BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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, 2017, 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.

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, 2017, 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.

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 3 through 10), the Schedule of Changes in the Commission's Net Pension Liability and Related Ratios (on page 32), and the Schedule of Commission Contributions (on page 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 31, 2017, 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 31, 2017

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, 2017. 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.

	2017	2016
Current assets	**$ 8,034,128**	$ 5,327,470
Restricted assets	**26,365,334**	28,718,365
Capital assets	**131,611,633**	127,193,001
Other long-term assets	**240,049**	253,385
Total assets	**166,251,144**	161,492,221
Deferred outflows of resources	**806,242**	737,446
Current liabilities	**8,475,266**	8,297,780
Long-term liabilities	**41,025,862**	41,152,159
Total liabilities	**49,501,128**	49,449,939
Deferred inflows of resources	**126,042**	61,728
Net investment in capital assets	**95,182,978**	90,983,985
Restricted for Debt Service	**429,097**	424,920
Restricted for Capital Projects	**4,531,724**	4,476,810
Unrestricted	**17,286,417**	16,832,285
Total net position	**$ 117,430,216**	$ 112,718,000

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2017	2016
Current Assets:		
Cash	**$ 1,901,167**	$ 801,603
Accounts receivable, net of allowance for uncollectibles	**3,787,820**	3,057,142
Intergovernmental receivable	**757,872**	-
Inventory	**1,260,881**	1,221,029
Prepaid expenses	**326,388**	247,696
	$ 8,034,128	$ 5,327,470
Restricted Assets:		
Customer Deposits	**$ 2,862,055**	$ 2,862,055
Series 2010C Bond Funds:		
Bond Construction Fund	**803,127**	800,592
Cost of Issuance Fund	**103,375**	103,048
Sinking Fund	**325,722**	321,872
Debt Service Reserve Fund	**3,820,518**	3,808,456
Capital Tap Fee Reserves:		
City of Brunswick	**1,271,991**	1,154,797
Saint Simons Island	**715,457**	1,128,446
North Mainland	**1,969,628**	1,828,344
South Mainland	**574,648**	365,223
Operating, Repair and Replacement and Capital Reserves:	**13,918,813**	16,345,532
	$ 26,365,334	$ 28,718,365

The increase in capital assets is largely due to the completion of several capital infrastructure projects. The Repair and Replacement Reserve was the source of funding for these projects and accordingly shows a decrease from 2016 to 2017.

The Commission paid $2,020,000 in principal and $1,779,469 in interest expense on its Series 2010C Revenue Bond during the fiscal year ended June 30, 2017.

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.

	2017	2016
Operating revenues:		
Charges for services:		
Water sales	$ 9,136,689	$ 7,719,678
Sewer sales	17,243,678	14,690,939
Connection fees	3,706,279	1,201,888
Other fees and charges	3,148,852	2,190,134
Total operating revenues	33,235,498	25,802,639
Operating expenses:		
Personnel services	9,865,925	8,676,668
Contractual services	4,392,850	3,747,643
Supplies	5,058,560	3,851,412
Electricity, natural gas and other fuel	1,725,352	1,646,917
Other costs	1,179,038	658,071
Depreciation expense	5,825,561	5,790,125
Total operating expenses	28,047,286	24,370,836
Operating income	5,188,212	1,431,803
Non-operating revenues (expenses)		
Interest income	24,188	7,777
Other income	61,615	11,851
Intergovernmental revenue - SPLOST	1,126,447	-
Interest expense and fiscal charges	(1,688,246)	(1,740,002)
Total non-operating revenues (expenses), net	(475,996)	(1,720,374)
Income before contributions	4,712,216	(288,571)
Capital Contributions	-	121,053
Change in net position	4,712,216	(167,518)
Total net position, beginning	112,718,000	112,885,518
Total net position ending	$ 117,430,216	$ 112,718,000

Water and Sewer Revenues – As of June 30, 2017, 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, 2017, the Commission had 29,341 (28,577 as of June 30, 2016) billable service addresses: 14,905 in Brunswick, 10,313 on Saint Simons Island, 3,226 in the North Mainland, and 896 in the South Mainland.

The JWSC adjusted rates for the 2016-17 fiscal year. The rates for fiscal years 2016-17 were as follows:

Debt Recovery Charges

Brunswick District:
Debt Recovery Charge (Water) – $2.31 per Residential Equivalent Unit (REU)
Debt Recovery Charge (Sewer) – $2.76 per Residential Equivalent Unit (REU)

Glynn Districts:
Debt Recovery Charge (Water) – $1.64 per Residential Equivalent Unit (REU)
Debt Recovery Charge (Sewer) – $7.86 per Residential Equivalent Unit (REU)

Administrative Fees and Usage Charges

All Districts:
Administrative Base Charge (Water) - $6.06 per customer
Administrative Base Charge (Sewer) - $6.06 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, 2017 were:

Water Usage Charges:
$1.36 per thousand gallons for 3,000 or less gallons
$1.82 per thousand gallons for 4,000 to 6,000 gallons
$2.27 per thousand gallons for 7,000 to 12,000 gallons
$2.82 per thousand gallons for 13,000 to 20,000 gallons
$4.26 per thousand gallons for 21,000 or more total gallons

Sewer charges are based on metered water usage at the rate of $6.30 per thousand gallons.

Connection fees (Capital tap fees) - A connection fee is required for all new connections onto the system. As of June 30, 2017, the charge is $2,300.00 per REU and $4,500.00 per REU for water in the Brunswick District and the 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 144 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 46 employees. Facilities maintenance employs three positions. Wastewater operations include the Systems Pumping and Maintenance, and Wastewater Treatment divisions with 72 employees. The Water Production and Water Distribution divisions employ 23 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. Salaries and wages increased for the fiscal year as the result of the implementation of a COLA adjustment. All JWSC employees received a minimum salary increase of 2.5% in April 2016. The implementation of an annual COLA is designed to make the JWSC competitive in attracting and retaining employees. A COLA will be implemented for the first full pay period of July annually in an amount equal to the CPI-U. The pay scale of the JWSC will be adjusted by an equal percentage.

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:

	2017	2016
Chemicals	**$ 1,103,580**	$ 991,390
Infrastructure and Pump Maintenance	**3,372,181**	2,424,250
Office, Computer and Lab Supplies	**290,318**	254,044
Small Equipment	**142,097**	88,513
Uniforms	**150,384**	93,215
	$ 5,058,560	$ 3,851,412

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 $10.159 million from June 30, 2016 to June 30, 2017.

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, 2017, 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, 2017. 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, 2017, amounts to $131,611,633 (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	16	23
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

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, loans from the Georgia Environmental Finance Authority (GEFA), and lines of credit and capital leases provided by local financial institutions.

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 2.95 based on total based on total revenues and 1.97 on revenues net of connection fees as follows:

Income Before Contributions	$ 4,712,216	$ 4,712,216
Add: Depreciation Expense	5,825,561	5,825,561
Amortization of Bond Insurance	13,336	13,336
Bond Interest (before amortization of premium)	1,779,469	1,779,469
	12,330,582	12,330,582
Less: Interest on Construction Fund	(2,536)	(2,536)
Intergovernmental revenue - SPLOST	(1,126,447)	(1,126,447)
Connection fees	-	(3,706,279)
	$ 11,201,599	$ 7,495,320
2017 Debt Service	$ 3,799,469	$ 3,799,469
Debt Coverage Ratio	2.95	1.97

Currently Known Conditions Affecting Future Operations

In March 2016, an update of the Water and Sewer Master Plan was completed. This update identified numerous repair, replacement and expansion projects necessary throughout Glynn County and the City of Brunswick.

Review of the results of the master plan and internal assessments of capacities available, primarily at sewer lift stations and transmission facilities, identified areas that have severely limited capacity for expansion. This resulted in the JWSC limiting new users to access the wastewater systems. Although capital improvements added capacity during fiscal year 2017 some restrictions still remain.

Capital projects are planned, or underway, to increase capacity in areas identified to have the greatest growth potential. Other areas may have incremental increases in capacity through such methods as increasing pump sizes or adding additional pumping capacity. The JWSC has also increased staffing in construction management and planning areas to facilitate completion of construction projects.

The implementation of formal asset management program for all divisions continues to move forward and is gaining momentum toward full implementation. This program will facilitate greater operational efficiencies, provide clear asset condition tracking and therefore greater understanding of proactive maintenance and reinvestment needs to allow the JWSC to set priorities and allocate resources more effectively. The JWSC plans to consolidate operations to improve resiliency and operational efficiencies.

The JWSC has projects included in the Glynn County SPLOST in the amount of $15,000,000.00. The remainder of the funding for the necessary improvements will be obtained through a combination of debt financing and developer/builder contributions.

The JWSC increased user rates, effective July 1, 2017. Fees for services provided beyond providing basic water and sewer use have been revised to more fully recapture the cost of those services. Capital improvement fees and rates were increased significantly as of July 1, 2017.

Rate increases have tended to be offset to some extent by conservation in response to increased rates and by the increased use of water efficient appliances and fixtures.

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, 2017

ASSETS	
Current assets	
Cash	$ 1,901,167
Accounts receivable, net of allowance for uncollectibles	3,787,820
Intergovernmental receivable	757,872
Inventory	1,260,881
Prepaid expenses	326,388
Restricted cash	26,365,334
Total current assets	34,399,462
Non-current assets	
Prepaid bond insurance	240,049
Capital assets:	
Nondepreciable assets	7,052,297
Depreciable assets	237,737,960
Less accumulated depreciation	(113,178,624)
Total capital assets, net of accumulated depreciation	131,611,633
Total non-current assets	131,851,682
Total assets	166,251,144
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	
Pension	806,242
Total deferred outflows of resources	$ 806,242

LIABILITIES	
Current liabilities	
Payable from current assets:	
Accounts payable	$ 1,906,014
Retainage payable	309,528
Compensated absences payable	197,788
Accrued expenses and other liabilities	338,110
Current portion of capital leases payable	411,510
Total current liabilities payable from current assets	3,162,950
Payable from restricted assets:	
Accrued interest payable	157,220
Customer deposits payable	3,055,096
Current portion of revenue bonds payable	2,100,000
Total current liabilities payable from restricted assets	5,312,316
Total current liabilities	8,475,266
Long-term liabilities	
Revenue bonds payable, net	36,579,306
Capital leases payable	1,961,484
Compensated absences payable	162,351
Net pension liability	2,322,721
Total long-term liabilities	41,025,862
Total liabilities	49,501,128
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	
Pension	126,042
Total deferred inflows of resources	126,042
NET POSITION	
Net investment in capital assets	95,182,978
Restricted for debt service	429,097
Restricted for capital projects	4,531,724
Unrestricted	17,286,417
Total net position	$ 117,430,216

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:		
Charges for services:		
Water sales	$	9,136,689
Sewer sales		17,243,678
Connection fees		3,706,279
Other fees and charges		3,148,852
Total operating revenues		33,235,498
Operating expenses:		
Personnel services		9,865,925
Contractual services		4,392,850
Supplies		5,058,560
Electricity, natural gas, and other fuel		1,725,352
Other costs		1,179,038
Depreciation expense		5,825,561
Total operating expenses		28,047,286
Operating income		5,188,212
Non-operating revenues (expenses):		
Interest income		24,188
Other non-operating income		61,615
Intergovernmental revenue - SPLOST		1,126,447
Interest expense and fiscal charges		(1,688,246)
Total non-operating expense, net		(475,996)
Change in net position		4,712,216
Total net position, beginning of year		112,718,000
Total net position, end of year	$	117,430,216

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	32,504,820
Payments to suppliers		(12,803,431)
Payments to employees		(9,733,298)
Net cash provided by operating activities		9,968,091
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(10,244,193)
Proceeds from sale of capital assets		61,615
Proceeds from capital leases		2,402,884
Principal payments on long-term borrowings		(2,049,890)
Interest paid on long-term borrowings		(1,784,737)
Intergovernmental receipts - SPLOST		368,575
Net cash used in capital and related financing activities		(11,245,746)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		24,188
Net cash provided by investing activities		24,188
Net decrease in cash		(1,253,467)
Cash and cash equivalents, beginning of year		29,519,968
Cash and cash equivalents, end of year	$	28,266,501
Classified as:		
Cash	$	1,901,167
Restricted assets, cash		26,365,334
	$	28,266,501

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	5,188,212
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		5,825,561
Changes in assets and liabilities:		
Increase in accounts receivable		(1,160,888)
Increase in allowance for bad debts		430,210
Increase in inventory		(39,852)
Increase in prepaid expenses		(78,692)
Increase in deferred outflows of resources		(68,796)
Decrease in accounts payable and accrued expenses		(327,058)
Decrease in retainage payable		(232,933)
Increase in customer deposits payable		208,751
Increase in accrued compensated absences		86,834
Increase in net pension liability		72,428
Increase in deferred inflows of resources		64,314
Net cash provided by operating activities	$	9,968,091

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

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 three (3) items related to their pension as deferred outflows of resources during the year ended June 30, 2017, under the heading "pension". Experience losses result from periodic studies by the Commission's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The difference between projected an actual earnings on pension plan investments is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. Additionally, any contributions made by the Commission to the pension plan before year end, but subsequent to the measurement date of the Commission's net pension liability are reported 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, 2017, under the heading “pension”. Changes in actuarial assumptions, which adjust the net pension liability, are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. In addition, the difference between projected an actual earnings on pension plan investments is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred inflow 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 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. 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, 2017, are summarized as follows:

Cash	$ 1,901,167
Restricted cash:	
Customer deposits	2,862,055
Series 2010C bonds	5,052,742
Capital tap fee reserves	4,531,724
Operating, repair and replacement and capital reserves	13,918,813
Total restricted cash	26,365,334
Cash deposited with financial institutions	$ 28,266,501

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, 2017, 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, 2017:

Receivables	$ 5,493,263
Less allowance for uncollectibles	(1,705,443)
Net total receivables	$ 3,787,820

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,799,042	$ 121,995	$ -	$ -	$ 1,921,037
Construction in progress	3,343,199	6,469,414	(4,681,353)	-	5,131,260
Total	5,142,241	6,591,409	(4,681,353)	-	7,052,297
Capital assets, being depreciated:					
Buildings	3,846,053	139,678	-	-	3,985,731
Site improvements	92,792	-	-	-	92,792
Infrastructure	211,905,078	-	4,681,353	-	216,586,431
Machinery and equipment	7,451,186	2,659,579	-	-	10,110,765
Office furniture and equipment	3,279,995	210,072	-	-	3,490,067
Vehicles	2,913,661	643,455	-	(84,942)	3,472,174
Total	229,488,765	3,652,784	4,681,353	(84,942)	237,737,960
Less accumulated depreciation for:					
Buildings	(264,917)	(100,986)	-	-	(365,903)
Site improvements	(2,301)	(1,454)			(3,755)
Infrastructure	(97,177,680)	(4,667,182)	-	-	(101,844,862)
Machinery and equipment	(6,159,709)	(452,048)	-	-	(6,611,757)
Office furniture and equipment	(1,570,525)	(366,009)	-	-	(1,936,534)
Vehicles	(2,262,873)	(237,882)	-	84,942	(2,415,813)
Total	(107,438,005)	(5,825,561)	-	84,942	(113,178,624)
Total capital assets, being depreciated, net	122,050,760	(2,172,777)	4,681,353	-	124,559,336
Total capital assets, net	$ 127,193,001	$ 4,418,632	$ -	$ -	$ 131,611,633

NOTE 5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt activity for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 39,535,000	$ -	$ (2,020,000)	$ 37,515,000	$ 2,100,000
Premium on revenue bonds	1,283,064	-	(118,758)	1,164,306	-
Total bonds payable	40,818,064	-	(2,138,758)	38,679,306	2,100,000
Capital leases payable	-	2,402,884	(29,890)	2,372,994	411,510
Compensated absences	273,305	198,830	(111,996)	360,139	197,788
Net pension liability	2,250,293	801,800	(729,372)	2,322,721	-
Total long-term liabilities	$ 43,341,662	$ 3,403,514	$ (3,010,016)	$ 43,735,160	$ 2,709,298

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
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	1,760,000	1,464,700	3,224,700
2022	1,835,000	1,386,600	3,221,600
2023-2027	8,920,000	5,602,700	14,522,700
2028-2032	10,740,000	3,385,913	14,125,913
2033-2035	7,755,000	721,075	8,476,075
Total	$ 37,515,000	$ 17,446,020	$ 54,961,020

Capital Leases

The Commission has entered into lease agreements as lessee for financing the acquisition of certain assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases (Continued)

The following is an analysis of machinery and equipment under capital leases as of June 30, 2017:

Machinery and Equipment	$	2,402,884
Less: Accumulated Depreciation		(154,947)
	$	2,247,937

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017:

Fiscal Year Ending June 30,		
2018	$	454,136
2019		454,136
2020		454,136
2021		454,136
2022		454,136
2023-2024		246,006
Total Minimum Lease Payments		2,516,686
Less: Amount Representing Interest		(143,692)
	$	2,372,994

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, 2017, are as follows:

Restricted Net Position

Net Capital Assets	$	131,611,633
Unspent bond proceeds		803,127
Bond debt service reserve		3,820,518
Less: Capital related debt		(41,052,300)
Net investment in capital assets	$	95,182,978

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. OPERATING LEASES

The Commission, as lessor, leases certain space as a part of it's administration building to tenants for varying terms, typically in the form of five-year periods, under leases accounted for as operating leases. Revenues are recorded when earned.

Minimum future rentals to be received under operating leases are as follows:

Fiscal Year Ending June 30,		
2018	$	96,000
2019		88,000
	$	184,000

NOTE 8. 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 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

*Plan Membership***.** As of January 1, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not receiving benefits	21
Active plan members	124
Total	156

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, 2017, the Commission's contribution rate was 8.53% of annual payroll. Commission contributions to the Plan were $457,166 for the year ended June 30, 2017.

Net Pension Liability of the Commission

The Commission's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Actuarial assumptions. The total pension liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment rate of return	7.75%

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

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

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 8.75%.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Cash	-%	
	100%	

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

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.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	$ 5,206,439	$ 2,956,146	$ 2,250,293
Changes for the year:			
Service Cost	293,353	-	293,353
Interest	399,112	-	399,112
Differences between expected and actual experience	96,885	-	96,885
Assumption changes	-	-	-
Contributions - employer	-	387,759	(387,759)
Net investment income	-	341,613	(341,613)
Benefit payments, including refunds of employee contributions	(113,206)	(113,206)	-
Administrative expense	-	(12,450)	12,450
Net Changes	676,144	603,716	72,428
Balances at 6/30/17	$ 5,882,583	$ 3,559,862	$ 2,322,721

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.

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%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's net pension liability	$ 3,216,652	$ 2,322,721	$ 1,579,752

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

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, 2016, 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, 2017, the Commission recognized a pension expense of $457,166. At June 30, 2017, 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	$ 344,343	$ -
Changes in assumptions	-	15,030
Difference between projected and actual earnings on pension plan investments	119,025	111,012
Commission contributions subsequent to the measurement date	342,874	-
Total	$ 806,242	$ 126,042

Commission contributions subsequent to the measurement date of $342,874 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, 2017.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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:		
2018	$	59,456
2019		59,456
2020		74,020
2021		34,345
2022		54,816
Thereafter		55,233
Total	$	337,326

NOTE 9. 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 10. COMMITMENTS AND CONTINGENCIES

At June 30, 2017, 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 $2,635,202 for the completion of various projects.

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

	2017	2016	2015
Total pension liability			
Service cost	**$ 293,353**	$ 245,679	$ 244,062
Interest on total pension liability	**399,112**	335,690	298,149
Differences between expected and actual experience	**96,885**	331,132	20,708
Changes of assumptions	**-**	-	(24,046)
Benefit payments, including refunds of employee contributions	**(113,206)**	(75,099)	(33,844)
Net change in total persion liability	**676,144**	837,402	505,029
Total pension liability - beginning	**5,206,439**	4,369,037	3,864,008
Total pension liability - ending (a)	**$ 5,882,583**	$ 5,206,439	$ 4,369,037
Plan fiduciary net position			
Contributions - employer	**$ 387,759**	$ 365,501	$ 381,081
Net investment income	**341,613**	18,511	246,730
Benefit payments, including refunds of employee contributions	**(113,206)**	(75,099)	(33,844)
Administrative expenses	**(12,450)**	(12,226)	(9,731)
Net change in plan fiduciary net position	**603,716**	296,687	584,236
Plan fiduciary net position - beginning	**2,956,146**	2,659,459	2,075,223
Plan fiduciary net position - ending (b)	**$ 3,559,862**	$ 2,956,146	$ 2,659,459
Commission's net pension liability - ending (a) - (b)	**$ 2,322,721**	$ 2,250,293	$ 1,709,578
Plan fiduciary net position as a percentage of the total pension liability	**60.52%**	56.78%	60.87%
Covered-employee payroll	**$ 5,362,432**	$ 5,174,265	$ 4,621,888
Commission's net pension liability as a percentage of covered-employee payroll	**43.31%**	43.49%	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

`	**2017**	2016	2015
Actuarially determined contribution	**$ 457,166**	$ 364,624	$ 365,794
Contributions in relation to the actuarially determined contribution	**457,166**	364,624	365,794
Contribution deficiency (excess)	**-**	-	-
Covered-employee payroll	**$ 5,362,432**	$ 5,174,265	$ 4,621,888
Contributions as a percentage of covered-employee payroll	**8.53%**	7.05%	7.91%

Notes to the Schedule

Valuation Date	January 1, 2017
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 16 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.

MAULDIN & JENKINS

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, 2017, 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 31, 2017.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. We consider the deficiency, 2017-001, 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 the Finding

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

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 31, 2017

BRUNSWICK-GLYNN COUNTY JOINT WATER AND SEWER COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	__X__ 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, 2017, due to the Commission not expending $750,000 or more of federal funds.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017 - 001. 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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017 - 001. Segregation of Duties (Continued)

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, 2017

2016 - 001. 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.

Auditee Response/Status: Unresolved. See current year finding number 2017 - 001.