BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the **Brunswick-Glynn County Joint Water & Sewer Commission** (the "Commission"), as of and for the year ended June 30, 2019, 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, 2019, 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 33), and the Schedule of Commission Contributions (on page 34) 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 7, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's 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

Savannah, Georgia
October 7, 2019

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

As management of the Brunswick-Glynn County Joint Water & 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, 2019. 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:

	2019	2018
Current assets	**$ 8,915,699**	$ 9,013,350
Restricted assets	**40,874,945**	27,423,051
Capital assets	**131,058,682**	132,294,210
Total assets	**180,849,326**	168,730,611
Deferred outflows of resources	**2,485,763**	2,467,856
Current liabilities	**8,130,618**	7,559,138
Long-term liabilities	**35,728,157**	38,470,651
Total liabilities	**43,858,775**	46,029,789
Deferred inflows of resources	**257,912**	224,639
Net investment in capital assets	**96,517,125**	93,975,078
Restricted for Debt Service	**720,880**	734,896
Restricted for Capital Projects	**1,359,660**	5,199,773
Unrestricted	**40,620,737**	25,034,292
Total net position	**$ 139,218,402**	$ 124,944,039

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

	2019	2018
Current Assets:		
Cash	**$ 2,526,092**	$ 2,058,182
Accounts receivable, net of allowance for uncollectibles	**3,913,717**	4,174,871
Intergovernmental receivable	**915,232**	858,984
Inventory	**1,231,863**	1,582,545
Prepaid expenses	**328,795**	338,768
	$ 8,915,699	$ 9,013,350
Restricted Assets:		
Customer Deposits	**$ 3,192,360**	$ 3,129,515
Bond Funds:		
Bond Construction Fund	**446**	436
Cost of Issuance Fund	**117,777**	116,566
Sinking Fund	**603,103**	618,329
Debt Service Reserve Fund	**6,038**	5,916
Capital Tap Fee Reserves:		
City of Brunswick	**357,875**	1,502,441
Saint Simons Island	**325,278**	1,232,897
North Mainland	**431,999**	1,965,427
South Mainland	**244,508**	499,008
Operating, Repair and Replacement and Capital Reserves	**35,595,561**	18,352,516
	$ 40,874,945	$ 27,423,051

The increase in restricted assets is largely due to the collection of Special Purpose Local Option Sales ("SPLOST") funds and repair and replacement reserve transfers in advance of the completion of intended capital expenditures.

The Commission paid $1,056,011 in interest expense on its Series 2017 Revenue Bond during the fiscal year ended June 30, 2019. $35,260 in interest was paid on two capital leases.

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.

	2019	2018
Operating revenues		
Charges for services:		
Water sales	**$ 10,372,218**	$ 9,921,120
Sewer sales	**20,606,760**	20,101,648
Connection fees	**1,488,009**	1,316,712
Other fees and charges	**3,000,894**	2,817,584
Total operating revenues	**35,467,881**	34,157,064
Operating expenses:		
Personnel services	**11,466,070**	11,210,033
Contractual services	**5,289,604**	5,175,843
Supplies	**2,834,091**	3,817,760
Electricity, natural gas and other fuel	**1,837,108**	1,729,116
Other costs	**1,667,994**	1,195,739
Depreciation expense	**5,939,275**	6,867,572
Total operating expenses	**29,034,142**	29,996,063
Operating income	**6,433,739**	4,161,001
Non-operating revenues (expenses)		
Interest income	**533,740**	36,574
Other income	**14,169**	92,349
Intergovernmental revenue - SPLOST	**6,947,661**	4,532,439
Interest expense and fiscal charges	**(1,264,914)**	(1,308,540)
Total non-operating revenues (expenses), net	**6,230,656**	3,352,822
Change in net position	**14,274,363**	7,513,823
Total net position, beginning	**124,944,039**	117,430,216
Total net position ending	**$ 139,218,402**	$ 124,944,039

Water and Sewer Revenues – As of June 30, 2019, the Commission utilized a standardized billing structure and rates for all 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, 2019, the Commission has 30,155 (30,022 on 6/30/18) billable service addresses: 15,034 in Brunswick, 10,622 on Saint Simons Island, 3,550 in the North Mainland and 949 in the South Mainland.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Commission increased user rates effective July 1, 2018. Fees for services provided beyond providing basic water and sewer use have been revised to more fully recapture the cost of those services. Additionally, the Commission changed its rate structure to include a base amount of water and sewer use as a fixed monthly charge.

Base Fee – Includes Administrative Fees and 1,000 Gallons Usage Per Service
Administrative Base Charge (Water) - $7.60 per customer
Administrative Base Charge (Sewer) - $13.06 per customer

Debt Recovery Charges
Debt Recovery Charge (Water) – $2.27 per Residential Equivalent Unit (REU)
Debt Recovery Charge (Sewer) – $5.57 per Residential Equivalent Unit (REU)

Usage Fees
Water revenues - All water is metered and sold at a usage rate per gallon on an increasing step rate. The rates in place, stated in 1,000 increments, for the year ended June 30, 2019 were:

Water Usage Charges:
$.00 for the first 1,000 gallons
$2.16 per thousand gallons for 1,000 to 3,000 gallons
$2.89 per thousand gallons for 3,001 to 6,000 gallons
$3.61 per thousand gallons for 6,001 to 20,000 gallons
$4.32 per thousand gallons for 20,001 or more total gallons

Sewer charges are based on metered water usage at the rate of $7.73 per thousand gallons for usage over 1,001 gallons.

Connection fees (Capital tap fees) - A connection fee is required for all new connections onto the system. The fees are charged on the basis of meter size. In addition, if the Commission is required to tap into the water or sewer main and run the service line to the customer's property, the Commission charges a fee to recover the cost for doing so. The fees as of June 30, 2019 were:

Meter Size	Gallons Per Minute (GPM)	Water	Sewer
1"	50	$2,300.00	$4,500.00
1.5"	100	4,600.00	9,000.00
2"	160	7,360.00	14,400.00
3"	350	16,100.00	31,500.00
4"	600	27,600.00	54,000.00
6"	1350	62,100.00	121,500.00
8"	1600	73,600.00	144,000.00

10" or Larger - To be calculated on individual basis.

Other fees and charges – The Commission charges 1.5% of arrears per month for late payments. Additionally, as in past years, the Commission 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 Commission for the salaries and wages of personnel and the related payroll taxes and benefits provided. The Commission employs 163 full-time employees in ten departments and divisions. Administration and management includes the Office of the Director, Planning and Construction, Purchasing and the Finance departments with 55 employees. Facilities maintenance employs 5 positions. Wastewater operations includes the Systems Pumping and Maintenance, and Wastewater Treatment divisions with 78 employees. The Water Production and Water Distribution divisions employ 25 people. The Commission 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 Commission 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 Cost-of-living adjustment ("COLA"). All Commission employees received a minimum salary increase of 2.20% in July 2018. The implementation of an annual COLA is designed to make the Commission 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 Commission will be adjusted by an equal percentage.

Personnel Services Costs consist of the following:

	2019	2018
Salaries, wages, and overtime	**$ 7,866,222**	$ 7,918,208
Group insurance	**1,915,468**	1,580,496
Pension	**594,181**	528,285
FICA and medicare	**561,470**	569,635
Workers compensation insurance	**295,721**	290,767
Personnel administration	**143,923**	168,137
Temporary services	**44,338**	101,313
Commissioner stipends	**30,000**	30,000
Other employee benefits	**14,747**	23,192
	$ 11,466,070	$ 11,210,033

As stated in Note 7 – Defined Pension Plan, "calculations are based on the substantive plan in effect as of September 30, 2018". The timing differences between the actuarial valuation and the fiscal year of the Commission results in a difference between salaries, wages and overtime in the financial statements and covered payroll as stated in the Schedule of Commission's Contributions of $71,321 and $364,202 for 2019 and 2018, respectively. Employee turnover, retirements, merit based wage adjustments and changes in accruals for wages and compensated absences between the plan date and the fiscal year date also contribute to the differences.

Contractual Services – This cost consists of services that are required for the functions and operations of the Commission 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 Commission.

Supplies – These costs consist of the following:

		2019		2018
Chemicals	**$**	**423,310**	$	701,196
Infrastructure and Pump Maintenance		**1,836,347**		2,389,208
Office, Computer and Lab Supplies		**201,344**		254,952
Small Equipment		**138,728**		201,476
Uniforms		**114,078**		127,436
Hurricane Preparedness		**120,284**		143,492
	$	**2,834,091**	$	3,817,760

Depreciation – This is the Commission's second largest expense line item. It continues to grow each year as the Commission continues to complete construction projects and bring them on line. Capital Assets, before depreciation, increased by $2.182 million from June 30, 2018 to June 30, 2019.

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. During the fiscal year, the Commission undertook a more aggressive investment program which increased interest earnings by $497,166. Interest receivable of $120,436 and a market adjustment of $247,578 are included in the earnings amount.

Interest Expense – Interest expense consists of the interest on the Commission Series 2017 Revenue Bond and two capital leases. Fiscal charges for the year ended June 30, 2019 were paid in the amount of $500.

Capital Contributions – Capital contributions are received by the dedication of privately constructed infrastructure to the Commission and the Commission's acceptance of that infrastructure. Contributions for the year ended June 30, 2019, were $1,609,968. In all cases, the assets are recorded at their acquisition and are capitalized by the Commission.

Capital Asset and Debt Administration

Capital Assets:

The Commission's investment in capital assets as of June 30, 2019 amounts to $131,058,682 (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	11	9	20
Elevated water storage towers	7	3	10
Water pumping facilites	7	6	13
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 Commission is provided through Revenue Bonds issued by the Commission and loans from the Georgia Environmental Finance Authority ("GEFA").

On December 27, 2017, the Commission issued $36,364,000 of Revenue Bonds at an average yield of 2.904% and a final maturity of June 1, 2035. The proceeds from these bonds were used to defease Series 2010C Revenue Bonds of the Commission and to pay the related costs of issuance associated with the 2017 Bond. No additional funds were borrowed in this issue.

The ratings for the 2017 issue were AAA from Standard & Poor's and Aa3 from Moody's. These ratings were unchanged from the issuance of the 2010C Revenue Bonds.

The 2017 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 4.26 based on total revenues and 3.77 on revenues net of connection fees as follows:

Income Before Contributions	$ 12,664,395	$ 12,664,395
Add: Depreciation Expense	5,939,275	5,939,275
Amortization of Bond Insurance	167,750	167,750
Bond Interest (before amortization of premium)	1,097,164	1,097,164
	19,868,584	19,868,584
Less: Intergovernmental revenue - SPLOST	(6,947,661)	(6,947,661)
Connection fees	-	(1,488,009)
	$ 12,920,923	$ 11,432,914
2017 Debt Service	$ 3,036,011	$ 3,036,011
Debt Coverage Ratio	4.26	3.77

Currently Known Conditions Affecting Future Operations

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 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 Commission to set priorities and allocate resources more effectively.

The Commission has projects included in the Glynn County SPLOST in the amount of $15,000,000. The remainder of the funding for the necessary improvements will be obtained through a combination of debt financing and developer/builder contributions. Through June 30, 2019, the Commission has received or will receive a total of $12,606,547 from SPLOST. Glynn County has announced its intention to place a new SPLOST on the ballot in May 2020. The Commission is preparing a list of projects for consideration for funding by the proposed SPLOST.

In September 2019, the Commission was notified it had been approved for a $15,000,000 loan through the GEFA for capital projects at its wastewater treatment plants and trenchless rehabilitation of sanitary sewer lines. Also, in September 2019, an application to Georgia Emergency Management Agency for the installation of lift station transfer switches has been approved.

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 Brunswick-Glynn Joint Water and Sewer Commission located at 1703 Gloucester St., Brunswick, Georgia 31520.

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Current assets	
Cash	$ 2,526,092
Accounts receivable	3,913,717
Intergovernmental receivable	915,232
Inventory	1,231,863
Prepaid expenses	328,795
Restricted cash	18,052,400
Restricted investments	22,822,545
Total current assets	49,790,644
Non-current assets	
Capital assets:	
Nondepreciable assets	10,751,236
Depreciable assets	245,019,544
Less accumulated depreciation	(124,712,098)
Total capital assets, net	131,058,682
Total assets	$ 180,849,326
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	
Deferred charges on refunding	$ 1,378,699
Pension	1,107,064
Total deferred outflows of resources	$ 2,485,763

LIABILITIES

Current liabilities	
Payable from current assets:	
Accounts payable	$ 1,315,454
Retainage payable	46,591
Compensated absences payable	225,014
Accrued expenses and other liabilities	375,744
Current portion of capital leases payable	426,380
Total current liabilities payable from current assets	2,389,183
Payable from restricted assets:	
Accrued interest payable	91,543
Customer deposits payable	3,121,892
Current portion of revenue bonds payable	2,528,000
Total current liabilities payable from restricted assets	5,741,435
Total current liabilities	8,130,618
Long-term liabilities	
Revenue bonds payable, net	31,856,000
Capital leases payable	1,116,228
Compensated absences payable	195,261
Net pension liability	2,560,668
Total long-term liabilities	35,728,157
Total liabilities	$ 43,858,775

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	
Pension	$ 257,912
Total deferred inflows of resources	$ 257,912

NET POSITION

Net investment in capital assets	$ 96,517,125
Restricted for debt service	720,880
Restricted for capital projects	1,359,660
Unrestricted	40,620,737
Total net position	$ 139,218,402

See Notes to Financial Statements.

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues	
Charges for services:	
Water sales	$ 10,372,218
Sewer sales	20,606,760
Connection fees	1,488,009
Other fees and charges	3,000,894
Total operating revenues	35,467,881
Operating expenses	
Personnel services	11,466,070
Contractual services	5,289,604
Supplies	2,834,091
Electricity, natural gas, and other fuel	1,837,108
Other costs	1,667,994
Depreciation expense	5,939,275
Total operating expenses	29,034,142
Operating income	6,433,739
Non-operating revenues (expenses)	
Interest income	533,740
Other non-operating income	14,169
Intergovernmental revenue	6,947,661
Interest expense and fiscal charges	(1,264,914)
Total non-operating revenues, net	6,230,656
Income before contributions	12,664,395
Capital contributions	1,609,968
Change in net position	14,274,363
Total net position, beginning of year	124,944,039
Total net position, end of year	$ 139,218,402

See Notes to Financial Statements.

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 35,729,035
Payments to suppliers	(11,077,015)
Payments to employees	(11,404,746)
Net cash provided by operating activities	13,247,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(3,356,620)
Proceeds from sale of capital assets	277,010
Principal payments on long-term borrowings	(2,398,876)
Interest paid on long-term borrowings	(1,274,137)
Intergovernmental receipts	6,891,413
Net cash provided by capital and related financing activities	138,790
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(22,822,545)
Interest received	533,740
Net cash used in investing activities	(22,288,805)
Net decrease in cash	(8,902,741)
Cash and cash equivalents, beginning of year	29,481,233
Cash and cash equivalents, end of year	$ 20,578,492
Classified as:	
Cash	$ 2,526,092
Restricted assets, cash	18,052,400
	$ 20,578,492

(Continued)

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	6,433,739
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		5,939,275
Changes in assets and liabilities:		
Decrease in accounts receivable		1,210,679
Increase in allowance for bad debts		(949,525)
Decrease in inventory		350,682
Decrease in prepaid expenses		9,973
Increase in deferred outflows of resources		(17,907)
Increase in accounts payable and accrued expenses		101,132
Decrease in retainage payable		(235,513)
Increase in customer deposits payable		141,369
Increase in accrued compensated absences		43,920
Increase in net pension liability		186,177
Increase in deferred inflows of resources		33,273
Net cash provided by operating activities	$	13,247,274
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions - capital assets	$	1,609,968

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Brunswick-Glynn County Joint Water & 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 Governmental 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 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

Capital assets are carried at cost. Donated capital assets are recorded at their acquisition value. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 had four items that qualify for reporting in this category. Three items relate to their pension as deferred outflows of resources during the year ended June 30, 2019, 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. 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. 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. The fourth item relates to the deferred charge on refunding. This results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

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, 2019, under the heading “pension.” Changes in actuarial assumptions which adjust the net pension liability are recorded as deferred outflows of resources or deferred inflows of resources and are amortized against pension expense over a five-year period. In addition, the difference between projected and 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. CASH AND INVESTMENTS

Total deposits and investments as of June 30, 2019, are summarized as follows:

Amounts as presented on the entity-wide Statement of Net Position:		
Cash and cash equivalents	$	2,526,092
Investments		22,822,545
Restricted cash and cash equivalents		18,052,400
Total	$	43,401,037

Cash deposited with financial institutions	$	20,578,493
Investments held at financial institutions		22,822,545
	$	43,401,037

As of June 30, 2019, the Commission held the following investments:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5	Rating
U.S. treasury notes	$ 14,328,706	$ 5,838,966	$ 8,489,740	N/A
Government sponsored enterprise securities	8,493,839	2,605,783	5,888,056	AA+
Total fair value	$ 22,822,545	$ 8,444,749	$ 14,377,796	

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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the Commission's investments are Level 1 investments.

The Commission's investment in U.S. treasury notes and government sponsored enterprise securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those investments.

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, 2019, the Commission did not have any deposits which were uninsured or under collateralized as defined by GASB pronouncements.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2019:

Receivables	$ 4,942,292
Less allowance for uncollectible accounts	(1,028,575)
Net receivables	$ 3,913,717

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,909,037	$ -	$ -	$ -	$ 1,909,037
Construction in progress	7,297,170	2,812,639	(1,267,610)	-	8,842,199
Total	9,206,207	2,812,639	(1,267,610)	-	10,751,236
Capital assets, being depreciated:					
Buildings	4,150,648	8,785	-	-	4,159,433
Site improvements	92,792	-	-	-	92,792
Infrastructure	221,599,336	1,609,968	1,267,610	-	224,476,914
Machinery and equipment	9,990,632	107,671	-	-	10,098,303
Office furniture and equipment	3,538,588	8,031	-	-	3,546,619
Vehicles	3,465,136	419,494	-	(1,239,147)	2,645,483
Total	242,837,132	2,153,949	1,267,610	(1,239,147)	245,019,544
Less accumulated depreciation for:					
Buildings	(479,554)	(102,238)	-	-	(581,792)
Site improvements	(5,330)	(1,332)	-	-	(6,662)
Infrastructure	(106,965,133)	(4,471,759)	-	-	(111,436,892)
Machinery and equipment	(7,241,672)	(720,240)	-	-	(7,961,912)
Office furniture and equipment	(2,439,109)	(422,537)	-	-	(2,861,646)
Vehicles	(2,618,331)	(221,169)	-	976,306	(1,863,194)
Total	(119,749,129)	(5,939,275)	-	976,306	(124,712,098)
Total capital assets, being depreciated, net	123,088,003	(3,785,326)	1,267,610	(262,841)	120,307,446
Total capital assets, net	$132,294,210	$ (972,687)	$ -	$ (262,841)	$131,058,682

NOTE 5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt activity for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 36,364,000	$ -	$ (1,980,000)	$ 34,384,000	$ 2,528,000
Capital leases payable	1,961,484	-	(418,876)	1,542,608	426,380
Compensated absences	376,355	177,608	(133,688)	420,275	225,014
Net pension liability	2,374,491	1,152,739	(966,562)	2,560,668	-
Total long-term liabilities	$ 41,076,330	$ 1,330,347	$ (3,499,126)	$ 38,907,551	$ 3,179,394

Revenue Bonds

In December 2017, the Commission issued Refunding Revenue Bonds, Series 2017 in the amount of $36,364,000. The Series 2017 bonds were issued to provide funds to refund (advance refunding) all of the Commission's 2010C Revenues Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Series 2010C bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The advance refunding of the Series 2010C bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,618,208. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to expense through the year 2035 using the effective interest method. The refunding decreased the total debt service payments over the next 18 years by $6,492,690 and produced an economic gain of $2,659,689. Principal payments are due each year on June 1, beginning June 1, 2019. Interest payments are due each December 1 and June 1, beginning June 1, 2018. The bonds are secured by a pledge and lien on revenues of the water and sewer systems and yield 2.904% interest.

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

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

Fiscal Year Payable	Principal	Interest	Total
2020	$ 2,528,000	$ 998,511	$ 3,526,511
2021	2,031,000	925,098	2,956,098
2022	2,087,000	866,118	2,953,118
2023	2,145,000	805,512	2,950,512
2024	1,811,000	743,221	2,554,221
2025 – 2029	9,890,000	2,894,998	12,784,998
2030 – 2034	11,406,000	1,373,476	12,779,476
2035	2,486,000	72,193	2,558,193
Total	$ 34,384,000	$ 8,679,127	$ 43,063,127

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.

The following is an analysis of machinery and equipment under capital leases as of June 30, 2019:

Machinery and equipment	$ 2,402,884
Less: accumulated depreciation	(1,116,101)
	$ 1,286,783

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases (Continued)

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, 2019:

Fiscal Year Ending June 30,		
2020	$	454,136
2021		454,136
2022		454,136
2023		140,575
2024		105,431
Total minimum lease payments		1,608,414
Less: Amount representing interest		(65,806)
	$	1,542,608

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, 2019, are as follows:

Net capital assets	$	131,058,682
Deferred charges on refunding		1,378,699
Unspent bond proceeds		436
Bond debt service reserve		5,916
Less: Capital related debt		(35,926,608)
Net investment in capital assets	$	96,517,125

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 & Sewer Commission Retirement Plan (the "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.

Plan Membership. As of January 1, 2019, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not receiving benefits	33
Active plan members	151
Total	201

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, 2019, the Commission's contribution rate was 7.42% of annual payroll. Commission contributions to the Plan were $560,387 for the year ended June 30, 2019.

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission

The Commission's net pension liability was measured as of September 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

Actuarial assumptions. The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 8.25%, including inflation
Investment rate of return	7.50%

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.

The actuarial assumptions used in the January 1, 2018 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 8.25%.

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. 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 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45%	6.40%
International equity	20%	7.40%
Real estate	10%	5.10%
Global fixed income	5%	3.03%
Domestic fixed income	20%	1.75%
Cash	-%	
	100%	

* Rates shown are net of the 2.75% assumed rate of inflation.

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (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, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	$ 6,852,152	$ 4,477,661	$ 2,374,491
Changes for the year:			
Service Cost	318,851	-	318,851
Interest	533,380	-	533,380
Differences between expected and actual experience	276,712	-	276,712
Contributions - employer	-	509,910	(509,910)
Net investment income	-	456,652	(456,652)
Benefit payments, including refunds of employee contributions	(118,545)	(118,545)	-
Administrative expense	-	(23,796)	23,796
Net Changes	1,010,398	824,221	186,177
Balances at June 30, 2019	$ 7,862,550	$ 5,301,882	$ 2,560,668

The required schedule of changes in the Commission's net pension liability and related ratios immediately following the notes to the financial statements presents multi-year 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commission's net pension liability	$ 3,703,028	$ 2,560,668	$ 1,610,326

NOTE 7. 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, 2018, 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, 2019, the Commission recognized a pension expense of $594,182. At June 30, 2019, 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	$ 628,634	$ -
Changes in assumptions	58,140	9,018
Difference between projected and actual earnings on pension plan investments	-	248,894
Commission contributions subsequent to the measurement date	420,290	-
Total	$ 1,107,064	$ 257,912

Commission contributions subsequent to the measurement date of $420,290 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, 2020.

NOTE 7. 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:		
2020	$	82,323
2021		42,648
2022		63,119
2023		117,533
2024		83,709
Thereafter		39,530
Total	$	428,862

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, 2019, 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 $1,859,442 for the completion of various projects.

REQUIRED SUPPLEMENTARY INFORMATION

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	**$ 318,851**	$ 290,707	$ 293,353	$ 245,679	$ 244,062
Interest on total pension liability	**533,380**	452,681	399,112	335,690	298,149
Differences between expected and actual experience	**276,712**	227,855	96,885	331,132	20,708
Changes of assumptions	**-**	81,397	-	-	(24,046)
Benefit payments, including refunds of employee contributions	**(118,545)**	(83,071)	(113,206)	(75,099)	(33,844)
Net change in total pension liability	**1,010,398**	969,569	676,144	837,402	505,029
Total pension liability - beginning	**6,852,152**	5,882,583	5,206,439	4,369,037	3,864,008
Total pension liability - ending (a)	**$ 7,862,550**	$ 6,852,152	$ 5,882,583	$ 5,206,439	$ 4,369,037
Plan fiduciary net position					
Contributions - employer	**$ 509,910**	$ 466,145	$ 387,759	$ 365,501	$ 381,081
Net investment income	**456,652**	559,750	341,613	18,511	246,730
Benefit payments, including refunds of employee contributions	**(118,545)**	(83,071)	(113,206)	(75,099)	(33,844)
Administrative expenses	**(23,796)**	(25,025)	(12,450)	(12,226)	(9,731)
Net change in plan fiduciary net position	**824,221**	917,799	603,716	296,687	584,236
Plan fiduciary net position - beginning	**4,477,661**	3,559,862	2,956,146	2,659,459	2,075,223
Plan fiduciary net position - ending (b)	**$ 5,301,882**	$ 4,477,661	$ 3,559,862	$ 2,956,146	$ 2,659,459
Commission's net pension liability - ending (a) - (b)	**$ 2,560,668**	$ 2,374,491	$ 2,322,721	$ 2,250,293	$ 1,709,578
Plan fiduciary net position as a percentage of the total pension liability	**67.43%**	65.35%	60.52%	56.78%	60.87%
Covered payroll	**$ 7,554,006**	$ 6,156,245	$ 5,362,432	$ 5,174,265	$ 4,621,888
Commission's net pension liability as a percentage of covered payroll	**33.90%**	38.57%	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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COMMISSION'S CONTRIBUTIONS

	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 560,387**	$ 493,084	$ 457,166	$ 364,624	$ 365,794
Contributions in relation to the actuarially determined contribution	**560,387**	493,084	457,166	364,624	365,794
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Covered payroll	**$ 7,794,901**	$ 7,554,006	$ 6,156,245	$ 5,362,432	$ 5,174,265
Contributions as a percentage of covered payroll	**7.19%**	6.53%	7.43%	6.80%	7.07%

Notes to the Schedule:

Valuation Date	January 1, 2019
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 14 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	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%

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

COMPLIANCE SECTION

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 & 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 & Sewer Commission** (the "Commission") as of and for the year ended June 30, 2019, 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 7, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.*

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

Savannah, Georgia
October 7, 2019

BRUNSWICK-GLYNN COUNTY JOINT
WATER & SEWER COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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?	_____ Yes	__X__ 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, 2019, due to the Commission not expending $750,000 or more of federal funds.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

Not applicable.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

BRUNSWICK-GLYNN COUNTY JOINT WATER & SEWER COMMISSION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018 - 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: Resolved.