund included in the 2010C Revenue Bonds. The administrative rent expense of the JWSC will be reduced by $120,000 on an annual basis. The JWSC will occupy one portion of the building previously occupied by a financial institution with another portion of the building rented by a retail tenant in the amount of $8,000 per month.

The administrative offices were moved on July 17, 2015.

Further Information

This financial overview is designed to provide readers with a general overview of the Commission's finances, and to show accountability. If you have questions or would like further information about this financial report, you may contact officials at the Commission located at 700 Gloucester St, Suite 300, Brunswick, Georgia 31520.

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Current assets	
Cash	$ 849,892
Accounts receivable, net of allowance for uncollectibles	3,105,042
Inventory	1,062,067
Prepaid expenses	276,991
Restricted cash	34,295,523
Total current assets	39,589,515
Non-current assets	
Prepaid bond insurance	266,722
Capital assets:	
Nondepreciable assets	6,319,380
Depreciable assets	218,085,858
Less accumulated depreciation	(101,671,168)
Total capital assets, net of accumulated depreciation	122,734,070
Total non-current assets	123,000,792
Total assets	162,590,307
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	
Pension	292,468
Total deferred outflows of resources	$ 292,468

See Notes to Financial Statements.

LIABILITIES		
Current liabilities		
Payable from current assets:		
Accounts payable	$	1,812,030
Retainage payable		232,314
Compensated absences payable		150,258
Accrued expenses and other liabilities		168,714
Total current liabilities payable from current assets		2,363,316
Payable from restricted assets:		
Accrued interest payable		154,756
Customer deposits payable		2,711,934
Current portion of revenue bonds payable		1,940,000
Total current liabilities payable from restricted assets		4,806,690
Total current liabilities		7,170,006
Long-term liabilities		
Revenue bonds payable, net		40,942,000
Compensated absences payable		96,375
Net pension liability		1,709,578
Total long-term liabilities		42,747,953
Total liabilities		49,917,959
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources		
Pension		79,298
Total deferred inflows of resources		79,298
NET POSITION		
Net investment in capital assets		86,303,042
Restricted for debt service		422,254
Restricted for capital projects		4,686,465
Unrestricted		21,473,757
Total net position	$	112,885,518

See Notes to Financial Statements.

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating revenues:	
Charges for services:	
Water sales	$ 7,421,081
Sewer sales	14,323,095
Connection fees	403,589
Other fees and charges	2,077,187
Total operating revenues	24,224,952
Operating expenses:	
Personnel services	7,671,454
Contractual services	3,585,291
Supplies	2,660,562
Electricity, natural gas, and other fuel	1,606,461
Other costs	839,998
Depreciation expense	5,145,703
Total operating expenses	21,509,469
Operating income	2,715,483
Non-operating revenues (expenses):	
Interest income	34,250
Other non-operating income	21,379
Interest expense and fiscal charges	(1,806,856)
Total non-operating expense, net	(1,751,227)
Change in net position	964,256
Total net position, beginning of year, as restated	111,921,262
Total net position, end of year	$ 112,885,518

See Notes to Financial Statements.

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	24,253,564
Payments to suppliers		(7,772,164)
Payments to employees		(7,837,939)
Net cash provided by operating activities		8,643,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(5,807,807)
Proceeds from sale of capital assets		40,629
Principal payments on long-term borrowings		(1,870,000)
Interest paid on long-term borrowings		(1,928,119)
Net cash used in capital and related financing activities		(9,565,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		34,250
Net cash provided by investing activities		34,250
Net decrease in cash		(887,586)
Cash and cash equivalents, beginning of year		36,033,001
Cash and cash equivalents, end of year	$	35,145,415
Classified as:		
Cash	$	849,892
Restricted assets, cash		34,295,523
	$	35,145,415

See Notes to Financial Statements.

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BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	2,715,483
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		5,145,703
Changes in assets and liabilities:		
Increase in accounts receivable		(159,534)
Increase in allowance for bad debts		188,146
Increase in inventory		(486,091)
Decrease in prepaid expenses		39,689
Increase in deferred outflows of resources		(2,835)
Increase in accounts payable and accrued expenses		875,534
Increase in retainage payable		231,119
Increase in customer deposits payable		227,638
Decrease in accrued compensated absences		(131,482)
Decrease in net pension liability		(79,207)
Increase in deferred inflows of resources		79,298
Net cash provided by operating activities	$	8,643,461

See 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 seven-member board of Commissioners. The Act creating the Commission was amended in 2012 to change the structure of the governing body. As of January 1, 2013, the governing body consists of one member appointed by the City of Brunswick and one member appointed by Glynn County from their respective Boards of Commissioners; three members selected by the Grand Jury of Glynn County and two members elected in the state-wide general election. The Commission provides and accounts for the provision of water and sewer services to the residents of Glynn County and the City of Brunswick.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity* as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*, which defines a primary government as an entity with a governing body elected in a general election, and which is legally separate and fiscally independent. Any entity that does not meet the above criteria is potentially a component unit of a primary government.

A component unit is a legally separate entity for which a primary government is financially accountable by virtue of the fact that it both appoints the governing board and is able to impose its will on the component unit, or the fact that it provides financial benefits or imposes a financial burden on the primary government.

Based on the above requirements, there are no entities which meet the criteria detailed above for inclusion with the Commission's financial statements as component units, nor is the Commission considered a component unit.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position. Net position is segregated into net investment in capital assets and restricted and unrestricted net position components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net position. 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.

Basis of Accounting

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Commission exclusively follows the standards set forth by the GASB for its proprietary operations.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Restricted Assets

Restricted cash and cash equivalents consist of three restricted fund types. Amounts recorded in this category include funds received in payment of customer deposits and refunds of customer deposits, funds received in payment of capital tap fees, and certain proceeds from the issuance of the Commission's revenue bonds, as well as certain resources set aside for their repayment, and are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Asset Classification	Years
Buildings	10-50
Infrastructure	5-50
Machinery and Equipment	2-25
Vehicles	5

Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in the Statement of Net Position.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission reported two items related to their pension as deferred outflows of resources during the year ended June 30, 2015. The pension contribution subsequent to the measurement date and pension experience differences are consumptions of net position in future periods, resulting in recognition as deferred outflows of resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reported two items related to their pension as deferred inflows of resources during the year ended June 30, 2015. The pension experience differences and pension investment return are acquisitions of net position which apply to future periods, resulting in recognition as deferred inflows of resources.

Compensated Absences

The liability for compensated absences has been accrued and reported in the Statement of Net Position. The Commission permits employees to accumulate earned but unused vacation and sick pay benefits. Employees may carry over a maximum of 160 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. 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.

Long-Term Obligations

Long-term debt and other obligations financed by the Commission are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as deferred refunding costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is classified and displayed in three components within the Statements of Net Position. These three classifications are as follows:

a) Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
b) Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c) Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2015, are summarized as follows:

Cash	$ 849,892
Restricted cash:	
Customer deposits	2,713,555
Series 2010C bonds	6,873,226
Capital tap fee reserves	4,686,465
Operating, repair and replacement and capital reserves	20,022,277
Total restricted cash	34,295,523
Cash deposited with financial institutions	$ 35,145,415

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2015, the Commission did not have any deposits which were uninsured or under collateralized as defined by GASB pronouncements.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2015:

Receivables	$	4,344,442
Less allowance for uncollectibles		(1,239,400)
Net total receivables	$	3,105,042

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,770,658	$ 9,905	$ -	$ -	$ 1,780,563
Construction in progress	2,512,275	5,263,931	(3,237,389)	-	4,538,817
Total	4,282,933	5,273,836	(3,237,389)	-	6,319,380
Capital assets, being depreciated:					
Buildings	1,183,766	-	-	-	1,183,766
Site improvements	34,650	58,142	-	-	92,792
Infrastructure	202,132,302	-	1,830,969	-	203,963,271
Machinery and equipment	7,019,035	338,747	-	-	7,357,782
Office furniture and equipment	1,372,242	62,477	1,406,420	(35,000)	2,806,139
Vehicles	2,688,866	74,605	-	(81,363)	2,682,108
Total	214,430,861	533,971	3,237,389	(116,363)	218,085,858
Less accumulated depreciation for:					
Buildings	(160,352)	(13,736)	-	-	(174,088)
Infrastructure	(87,810,967)	(4,699,341)	-	-	(92,510,308)
Machinery and equipment	(5,603,629)	(241,125)	-	15,750	(5,829,004)
Office furniture and equipment	(1,004,941)	(62,342)	-	-	(1,067,283)
Vehicles	(2,042,689)	(129,159)	-	81,363	(2,090,485)
Total	(96,622,578)	(5,145,703)	-	97,113	(101,671,168)
Total capital assets, being depreciated, net	117,808,283	(4,611,732)	3,237,389	(19,250)	116,414,690
Total capital assets, net	$ 122,091,216	$ 662,104	$ -	$ (19,250)	$ 122,734,070

NOTE 5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt activity for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 43,345,000	$ -	$ (1,870,000)	$ 41,475,000	$ 1,940,000
Premium on revenue bonds	1,535,678	-	(128,678)	1,407,000	-
Total bonds payable	44,880,678	-	(1,998,678)	42,882,000	1,940,000
Compensated absences	378,115	191,687	(323,169)	246,633	150,258
Total long-term liabilities	$ 45,258,793	$ 191,687	$ (2,321,847)	$ 43,128,633	$ 2,090,258

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.

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

Fiscal Year Payable	Principal	Interest	Total
2016	$ 1,940,000	$ 1,857,069	$ 3,797,069
2017	2,020,000	1,779,469	3,799,469
2018	2,100,000	1,698,669	3,798,669
2019	2,170,000	1,625,919	3,795,919
2020	2,235,000	1,560,444	3,795,444
2021-2025	8,855,000	6,462,100	15,317,100
2026-2030	9,820,000	4,308,963	14,128,963
2031-2035	12,335,000	1,789,925	14,124,925
Total	$ 41,475,000	$ 21,082,558	$ 62,557,558

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS AND RESTRICTED NET POSITION

Net investment in capital assets - The balances that make up the Commission's net investment in capital assets at June 30, 2015 are as follows:

Net Capital Assets	$	122,734,070
Unspent bond proceeds		2,645,587
Bond debt service reserve		3,805,385
Less: Capital related debt		(42,882,000)
Net investment in capital assets	$	86,303,042

Restricted for debt service – These funds are set aside by the Commission for the retirement of future debt payments in accordance with bond requirements.

Restricted for capital projects – These funds are capital tap fees collected by the Commission for the improvement of the water and sewer system infrastructure.

NOTE 7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Commission, as authorized by the Board of Commissioners, has established a non-contributory defined benefit pension plan (The Brunswick-Glynn County Joint Water and Sewer Commission Retirement Plan), covering substantially all of the Commission's employees. The Commission's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The Board of Commissioners, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the Commission and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at **www.gmanet.com** or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

*Plan Membership***.** As of January 1, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not receiving benefits	11
Active plan members	108
Total	124

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the Commission's Board, is to contribute an amount equal to the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the Commission's contribution rate was 8.24% of annual payroll. Commission contributions to the Plan were $365,794 for the year ended June 30, 2015.

Net Pension Liability of the Commission

Effective July 1, 2014, the Commission implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* which significantly changed the Commission's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The Commission's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.00%, including inflation
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

Salary increase adjustments were assumed to be 3.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the Commission Board, in an amount not to exceed 8%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	50%	5.95%
International equity	15%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
Cash	-%	
	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the Commission. The changes in the components of the net pension liability of the Commission for the year ended June 30, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	$ 3,864,008	$ 2,075,223	$ 1,788,785
Changes for the year:			
Service Cost	244,062	-	244,062
Interest	298,149	-	298,149
Differences between expected and actual experience	20,708	-	20,708
Assumption changes	(24,046)	-	(24,046)
Contributions - employer	-	381,081	(381,081)
Net investment income	-	246,730	(246,730)
Benefit payments, including refunds of employee contributions	(33,844)	(33,844)	-
Administrative expense	-	(9,731)	9,731
Net Changes	505,029	584,236	(79,207)
Balances at 6/30/15	$ 4,369,037	$ 2,659,459	$ 1,709,578

The required schedule of changes in the Commission's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commission, calculated using the discount rate of 7.75 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's net pension liability	$ 2,398,095	$ 1,709,578	$ 1,139,882

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 a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Commission recognized a pension expense of $363,049. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,123	$ -
Changes in assumptions	-	21,042
Net difference between projected and actual earnings on pension plan investments	-	58,256
Commission contributions subsequent to the measurement date	274,345	-
Total	$ 292,468	$ 79,298

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Commission contributions subsequent to the measurement date of $274,345 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2016	$	(14,981)
2017		(14,981)
2018		(14,981)
2019		(14,981)
2020		(417)
Thereafter		(834)
Total	$	(61,175)

NOTE 8. 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 9. COMMITMENTS AND CONTINGENCIES

At June 30, 2015, in addition to the liabilities enumerated on the balance sheet, the Commission also had contractual commitments on uncompleted construction contracts in the amount of approximately $5,510,062 for the completion of various projects.

NOTE 10. CHANGE IN ACCOUNTING PRINCIPLE

The Commission has determined that a restatement to the July 1, 2014 beginning net position was required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014, through which accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the Commission as follows:

Beginning net position, July 1, 2014, as previously presented	$ 113,420,414
Change in accounting principle due to the implementation of GASB Statement No. 68	(1,499,152)
Beginning net position, July 1, 2014, as restated	$ 111,921,262

REQUIRED SUPPLEMENTARY INFORMATION

BRUNSWICK-GLYNN COUNTY JOINT
WATER & SEWER COMMISSION

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS

	2015
Total pension liability	
Service cost	$ 244,062
Interest on total pension liability	298,149
Differences between expected and actual experience	20,708
Changes of assumptions	(24,046)
Benefit payments, including refunds of employee contributions	(33,844)
Net change in total persion liability	505,029
Total pension liability - beginning	3,864,008
Total pension liability - ending (a)	$ 4,369,037
Plan fiduciary net position	
Contributions - employer	$ 381,081
Net investment income	246,730
Benefit payments, including refunds of employee contributions	(33,844)
Administrative expenses	(9,731)
Net change in plan fiduciary net position	584,236
Plan fiduciary net position - beginning	2,075,223
Plan fiduciary net position - ending (b)	$ 2,659,459
Commission's net pension liability - ending (a) - (b)	$ 1,709,578
Plan fiduciary net position as a percentage of the total pension liability	60.87%
Covered-employee payroll	$ 4,621,888
Commission's net pension liability as a percentage of covered-employee payroll	36.99%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

BRUNSWICK-GLYNN COUNTY JOINT
WATER & SEWER COMMISSION

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COMMISSION CONTRIBUTIONS

	2015
Actuarially determined contribution	365,794
Contributions in relation to the actuarially determined contribution	365,794
Contribution deficiency (excess)	-
Covered-employee payroll	4,621,888
Contributions as a percentage of covered-employee payroll	7.91%

Notes to the Schedule

Valuation Date	January 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 19 years.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%

The schedule will present 10 years of information once it is accumulated.

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, in accordance with the 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, the financial statements of the Brunswick-Glynn County Joint Water and Sewer Commission (the "Commission") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 9, 2015. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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, 2015-001, described in the accompanying schedule of findings and responses to be a material weakness.

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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, 2015-002, described in the accompany schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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.*

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
October 9, 2015

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_X_ yes	____ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	_X_ no

Federal Awards

Not applicable as a single audit was not performed for the year ended June 30, 2015 due to the Commission not expending $500,000 or more of federal funds.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015 - 001. Management of Inventory

Criteria: Governmental accounting standards require that inventory items be recorded as an asset at the time of purchase and expensed when used.

Condition: The Commission was noted to have had instances of inventory purchases that were expensed before their use, resulting in a significant amount of inventory not being recorded on the Commission's Statement of Net Position. This treatment is inconsistent with Commission policies and procedures relating to inventory purchased under the consumption method.

Effect: Failure of inventory management personnel to properly adhere to the Commission's policies and procedures relating to the purchase and use of inventory resulted in a significant amount of inventory being omitted from annual inventory counts, and thus the Statement of Net Position, resulting in an overstatement of expenses.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2015 - 001. Management of Inventory (Continued)

Recommendation: We recommend the Commission implement new controls and strengthen existing controls related to inventory so as to ensure that inventory transactions are properly recorded in accordance with Commission policies and procedures as well as Governmental Accounting Standards Board pronouncements.

Views of Responsible Officials and Planned Corrective Action: The Commission concurs with the finding. We will follow the proper procedures to ensure all inventory transactions are properly reported.

2015 - 002. Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist among cash management, disbursements, and the posting of journal entries. The Chief Financial Officer has unrestricted override access to all financial accounting system functions, including the simultaneous proposal and approval of general ledger entries, the cash disbursement cycle, and bank reconciliations.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties among cash management, disbursements, and the posting of journal entries can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of the finance department staff, including cash management, disbursements, and the posting of journal entries, should be segregated among employees.

Views of Responsible Officials and Planned Corrective Action: The Commission concurs with the finding. We are in the process of implementing new and reviewing existing controls to properly segregate duties among finance department staff to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

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 FISCAL YEAR ENDED JUNE 30, 2015

2014 - 001. Management of Customer Account Adjustments

Criteria: Best business practices require a review of adjustments made to determine that no unauthorized adjustments are posted to customer accounts. Also, manual receipt books should be prenumbered and locked up unless needed due to system failure. In the event of manual receipts book usage, receipts should be reconciled to the daily collections.

Condition: Cashiers have the ability and access to enter account adjustments in GEMS. They also have access to un-numbered manual receipt books which are not tracked or controlled. Also, no adjustment report is reviewed to determine if all of the adjustments entered were approved.

Auditee Response/Status: Resolved.

2014 - 002. Segregation of Duties over the Disbursement Process

Criteria: Adequate internal controls over cash disbursements should be maintained.

Condition: The Commission did not properly address the above criteria as of June 30, 2015 as it relates to segregation of duties.

Auditee Response/Status: Partially resolved. See current year finding number 2015 - 002.

2014 - 003. Utility Billing (RMS) Interface

Criteria: Transactions posting from a subsystem to the general ledger should be easily traceable to a billing or cash receipt listing.

Condition: The Commission properly addressed the above criteria as of June 30, 2015 as it relates to Utility Billing (RMS) Interface.

Auditee Response/Status: Resolved.

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014 - 004. Parts Expenditures

Criteria: Adequate internal controls over inventory and general ledger postings should be maintained.

Condition: The Commission did not properly address the above criteria as of June 30, 2015 as it relates to inventory and parts expenses.

Auditee Response/Status: Unresolved. See current year finding number 2015- 001.