

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

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

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

**FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2020, 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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**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, 2020, 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 6, 2020, 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.



Savannah, Georgia  
October 6, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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, 2020. 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:

	<u>2020</u>	<u>2019</u>
Current assets	<b>\$ 9,440,733</b>	\$ 8,915,699
Restricted assets	<b>50,628,008</b>	40,874,945
Capital assets	<b>130,475,102</b>	131,058,682
Total assets	<b>190,543,843</b>	180,849,326
Deferred outflows of resources	<b>2,595,524</b>	2,485,763
Current liabilities	<b>7,449,024</b>	8,130,618
Long-term liabilities	<b>33,892,311</b>	35,728,157
Total liabilities	<b>41,341,335</b>	43,858,775
Deferred inflows of resources	<b>12,980</b>	257,912
Net investment in capital assets	<b>98,723,930</b>	96,517,125
Restricted for Debt Service	<b>636,335</b>	720,880
Restricted for Capital Projects	<b>1,095,602</b>	1,359,660
Unrestricted	<b>51,329,185</b>	40,620,737
Total net position	<b>\$ 151,785,052</b>	\$ 139,218,402

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2020	2019
Current Assets:		
Cash	\$ 4,294,095	\$ 2,526,092
Accounts receivable, net of allowance for uncollectibles	3,249,909	3,913,717
Intergovernmental receivable	397,696	915,232
Inventory	1,125,565	1,231,863
Prepaid expenses	373,468	328,795
	<b>\$ 9,440,733</b>	<b>\$ 8,915,699</b>
Restricted Assets:		
Customer Deposits	\$ 3,117,039	\$ 3,192,360
Bond Funds:		
Bond Construction Fund	-	446
Cost of Issuance Fund	11,121	117,777
Sinking Fund	625,214	603,103
Debt Service Reserve Fund	-	6,038
Capital Tap Fee Reserves:		
City of Brunswick	-	357,875
Saint Simons Island	1,095,602	325,278
North Mainland	-	431,999
South Mainland	-	244,508
Operating, Repair and Replacement and Capital Reserves	<b>45,779,032</b>	<b>35,595,561</b>
	<b>\$ 50,628,008</b>	<b>\$ 40,874,945</b>

The increase in Restricted Assets is largely due to the collection of SPLOST funds and Repair and Replacement Reserve transfers in advance of the completion of intended capital expenditures.

The Commission paid \$992,394 in interest expense on its Series 2017 Revenue Bond, during the fiscal year ended June 30, 2020. \$25,176 in interest was paid on two capital leases.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**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.

	2020	2019
Operating revenues		
Charges for services:		
Water sales	\$ 10,219,101	\$ 10,372,218
Sewer sales	20,706,800	20,606,760
Connection fees	1,326,598	1,488,009
Other fees and charges	2,387,816	3,000,894
Total operating revenues	34,640,315	35,467,881
Operating expenses:		
Personnel services	11,574,841	11,466,070
Contractual services	3,836,089	5,289,604
Supplies	3,251,122	2,834,091
Electricity, natural gas and other fuel	1,829,530	1,837,108
Other costs	385,834	1,667,994
Depreciation expense	6,156,882	5,939,275
Total operating expenses	27,034,298	29,034,142
Operating income	7,606,017	6,433,739
Non-operating revenues (expenses)		
Interest income	1,182,943	533,740
Other income (loss)	(425,599)	14,169
Intergovernmental revenue - SPLOST	4,596,554	6,947,661
Interest expense and fiscal charges	(1,225,513)	(1,264,914)
Total non-operating revenues (expenses), net	4,128,385	6,230,656
Change in net position	12,566,650	14,274,363
Total net position, beginning	139,218,402	124,944,039
Total net position ending	\$ 151,785,052	\$ 139,218,402

Water and Sewer Revenues – As of June 30, 2020 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, 2020 the Commission has 30,487 (30,155 on 6/30/19) billable service addresses: 14,800 in Brunswick, 10,972 on Saint Simons Island, 3,718 in the North Mainland and 997 in the South Mainland.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Commission previously 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's rate structure includes 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, 2020 were:

Water Usage Charges:

\$0.00 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. The rate resolution also includes a sewer only flat rate based on 7,000 gallons per REU.

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, 2020 were:

<u>Meter Size</u>	<u>Gallons Per Minute (GPM)</u>	<u>Water</u>	<u>Sewer</u>
5/8"	20	\$ 920.00	\$ 1,800.00
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.			

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 162 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 60 employees. Facilities maintenance employs 5 positions. Wastewater operations includes the Systems Pumping and Maintenance, and Wastewater Treatment divisions with 72 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 1.52% in July 2019. 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:

	2020	2019
Salaries, wages, and overtime	\$ 7,877,077	\$ 7,866,222
Group insurance	1,837,049	1,915,468
Pension	826,049	594,181
FICA and medicare	564,485	561,470
Workers compensation insurance	269,126	295,721
Personnel administration	143,192	143,923
Temporary services	11,176	44,338
Commissioner stipends	30,000	30,000
Other employee benefits	16,687	14,747
	\$ 11,574,841	\$ 11,466,070

As stated in Note 7 – Defined Pension Plan, “calculations are based on the substantive plan in effect as of September 30, 2019”. 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 \$310,168 and \$71,321 for 2020 and 2019, 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Supplies – These costs consist of the following:

	2020	2019
Chemicals, including Oxygen	\$ 1,186,778	\$ 423,310
Infrastructure and Pump Maintenance	1,433,734	1,836,347
Office, Computer, Lab and General Supplies	292,712	201,344
Small Equipment	92,400	138,728
Uniforms	124,939	114,078
Hurricane Preparedness	120,559	120,284
	\$ 3,251,122	\$ 2,834,091

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 \$5.117 million from June 30, 2019 to June 30, 2020.

Interest Income – Funds are invested as permitted in accordance with Chapter 83 of Title 36 of the Official Code of Georgia Annotated ("O.C.G.A."), which establishes guidelines for local government investment procedures. Interest receivable of \$139,867 and a market adjustment of \$370,654 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, 2020 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, 2020, were \$832,248. In all cases, the assets are recorded at their acquisition value 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 \$130,475,102 (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	160	179	339
Miles of forced main sewer lines	38	116	154
Sewer manholes	3,460	4,757	8,217
Sewer lift stations	60	97	157

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	<b>Brunswick District</b>	<b>Glynn District</b>	<b>Total</b>
Water wells	11	9	20
Elevated water storage towers	7	3	10
Water pumping facilities	7	6	13
Miles of water lines	167	445	612
Fire hydrants	760	3,919	4,679

### **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 4.10 based on total revenues and 3.72 on revenues net of connection fees as follows:

Income Before Contributions	\$ 11,734,402	\$ 11,734,402	
Add: Depreciation Expense	6,156,882	6,156,882	
Amortization of Bond Issuance	158,616	158,616	
Bond Interest (before amortization of premium)	992,394	992,394	
	19,042,294	19,042,294	
Less: Intergovernmental revenue - SPLOST	(4,596,554)	(4,596,554)	
Connection fees	-	(1,326,598)	
	\$ 14,445,740	\$ 13,119,142	
 Debt Service	 \$ 3,526,511	 \$ 3,526,511	
 Debt Coverage Ratio	 4.10	 3.72	

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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. As of June 30, 2020, with a receivable recorded for \$397,696 of monies received in July 2020, the Commission has received the full \$15,000,000 from SPLOST. The balance of the SPLOST funds will be expended over the upcoming months as projects are progressing and completed.

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. In June 2019, an application for 67 lift station transfer switches was approved. In September 2019 an application to Georgia Emergency Management Agency for the installation of 22 additional lift station transfer switches was 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, 2020**

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**ASSETS**

**Current assets**

Cash	\$ 4,294,095
Accounts receivable	3,249,909
Intergovernmental receivable	397,696
Inventory	1,125,565
Prepaid expenses	373,468
Restricted cash	17,268,189
Restricted investments	<u>33,359,819</u>
Total current assets	<u>60,068,741</u>

**Non-current assets**

Capital assets:	
Nondepreciable assets	10,276,333
Depreciable assets	250,982,117
Less accumulated depreciation	<u>(130,783,348)</u>
Total capital assets, net	<u>130,475,102</u>

Total assets	<u><u>\$ 190,543,843</u></u>
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**DEFERRED OUTFLOWS OF RESOURCES**

**Deferred outflows of resources**

Deferred charges on refunding	\$ 1,221,055
Pension	<u>1,374,469</u>
Total deferred outflows of resources	<u><u>\$ 2,595,524</u></u>

**(Continued)**

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**LIABILITIES****Current liabilities**

Payable from current assets:	
Accounts payable	\$ 928,152
Retainage payable	299,595
Compensated absences payable	223,653
Accrued expenses and other liabilities	432,502
Current portion of capital leases payable	434,022
Total current liabilities payable from current assets	<u>2,317,924</u>
Payable from restricted assets:	
Accrued interest payable	82,844
Customer deposits payable	3,017,256
Current portion of revenue bonds payable	2,031,000
Total current liabilities payable from restricted assets	<u>5,131,100</u>
Total current liabilities	<u>7,449,024</u>

**Long-term liabilities**

Revenue bonds payable, net	29,825,000
Capital leases payable	682,205
Compensated absences payable	143,655
Net pension liability	3,241,451
Total long-term liabilities	<u>33,892,311</u>
Total liabilities	<u>\$ 41,341,335</u>

**DEFERRED INFLOWS OF RESOURCES****Deferred inflows of resources**

Pension	\$ <u>12,980</u>
Total deferred inflows of resources	<u>\$ 12,980</u>

**NET POSITION**

Net investment in capital assets	\$ 98,723,930
Restricted for debt service	636,335
Restricted for capital projects	1,095,602
Unrestricted	<u>51,329,185</u>
Total net position	<u>\$ 151,785,052</u>

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, 2020**

<b>Operating revenues</b>	
Charges for services:	
Water sales	\$ 10,219,101
Sewer sales	20,706,800
Connection fees	1,326,598
Other fees and charges	2,387,816
Total operating revenues	34,640,315
 <b>Operating expenses</b>	
Personnel services	11,574,841
Contractual services	3,836,089
Supplies	3,251,122
Electricity, natural gas, and other fuel	1,829,530
Other costs	385,834
Depreciation expense	6,156,882
Total operating expenses	27,034,298
Operating income	7,606,017
 <b>Non-operating revenues (expenses)</b>	
Interest income	1,182,943
Other non-operating expense	(425,599)
Intergovernmental revenue	4,596,554
Interest expense and fiscal charges	(1,225,513)
Total non-operating revenues, net	4,128,385
Income before contributions	11,734,402
 <b>Capital contributions</b>	 832,248
Change in net position	12,566,650
<b>Total net position, beginning of year</b>	139,218,402
<b>Total net position, end of year</b>	\$ 151,785,052

See Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 35,304,123
Payments to suppliers	(9,153,794)
Payments to employees	(11,571,050)
Net cash provided by operating activities	14,579,279

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(5,596,562)
Proceeds from sale of capital assets	429,909
Principal payments on long-term borrowings	(2,954,381)
Interest paid on long-term borrowings	(1,234,212)
Intergovernmental receipts	5,114,090
Net cash used in capital and related financing activities	(4,241,156)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(10,537,274)
Interest received	1,182,943
Net cash used in investing activities	(9,354,331)

Net increase in cash 983,792

Cash and cash equivalents, beginning of year 20,578,492

Cash and cash equivalents, end of year \$ 21,562,284

**Classified as:**

Cash	\$ 4,294,095
Restricted assets, cash	17,268,189
	\$ 21,562,284

**(Continued)**

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Operating income	\$ 7,606,017
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	6,156,882
Changes in assets and liabilities:	
Decrease in accounts receivable	663,808
Decrease in inventory	106,298
Increase in prepaid expenses	(44,673)
Increase in deferred outflows of resources	(109,761)
Decrease in accounts payable and accrued expenses	(330,544)
Increase in retainage payable	253,004
Decrease in customer deposits payable	(104,636)
Decrease in accrued compensated absences	(52,967)
Increase in net pension liability	680,783
Decrease in deferred inflows of resources	(244,932)
	\$ 14,579,279

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

Capital contributions - capital assets	\$ 832,248
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**See Notes to Financial Statements.**

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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**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 county-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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Fund Accounting (Continued)**

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

#### **Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets, deferred outflows, deferred inflows, 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 ("GAAP") 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.

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Capital Assets (Continued)

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:

<u>Asset Classification</u>	<u>Years</u>
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 had four items that qualify for reporting in this category. Three items relate to the pension as deferred outflows of resources during the year ended June 30, 2020, 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.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2020, 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.

#### Compensated Absences

The liability for compensated absences has been accrued and reported in the Statement of Net Position. The Commission permits employees to accumulate earned but unused vacation and sick pay benefits. Employees may carry over a maximum of 160 hours of vacation time from year to year. Accumulated vacation benefits will be liquidated in future years as employees elect to use them or will be paid upon termination of employment. Accumulated sick pay benefits are not payable upon termination of employment. In the normal course of business, all payments of accumulated benefits will be funded by revenues of the year in which the benefits are paid. All compensated absences are accrued when earned by employees. An employee may accrue an unlimited amount of sick leave. Sick leave may be taken only for personal illness or illness of an immediate family member.

#### Long-Term Obligations

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

## NOTES TO FINANCIAL STATEMENTS

### 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. CASH AND INVESTMENTS

Total deposits and investments as of June 30, 2020, are summarized as follows:

Amounts as presented on the entity-wide Statement of Net Position:

Cash	\$	4,294,095
Investments		33,359,819
Restricted cash		17,268,189
Total	\$	54,922,103
Cash deposited with financial institutions	\$	21,562,284
Investments held at financial institutions		33,359,819
	\$	54,922,103

As of June 30, 2020, the Commission held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>Rating</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
U.S. treasury notes	\$ 20,959,136	\$ 9,179,633	\$ 11,779,503	N/A
Government sponsored enterprise securities	12,400,683	5,265,671	7,135,012	AA+
Total fair value	\$ 33,359,819	\$ 14,445,304	\$ 18,914,515	

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. CASH 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.

#### Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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, 2020, 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2020:

Receivables	\$ 3,593,574
Less allowance for uncollectible accounts	(343,665)
Net receivables	<u>\$ 3,249,909</u>

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,909,037	\$ -	\$ -	\$ (844,765)	\$ 1,064,272
Construction in progress	8,842,199	4,925,580	(4,555,718)	-	9,212,061
Total	10,751,236	4,925,580	(4,555,718)	(844,765)	10,276,333
Capital assets, being depreciated:					
Buildings	4,159,433	-	-	-	4,159,433
Site improvements	92,792	-	-	-	92,792
Infrastructure	224,476,914	832,249	4,555,718	-	229,864,881
Machinery and equipment	10,098,303	247,899	-	(42,975)	10,303,227
Office furniture and equipment	3,546,619	20,850	-	-	3,567,469
Vehicles	2,645,483	402,232	-	(53,400)	2,994,315
Total	245,019,544	1,503,230	4,555,718	(96,375)	250,982,117
Less accumulated depreciation for:					
Buildings	(581,792)	(113,184)	-	-	(694,976)
Site improvements	(6,662)	(1,454)	-	-	(8,116)
Infrastructure	(111,436,892)	(4,699,027)	-	-	(116,135,919)
Machinery and equipment	(7,961,912)	(751,040)	-	32,232	(8,680,720)
Office furniture and equipment	(2,861,646)	(308,024)	-	-	(3,169,670)
Vehicles	(1,863,194)	(284,153)	-	53,400	(2,093,947)
Total	(124,712,098)	(6,156,882)	-	85,632	(130,783,348)
Total capital assets, being depreciated, net	120,307,446	(4,653,652)	4,555,718	(10,743)	120,198,769
Total capital assets, net	\$ 131,058,682	\$ 271,928	\$ -	\$ (855,508)	\$ 130,475,102

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt activity for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 34,384,000	\$ -	\$ (2,528,000)	\$ 31,856,000	\$ 2,031,000
Capital leases payable	1,542,608	-	(426,381)	1,116,227	434,022
Compensated absences	420,275	82,338	(135,305)	367,308	223,653
Net pension liability	2,560,668	1,447,044	(766,261)	3,241,451	-
Total long-term liabilities	<u>\$ 38,907,551</u>	<u>\$ 1,529,382</u>	<u>\$ (3,855,947)</u>	<u>\$ 36,580,986</u>	<u>\$ 2,688,675</u>

#### 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

#### Revenue Bonds (Continued)

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

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,950,512
2025	1,868,000	690,629	2,558,629
2026 – 2030	10,176,000	2,607,792	12,783,792
2031 – 2035	11,738,000	1,042,246	12,780,246
Total	<u>\$ 31,856,000</u>	<u>\$ 7,680,616</u>	<u>\$ 39,932,907</u>

#### 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, 2020:

Machinery and equipment	\$ 2,402,884
Less: accumulated depreciation	<u>(1,516,402)</u>
	<u>\$ 886,482</u>

The Commission reported \$400,301 of depreciation expense in assets under capital leases as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2020:

Fiscal Year Ending June 30,	
2021	454,136
2022	454,136
2023	140,575
2024	105,430
Total minimum lease payments	1,154,277
Less: Amount representing interest	(38,050)
	\$ 1,116,227

### 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, 2020, are as follows:

Net capital assets	\$ 130,475,102
Deferred charges on refunding	1,221,055
Less: Capital related debt	(32,972,227)
Net investment in capital assets	\$ 98,723,930

**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.

## NOTES TO FINANCIAL STATEMENTS

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### 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](http://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, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not receiving benefits	35
Active plan members	151
Total	<u>205</u>

*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, 2020, the Commission's contribution rate was 7.73% of annual payroll. Commission contributions to the Plan were \$584,691 for the year ended June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020.

*Actuarial assumptions.* The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.00% – 8.50%, including inflation
Investment rate of return	7.375%

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, 2019 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 3.00% although the Plan allowance for annual cost of living adjustment is variable, as established by the Commission Board, in an amount not to exceed 8.50%.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.375%. 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.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Domestic equity	45%	6.41%
International equity	20%	6.96%
Domestic fixed income	20%	1.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Cash	-%	
	100%	

\* Rates shown are net of the 2.25% assumed rate of inflation.

*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, 2020, were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2019</b>	\$ 7,862,550	\$ 5,301,882	\$ 2,560,668
<b>Changes for the year:</b>			
Service Cost	415,887	-	415,887
Interest	615,911	-	615,911
Differences between expected and actual experience	206,543	-	206,543
Contributions - employer	-	584,691	(584,691)
Net investment income	-	181,570	(181,570)
Benefit payments, including refunds of employee contributions	(132,569)	(132,569)	-
Administrative expense	-	(23,216)	23,216
Other changes	185,487	-	185,487
<b>Net Changes</b>	1,291,259	610,476	680,783
<b>Balances at June 30, 2020</b>	\$ 9,153,809	\$ 5,912,358	\$ 3,241,451

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Net Pension Liability of the Commission (Continued)

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 7.375%, 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 (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	<b>1% Decrease (6.375%)</b>	<b>Current Discount Rate (7.375%)</b>	<b>1% Increase (8.375%)</b>
Commission's net pension liability	\$ 4,598,351	\$ 3,241,451	\$ 2,120,375

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, 2019, and the current sharing pattern of costs between employer and employee.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2020, the Commission recognized a pension expense of \$826,049. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 675,767	\$ -
Changes in assumptions	205,500	6,012
Difference between projected and actual earnings on pension plan investments	-	6,968
Commission contributions subsequent to the measurement date	493,202	-
Total	\$ 1,374,469	\$ 12,980

Commission contributions subsequent to the measurement date of \$493,202 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, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30,</b>			
2021	\$	145,083	
2022		165,554	
2023		219,968	
2024		186,144	
2025		95,534	
Thereafter		56,004	
Total	\$	868,287	

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2020, in addition to the liabilities enumerated on the balance sheet, the Commission also had contractual commitments on uncompleted construction contracts in the amount of \$4,085,558 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 FOR THE FISCAL YEAR ENDED JUNE 30,

	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>						
Service cost	\$ 415,887	\$ 318,851	\$ 290,707	\$ 293,353	\$ 245,679	\$ 244,062
Interest on total pension liability	615,911	533,380	452,681	399,112	335,690	298,149
Differences between expected and actual experience	206,543	276,712	227,855	96,885	331,132	20,708
Changes of assumptions	-	-	81,397	-	-	(24,046)
Benefit payments, including refunds of employee contributions	(132,569)	(118,545)	(83,071)	(113,206)	(75,099)	(33,844)
Other	185,487	-	-	-	-	-
<b>Net change in total pension liability</b>	<b>1,291,259</b>	<b>1,010,398</b>	<b>969,569</b>	<b>676,144</b>	<b>837,402</b>	<b>505,029</b>
<b>Total pension liability - beginning</b>	<b>7,862,550</b>	<b>6,852,152</b>	<b>5,882,583</b>	<b>5,206,439</b>	<b>4,369,037</b>	<b>3,864,008</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 9,153,809</b>	<b>\$ 7,862,550</b>	<b>\$ 6,852,152</b>	<b>\$ 5,882,583</b>	<b>\$ 5,206,439</b>	<b>\$ 4,369,037</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 584,691	\$ 509,910	\$ 466,145	\$ 387,759	\$ 365,501	\$ 381,081
Net investment income	181,570	456,652	559,750	341,613	18,511	246,730
Benefit payments, including refunds of employee contributions	(132,569)	(118,545)	(83,071)	(113,206)	(75,099)	(33,844)
Administrative expenses	(23,216)	(23,796)	(25,025)	(12,450)	(12,226)	(9,731)
<b>Net change in plan fiduciary net position</b>	<b>610,476</b>	<b>824,221</b>	<b>917,799</b>	<b>603,716</b>	<b>296,687</b>	<b>584,236</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,301,882</b>	<b>4,477,661</b>	<b>3,559,862</b>	<b>2,956,146</b>	<b>2,659,459</b>	<b>2,075,223</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,912,358</b>	<b>\$ 5,301,882</b>	<b>\$ 4,477,661</b>	<b>\$ 3,559,862</b>	<b>\$ 2,956,146</b>	<b>\$ 2,659,459</b>
<b>Commission's net pension liability - ending (a) - (b)</b>	<b>\$ 3,241,451</b>	<b>\$ 2,560,668</b>	<b>\$ 2,374,491</b>	<b>\$ 2,322,721</b>	<b>\$ 2,250,293</b>	<b>\$ 1,709,578</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>64.59%</b>	<b>67.43%</b>	<b>65.35%</b>	<b>60.52%</b>	<b>56.78%</b>	<b>60.87%</b>
<b>Covered payroll</b>	<b>\$ 7,566,909</b>	<b>\$ 7,554,006</b>	<b>\$ 6,156,245</b>	<b>\$ 5,362,432</b>	<b>\$ 5,174,265</b>	<b>\$ 4,621,888</b>
<b>Commission's net pension liability as a percentage of covered payroll</b>	<b>42.84%</b>	<b>33.90%</b>	<b>38.57%</b>	<b>43.31%</b>	<b>43.49%</b>	<b>36.99%</b>

**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 FOR THE FISCAL YEAR ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 584,691	\$ 560,387	\$ 493,084	\$ 457,166	\$ 364,624	\$ 365,794
Contributions in relation to the actuarially determined contribution	<u>584,691</u>	<u>560,387</u>	<u>493,084</u>	<u>457,166</u>	<u>364,624</u>	<u>365,794</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 7,877,077	\$ 7,794,901	\$ 7,554,006	\$ 6,156,245	\$ 5,362,432	\$ 5,174,265
Contributions as a percentage of covered payroll	7.42%	7.19%	6.53%	7.43%	6.80%	7.07%

**Notes to the Schedule:**

Valuation Date	January 1, 2020
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	7.38%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%

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



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

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**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, 2020, 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 6, 2020.

**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) as a basis for designing 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.

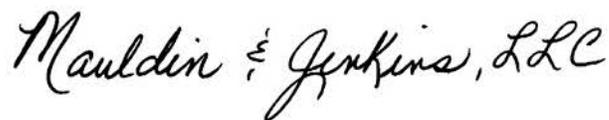
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**Compliance and Other Matters**

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 financial statements. 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Savannah, Georgia  
October 6, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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, 2020, 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.

**SECTION IV  
PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

None noted.