

**Brunswick and Glynn County
Development Authority**

Financial Statements and Auditors' Report

**For the Year Ended
June 30, 2019**

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BEN P. LEE, CPA, CFE, CFF, CGMA, CGFM, CGFO
JAMES F. BARGER, CPA, CGMA
PAMELA A. MELTON, CPA, CGMA
JOSLYN SLOAN, CPA
TINA OWENS, CPA, CGMA

J. DENNIS SILVA, CPA, CGMA
DOUGLAS D. THORNTON, CPA
JAMIE B. CURTIS, CPA, CGMA
TRACY EVERLY
TAYLOR DREW

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brunswick and Glynn County Development Authority
Brunswick, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Brunswick and Glynn County Development Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Brunswick and Glynn County Development Authority as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 3–9 and 16 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brunswick and Glynn County Development Authority's basic financial statements. The accompanying Schedule of Expenditures – Budget and Actual on page 36, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures – Budget and Actual is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures – Budget and Actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019, on our consideration of the Brunswick and Glynn County Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Brunswick and Glynn County Development Authority's internal control over financial reporting and compliance.

Coastal CPAs, LLC

Coastal CPAs, LLC
St. Simons Island, Georgia
September 9, 2019

BRUNSWICK AND GLYNN COUNTY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019

Our discussion and analysis of the Brunswick & Glynn County Development Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019. Please review it in conjunction with the Authority's basic financial statements.

MANAGEMENT NOTES:

In September, 2018, Ryan Moore was hired as the President of the Development Authority. He replaced Mel Baxter who retired after three years in the position. In January, 2019, Sherri Pruitt was named Existing Industry Coordinator and in June, 2019, Vanessa Wagner was named Director of Business Development.

In April, 2019, Paulo Albuquerque, Chairman of the Board of Directors, resigned his position as a result of being relocated with his employment with Georgia Power Company. Wayne Johnson, Synovus Bank, was named Chairman. Christy Jordon, Southeast Georgia Health System, will fill the vacant Board position in fiscal year 2020.

FINANCIAL HIGHLIGHTS:

The total net position for the Development Authority as of June 30, 2019 was \$13,943,913. This represents an increase of \$114,336 (+.83%) from the previous year.

Governmental Activity (Operating Account) Fund balance as of June 30, 2019 totaled \$416,689, an increase of \$27,906 (+7.2%) during the year. This increase was due to an increase in current assets.

Revenues (\$712,649) for Governmental Activities increased by \$22,835 (+3.3%). This increase was due a change in the County Contract Grant allocated for Governmental Activities.

Expenditures (\$682,713) for Governmental Activities increased by \$11,262 (+1.7%). This increase was due to higher personnel expenditures.

The Authority utilized the ninth annual RSM Classic PGA Golf Tournament in November, 2018 as a marketing venue to showcase the community to prospective businesses, site consultants and state allies. The invited guests were provided opportunities to tour the area, enjoy the beauty of the Golden Isles and attend several days of professional golf at the RSM Classic.

In August 2018, the Development Authority facilitated the issuance of a \$1,550,000 revenue bond for the renovation of the Brunswick Library for Glynn County. The renovation of the library was completed in the spring of 2019.

Total Proprietary Fund (Capital Account) Assets (\$36,656,616) decreased by \$1,322,535 (-3.5%). This decrease is due an increase in accumulated depreciation.

Total Liabilities in this fund (\$23,143,740) decreased \$1,410,070 (-5.7%) due to the annual payment toward long-term debt.

Operating Revenues/Expenses for the Proprietary Fund (\$1,048,821) decreased by \$503,921 (-32.5%). This decrease was due to not receiving Grant Income in fiscal year 2019.

Non-Operating Revenues/Expenses totaled (\$959,471). This total included interest revenues of \$102,347, interest expenses of (\$1,007,291) and Share the Future grants of (\$59,318).

USING THIS ANNUAL REPORT:

This annual report consists of a statement of net position and activities for the Authority as well as separate financial statements for each fund group. Each fund's financial statements will report the Authority's operations in more detail.

The Statement of Net Position and the Statement of Activities provide information about the Authority and its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is like accounting used by most private-sector companies. Accrual of this current year's revenues and expenses are considered regardless of when cash is received or paid. You can relate the Authority's net position, the difference between assets (what the Authority owns) and liabilities (what the Authority owes), to measure the Authority's financial health. Our analysis of the Authority is shown below.

Major Funds:

Governmental Fund – Operations
Proprietary Fund – Capital

THE AUTHORITY AS A WHOLE:

The Authority's total net position of \$13,943,913 increased by \$114,336 from the previous year. Table I summarizes the assets and liabilities of the Authority, comparing the year ending 6/30/19 with the previous year. Reasons for the increase in net position are provided below.

	ALL FUNDS		
	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Total Assets:			
Current Assets	\$ 5,028,736	\$ 4,827,157	\$ 201,579
Non-Current Assets	32,093,450	33,601,029	(1,507,579)
Deferred Outflows (Swap Loans)	0	0	0
Total Assets	37,122,186	38,428,186	(1,306,000)
Total Liabilities:			
Current Liabilities	1,552,528	1,520,812	31,716
Non-Current Liabilities	21,625,044	23,073,251	(1,448,207)
Deferred Inflows (Swap Loans)	701	4,546	(3,845)
Total Liabilities	23,178,273	24,598,609	(1,420,336)
Net Assets			
Invested in Capital Assets, net of related Debt	7,715,729	7,825,797	(110,068)
Unrestricted	6,228,184	6,003,780	224,404
NET ASSETS	13,943,913	13,829,577	114,336
Total Liabilities & Net Assets	\$ 37,122,186	\$ 38,428,186	\$ (1,306,000)

Non-Current Assets decreased due to payments received for Notes Receivable..

Current Liabilities increased due to an increase in current portion of notes payable. Non-Current Liabilities decreased due to payments on notes payable.

The Governmental Fund (Operations):

The Governmental Fund (Operating Account) ended the year with a fund balance of \$416,689, an increase of \$27,906 from the previous year. This increase is due to an increase in cash position and receivables. A balance sheet summary of the Assets and Liabilities of the Governmental Fund is shown in Table 2.

Table 2:	Governmental Fund - Operations		
	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Total Assets:			
Cash & cash equivalents	\$ 215,593	\$ 206,008	\$ 9,585
Short-term investments	206,914	204,192	2,722
Accounts Receivable	10,000	0	10,000
Prepaid Expenses	18,014	18,836	(822)
Total Assets	450,521	429,036	21,485
Total Liabilities:			
Accounts Payable	33,832	40,253	(6,421)
Total Liabilities	33,832	40,253	(6,421)
Fund Balance - Governmental Fund	416,689	388,783	27,906
Total Liabilities and Fund Balances	\$ 450,521	\$ 429,036	\$ 21,485
Fund Balance - Governmental Fund	416,689	388,783	27,906
Cap Assets not Recorded in Governmental Fund	15,049	19,999	(4,950)
Net Position, End of Year	\$ 431,738	\$ 408,782	\$ 22,956

Revenues and expenditures of the Governmental Fund (Operating Account) are summarized in Table 3, shown below.

Table 3:	Governmental Fund (Operating)		
	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Fund Balance, beginning of year	\$ 388,783	\$ 1,100,584	\$ (711,801)
Total Revenues:			
Bond Fees	54,695	54,882	(187)
Glynn County Grant	598,435	575,000	23,435
Interest	3,019	1,007	2,012
Other Income	56,500	58,925	(2,425)
	712,649	689,814	22,835
Total Expenses:			
Personnel	312,177	295,918	16,259
Administrative	227,683	276,065	(48,382)
Marketing	142,853	99,468	43,385
Capital Outlays	0	0	0
	682,713	671,451	11,262
Revenues (under) expenditures	29,936	18,363	11,573
Other financing sources:			
Funds Transfer	(2,030)	(730,164)	728,134
Total Other Sources	(2,030)	(730,164)	728,134
Change in Fund Balance	27,906	(711,801)	739,707
Fund Balance, end of year	\$ 416,689	\$ 388,783	\$ 27,906

Revenues for the Governmental Fund, which totaled \$712,649, increased by \$22,835 due a higher allocation of the Glynn County Contract Grant.

Expenditures in the Governmental Fund for the year totaled \$682,713, an increase of \$11,262 from the previous year, due to an increase in Marketing expenditures. At year end June 30, 2019, the Governmental Fund Balance was \$416,689, an increase of \$27,906 from the beginning of the year.

Review of Operating Expenditures compared to Budget: (Please see page 37 of Financial Statements)

Personnel Expenditures were under budget (\$22,923).

Marketing Expenditures were over budget \$7,853.

General and Administrative Expenditures were under budget (\$10,054).

Overall, for the year, Operating Expenditures were \$25,124 BELOW budget.

The Proprietary Fund (Capital):

The Proprietary Fund (Capital Account) ended the year with total assets of \$36,656,616, a decrease of \$1,322,535 from last year. A summary of the Assets (Table 4A) for the Proprietary Fund are shown below:

	Business Type Funds (Capital)		Difference
	<u>2019</u>	<u>2018</u>	
Current Assets:			
Cash & cash equivalents	\$ 3,994,481	\$ 3,356,284	\$ 638,197
Short-term investments	412,070	407,907	4,163
Lease receivable	32,086	31,986	100
Notes receivable	71,050	57,016	14,034
Capital leases receivable	66,926	101,889	(34,963)
Grant receivable	0	437,599	(437,599)
Derivative instrument - interest rate swap	701	4,546	(3,845)
Accrued interest	901	894	7
Total Current Assets	4,578,215	4,398,121	180,094
Non-current assets:			
Notes rec'v.-current portion above	1,291,845	1,212,896	78,949
Capital leases rec'v.current portion above	7,400	74,327	(66,927)
Total Non-Current Assets	1,299,245	1,287,223	12,022
Capital assets:			
Land	4,062,242	4,062,242	0
Buildings	35,079,880	35,079,880	0
Roads and other infrastructure	842,002	842,002	0
Furniture and Fixtures	15,685	15,685	0
Vehicles	0	35,000	(35,000)
Less accumulated depreciation	(9,220,653)	(7,741,002)	(1,479,651)
Total Capital Assets	30,779,156	32,293,807	(1,514,651)
Assets	36,656,616	37,979,151	(1,322,535)
Deferred Outflows	0	0	0
Total Assets	\$ 36,656,616	\$ 37,979,151	\$ (1,322,535)

Capital assets decreased by \$1,514,651, due to the increase of Accumulated depreciation by \$1,479,651.

Table 4B:

	Business Type Funds (Capital)		
	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Current Liabilities:			
Notes payable	\$ 1,440,059	\$ 1,404,313	\$ 35,746
Accounts payable	8,422	2,541	5,881
Interest payable	54,414	57,904	(3,490)
Due to Others	15,801	15,801	0
Total current liabilities	1,518,696	1,480,559	38,137
Noncurrent liabilities:			
Deferred interest - capital lease	1,676	9,554	(7,878)
Notes payable	21,623,368	23,063,697	(1,440,329)
Total noncurrent liabilities	21,625,044	23,073,251	(1,448,207)
Total Liabilities	23,143,740	24,553,810	(1,410,070)
Deferred inflows	701	4,546	(3,845)
Invested in Capital Assets	7,715,729	7,825,797	(110,068)
Unrestricted	5,796,446	5,594,998	201,448
NET ASSETS	13,512,876	13,425,341	87,535
Total Liabilities & Net Assets	\$ 36,656,616	\$ 37,979,151	\$ (1,322,535)

Current liabilities (Table 4B) increased by \$38,137, due to an increase in current portion of notes payable. Non-current liabilities decreased (\$1,448,207) primarily due to the payment on notes payable.

Total Liabilities of \$23,143,740 decreased by \$1,410,070 from the previous year.

Net Position for the Proprietary Fund at the end of the year was \$13,512,876, an increase of \$87,535 from the previous year.

Table 5:

	Proprietary Fund (Capital)		
	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Net Assets - Beginning of Year	\$ 13,420,795	\$ 12,210,165	\$ 1,210,630
Operating Revenues:			
Rental Income	2,381,877	2,393,777	(11,900)
Glynn County Contract	201,565	225,000	23,435
Grant Income	-	437,599	(437,599)
Other Revenue	11,000	6,000	5,000
	2,594,442	3,062,376	(467,934)
Operating Expenses			
Industrial Park Expenses	51,387	53,794	(2,407)
Depreciation Expense	1,494,234	1,455,840	38,394
	1,545,622	1,509,634	35,988
Operating Income	1,048,821	1,552,742	(503,921)

Non-Operating Revenues (Expenses)

Interest Revenue	102,347	121,742	(19,395)
Gain (loss) on sale of capital asset	16,583	0	16,583
Interest Expense	(1,007,291)	(1,121,597)	114,306
Trustee Fees	(5,417)	(4,583)	(834)
Share the Future Grants	(59,318)	(60,338)	1,020
Community investments	(2,000)	0	(2,000)
Contribution to Airport Commission	(4,375)	(7,500)	3,125
Total Non-Oper. Revenues/(Expenses)	(959,471)	(1,072,276)	112,805
Income before Contributions & Transfers	89,350	480,466	(391,116)
Total Contributions & Transfers	2,030	730,164	(728,134)
Change in Net Assets	91,380	1,210,630	(1,119,250)
Net Assets - End of Year	\$ 13,512,175	\$ 13,420,795	\$ 91,380

Operating Revenue for the Proprietary Fund (Table 5) totaled \$2,594,442 for the year, a decrease of (\$467,934) from the previous year. The primary reason was a decrease in grant revenue.

Operating Expenses for the Proprietary Fund totaled \$1,545,621 for the year, an increase of \$35,987 from the previous year.

Non-Operating Revenues/Expenses (net) totaled (\$959,471) for the year, an increase of \$112,805 from the previous year. The primary reason was a decrease in Interest Expense.

Net Proprietary Fund Assets at the end of the year totaled \$13,512,175, an increase of \$91,380 from the previous year.

LONG-TERM DEBT:

The long-term debt held by the Development Authority decreased by (\$1,404,583) due to the amortized pay-down of the long term notes payable. The total long-term debt for the Development Authority as of June 30, 2019 was \$23,063,427.

Table 6

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Difference</u>
GULFTREAM - Building #3 - 2034	\$ 22,483,424	\$ 23,437,591	\$ (954,167)
GULFTREAM - Building #4 - 2020	371,650	658,046	(286,396)
HOLLAND PUMP - Bldg. - 6.93% - 2020	71,025	160,176	(89,151)
GATEWAY TRACT - 2021	137,328	212,197	(74,869)
TOTAL	\$ 23,063,427	\$ 24,468,010	\$ (1,404,583)

BOND ISSUES:

The Brunswick & Glynn County Development Authority acts as the enabling agency in securing long-term financing for local business projects at lower interest rates through the issuance of industrial revenue bonds. As of June 30, 2019, the Authority had six (7) industrial revenue bonds with an outstanding total of \$40,075,162. This represents a decrease in over-all conduit debt of (\$3,207,668) for the year.

Table 7	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Difference</u>
FLETC I (2001)	\$ 5,351,136	\$ 6,661,573	\$ (1,310,437)
FLETC II (2001B)	6,136,471	7,461,133	(1,324,662)
FLETC III (2002)	8,165,727	9,535,785	(1,370,058)
GATEWAY PROJECT	5,499,010	5,694,339	(195,329)
GLYNN CO. 2015A	7,170,000	7,170,000	0
GLYNN CO. 2015B	6,265,000	6,760,000	(495,000)
GLYNN CO. 2018	1,487,818	0	1,487,818
TOTAL	<u>\$ 40,075,162</u>	<u>\$ 43,282,830</u>	<u>\$ (3,207,668)</u>

CONTACTING THE DEVELOPMENT AUTHORITY MANAGEMENT:

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Authority's President at 1505 Richmond Street, Brunswick, GA 31520.

Ryan Moore, President
Brunswick & Glynn County Development Authority

Brunswick and Glynn County Development Authority
Statement of Net Position
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total 2019	Total 2018
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 215,593	\$ 3,994,481	\$ 4,210,074	\$ 3,562,292
Short-term investments	206,914	412,070	618,984	612,099
Notes and capital leases receivable	-	137,976	137,976	158,905
Lease receivable	-	32,086	32,086	31,986
Grant receivable	-	-	-	437,599
Fees Receivable	10,000	-	10,000	-
Derivative instrument - interest rate swaps	-	701	701	4,546
Accrued interest	-	901	901	894
Prepaid expenses	18,014	-	18,014	18,836
Total current assets	<u>450,521</u>	<u>4,578,215</u>	<u>5,028,736</u>	<u>4,827,157</u>
Noncurrent assets:				
Notes and capital leases receivable	-	1,299,245	1,299,245	1,287,223
Capital assets:				
Land and infrastructure - net	-	4,665,900	4,665,900	4,707,592
Depreciable buildings, property and equipment - net	<u>15,049</u>	<u>26,113,256</u>	<u>26,128,305</u>	<u>27,606,214</u>
Total noncurrent assets	<u>15,049</u>	<u>32,078,401</u>	<u>32,093,450</u>	<u>33,601,029</u>
TOTAL ASSETS	<u>465,570</u>	<u>36,656,616</u>	<u>37,122,186</u>	<u>38,428,186</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Net Position
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total 2019	Total 2018
LIABILITIES				
Current liabilities:				
Accounts payable	33,832	8,422	42,254	42,794
Notes payable	-	1,440,059	1,440,059	1,404,313
Interest payable	-	54,414	54,414	57,904
Due to others	-	15,801	15,801	15,801
Total current liabilities	33,832	1,518,696	1,552,528	1,520,812
Noncurrent liabilities:				
Deferred Interest - capital lease	-	1,676	1,676	9,554
Notes payable	-	21,623,368	21,623,368	23,063,697
Total noncurrent liabilities	-	21,625,044	21,625,044	23,073,251
TOTAL LIABILITIES	33,832	23,143,740	23,177,572	24,594,063
DEFERRED INFLOWS				
Accumulated increase in fair value of hedging derivative	-	701	701	4,546
NET POSITION				
Invested in capital assets, net of related debt	-	7,715,729	7,715,729	7,825,797
Unrestricted	431,738	5,796,446	6,228,184	6,003,780
TOTAL NET POSITION	\$ 431,738	\$ 13,512,175	\$ 13,943,913	\$ 13,829,577

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Activities
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total 2019	Total 2018
EXPENDITURES/EXPENSES AND LOSSES				
Personnel	\$ 312,177	\$ -	\$ 312,177	\$ 295,918
General and administrative	227,683	-	227,683	276,065
Marketing	142,853	-	142,853	99,468
Industrial Park expenses	-	51,387	51,387	53,794
Depreciation expense	4,950	1,494,234	1,499,184	1,462,797
Contribution to Airport Commission	-	4,375	4,375	7,500
Trustee fees	-	5,417	5,417	4,583
Community Investments	-	2,000	2,000	-
Share the Future grants	-	59,318	59,318	60,338
Interest expense	-	1,007,291	1,007,291	1,121,597
Total expenditures/expenses and losses	<u>687,663</u>	<u>2,624,022</u>	<u>3,311,685</u>	<u>3,382,060</u>
PROGRAM REVENUES				
Rental income	-	2,381,877	2,381,877	2,393,777
Grant income	-	-	-	437,599
Bond administration fees	54,695	-	54,695	54,882
Interest from notes and capital leases	-	92,944	92,944	108,762
Other revenue	56,500	11,000	67,500	64,925
Total program revenues	<u>111,195</u>	<u>2,485,821</u>	<u>2,597,016</u>	<u>3,059,945</u>
NET PROGRAM REVENUE (EXPENSE)	<u>(576,468)</u>	<u>(138,201)</u>	<u>(714,669)</u>	<u>(322,115)</u>
GENERAL REVENUES				
Glynn County contract	598,435	201,565	800,000	800,000
Gain (loss) on disposal of assets	-	16,583	16,583	-
Interest from investments	3,019	9,403	12,422	13,987
Total general revenues	<u>601,454</u>	<u>227,551</u>	<u>829,005</u>	<u>813,987</u>
TRANSFERS	<u>(2,030)</u>	<u>2,030</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>599,424</u>	<u>229,581</u>	<u>829,005</u>	<u>813,987</u>
Change in net position	<u>22,956</u>	<u>91,380</u>	<u>114,336</u>	<u>491,872</u>
Net position, beginning of year	408,782	13,420,795	13,829,577	13,337,705
Net position, end of year	<u>\$ 431,738</u>	<u>\$ 13,512,175</u>	<u>\$ 13,943,913</u>	<u>\$ 13,829,577</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Balance Sheet
Governmental Fund
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	General Fund 2019	General Fund 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 215,593	\$ 206,008
Short-term investments	206,914	204,192
Fees Receivable	10,000	-
Prepaid expenses	18,014	18,836
TOTAL ASSETS	\$ 450,521	\$ 429,036
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 33,832	\$ 40,253
TOTAL LIABILITIES	33,832	40,253
 Fund balances:		
Unassigned	416,689	388,783
TOTAL LIABILITIES AND FUND BALANCES	\$ 450,521	\$ 429,036
 Fund balance - governmental fund	\$ 416,689	\$ 388,783
Capital assets not recorded in governmental fund	15,049	19,999
Net position, end of year	\$ 431,738	\$ 408,782

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	General Fund 2019	General Fund 2018
REVENUES		
Glynn County contract	\$ 598,435	\$ 575,000
Bond administration fees	54,695	54,882
Interest income	3,019	1,007
Other income	56,500	58,925
	<u>712,649</u>	<u>689,814</u>
Total revenues		
EXPENDITURES		
Personnel	312,177	295,918
Marketing	142,853	99,468
General and administrative	227,683	276,065
Capital outlays	<u>-</u>	<u>-</u>
Total expenditures	<u>682,713</u>	<u>671,451</u>
Revenues over (under) expenditures	<u>29,936</u>	<u>18,363</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers	<u>(2,030)</u>	<u>(730,164)</u>
Total other financing sources (uses)	<u>(2,030)</u>	<u>(730,164)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	27,906	(711,801)
Fund balance, beginning of year	<u>388,783</u>	<u>1,100,584</u>
Fund balance, end of year	<u><u>\$ 416,689</u></u>	<u><u>\$ 388,783</u></u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the year ended June 30, 2019

	General Fund 2019
Net change in fund balance - governmental fund	\$ 27,906
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.	<u>(4,950)</u>
Change in net position of governmental activities	<u><u>\$ 22,956</u></u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the year ended June 30, 2019

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Glynn County contract	\$ 598,435	\$ 598,435	\$ -
Bond administration fees	54,702	54,695	(7)
Interest income	1,700	3,019	1,319
FTZ income (other)	53,000	56,500	3,500
Total revenues	<u>707,837</u>	<u>712,649</u>	<u>4,812</u>
EXPENDITURES			
Personnel	335,100	312,177	22,923
Marketing	135,000	142,853	(7,853)
General and administrative	237,737	227,683	10,054
Capital outlays	-	-	-
Total expenditures	<u>707,837</u>	<u>682,713</u>	<u>25,124</u>
Revenues over (under) expenditures	<u>-</u>	<u>29,936</u>	<u>29,936</u>
OTHER FINANCING SOURCES (USES)			
Net transfers	-	(2,030)	(2,030)
Total other financing sources (uses)	<u>-</u>	<u>(2,030)</u>	<u>(2,030)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	27,906	27,906
Fund balance, beginning of year	<u>388,783</u>	<u>388,783</u>	<u>-</u>
Fund balance, end of year	<u>\$ 388,783</u>	<u>\$ 416,689</u>	<u>\$ 27,906</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Net Position
Proprietary Fund
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Industrial Development 2019	Industrial Development 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,994,481	\$ 3,356,284
Short-term investments	412,070	407,907
Lease receivable	32,086	31,986
Notes receivable	71,050	57,016
Capital leases receivable	66,926	101,889
Grant receivable	-	437,599
Derivative instrument - interest rate swap	701	4,546
Accrued interest	901	894
Total current assets	<u>4,578,215</u>	<u>4,398,121</u>
Noncurrent assets:		
Notes receivable (net of un-drawn loan proceeds)	1,291,845	1,212,896
Capital leases receivable	7,400	74,327
Total noncurrent assets	<u>1,299,245</u>	<u>1,287,223</u>
Capital assets:		
Land	4,062,242	4,062,242
Buildings and improvements	35,079,880	35,079,880
Infrastructure	842,002	842,002
Furniture and fixtures	15,685	15,685
Vehicles	-	35,000
Less accumulated depreciation	<u>(9,220,653)</u>	<u>(7,741,002)</u>
Total capital assets	<u>30,779,156</u>	<u>32,293,807</u>
TOTAL ASSETS	<u>36,656,616</u>	<u>37,979,151</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Net Position
Proprietary Fund
June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Industrial Development 2019	Industrial Development 2018
LIABILITIES		
Current liabilities:		
Accounts payable	8,422	2,541
Notes payable	1,440,059	1,404,313
Interest payable	54,414	57,904
Due to others	15,801	15,801
Total current liabilities	<u>1,518,696</u>	<u>1,480,559</u>
Noncurrent liabilities:		
Deferred Interest - capital lease	1,676	9,554
Notes payable	21,623,368	23,063,697
Total noncurrent liabilities	<u>21,625,044</u>	<u>23,073,251</u>
Total liabilities	<u>23,143,740</u>	<u>24,553,810</u>
DEFERRED INFLOWS		
Accumulated increase in fair value of hedging derivatives	<u>701</u>	<u>4,546</u>
NET POSITION		
Invested in capital assets, net of related debt	7,715,729	7,825,797
Unrestricted	5,796,446	5,594,998
Total net position	<u>\$ 13,512,175</u>	<u>\$ 13,420,795</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Industrial Development 2019	Industrial Development 2018
OPERATING REVENUES:		
Rental income	\$ 2,381,877	\$ 2,393,777
Glynn county contract	201,565	225,000
Grant revenue	-	437,599
Other revenue	11,000	6,000
Total operating revenues	<u>2,594,442</u>	<u>3,062,376</u>
OPERATING EXPENSES:		
Industrial park expenses	51,387	53,794
Depreciation expense	1,494,234	1,455,840
Total operating expenses	<u>1,545,621</u>	<u>1,509,634</u>
OPERATING INCOME	<u>1,048,821</u>	<u>1,552,742</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	102,347	121,742
Gain (loss) on sale of capital asset	16,583	-
Interest expense	(1,007,291)	(1,121,597)
Trustees fees	(5,417)	(4,583)
Share the future grants	(59,318)	(60,338)
Community investments	(2,000)	-
Contribution to Airport Commission	(4,375)	(7,500)
Total non-operating revenues (expenses), net	<u>(959,471)</u>	<u>(1,072,276)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>89,350</u>	<u>480,466</u>
CONTRIBUTIONS AND TRANSFERS		
Operating transfers	2,030	730,164
Total contributions and transfers	<u>2,030</u>	<u>730,164</u>
CHANGE IN NET POSITION	91,380	1,210,630
Net position, beginning of year	13,420,795	12,210,165
Net position, end of year	<u>\$ 13,512,175</u>	<u>\$ 13,420,795</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Industrial Development 2019	Industrial Development 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 3,026,454	\$ 2,580,891
Cash payments made to other suppliers of goods and services	(51,387)	(181,772)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,975,067</u>	<u>2,399,119</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received - operating transfers in	<u>2,030</u>	<u>730,164</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,030</u>	<u>730,164</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for acquisition of capital assets	-	(3,347,952)
Cash paid for interest on long-term debt	(1,007,291)	(1,124,864)
Cash paid for principal on long-term debt	(1,404,583)	(3,213,066)
Cash received from sale of capital assets	37,000	3,800
Cash paid for share the future grants	(61,318)	(60,338)
Cash paid for trustee fees	(5,417)	(4,583)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,441,609)</u>	<u>(7,747,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received for interest on investments	12,980	12,981
Cash received for interest on loans and leases	93,085	106,879
Cash received for principal payments on loans and leases	151,019	2,195,586
Cash paid for loans	(150,000)	-
Cash paid to Airport Commission	(4,375)	(7,500)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>102,709</u>	<u>2,307,946</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	638,197	(2,309,774)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,356,284</u>	<u>5,666,058</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,994,481</u></u>	<u><u>\$ 3,356,284</u></u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2019
With Partial/Summarized Financial Information as of June 30, 2018

	Industrial Development 2019	Industrial Development 2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,048,821	\$ 1,552,742
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,494,234	1,455,840
Changes in assets and liabilities:		
(Increase) decrease in receivables	437,499	(481,485)
(Increase) decrease in other assets	-	-
Increase (decrease) in accounts payable	(5,487)	(127,978)
Increase (decrease) in due to others	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,975,067</u>	<u>\$ 2,399,119</u>

The accompanying notes are an integral part of this financial statement.

Brunswick and Glynn County Development Authority
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

The accounting principles of the Brunswick and Glynn County Development Authority (“Authority”) conform to generally accepted accounting principles (GAAP) as prescribed by both the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) pronouncements only issued on or before November 30, 1989. The Authority has not implemented private sector (FASB) guidance issued after that date.

The Brunswick and Glynn County Development Authority is a constitutional authority created by the General Assembly of the State of Georgia on November 6, 1962 by a constitutional amendment. Its purpose is to develop, promote and expand industry, agriculture and commerce.

On March 2, 1988, the Glynn Development Authority, a separate entity created for the same purposes as the Brunswick and Glynn County Development Authority, transferred title to all real property, transferred all cash and liquid assets and assigned all annual bond administration fees to be received from all bond issues to the Brunswick and Glynn County Development Authority. In exchange for the assets received, the Brunswick and Glynn County Development Authority canceled all indebtedness owed to it by the Glynn Development Authority, assumed the indebtedness owed to Glynn County by the Glynn Development Authority and assumed the obligations, duties and responsibilities of the Glynn Development Authority as related to the development, preservation and maintenance of the Brunswick-McBride Industrial Park in order to promote economic growth in Glynn County.

- A. Reporting Entity – In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic criterion for including a potential component unit within the reporting entity is the primary government’s financial accountability (as defined in GASB Statement No. 14) for a potential component unit. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the Authority’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Authority. Using these criteria, the Authority has no component units.

Related Organizations – The Authority does not appoint a voting majority of board members for any other entities, therefore, there are not any relationships with the Authority and related organizations that are required to be disclosed in accordance with the standards issued by the Governmental Accounting Standards Board.

Excluded from the reporting entity:

Glynn County Airport Commission – On July 23, 1987, the Glynn County Board of Commissioners voted to place the Glynn County Airport Commission (which is deemed an agency of Glynn County) under the supervision of the Brunswick and Glynn County Development Authority. The Glynn County Airport Commission was evaluated as a potential component unit. This potential component unit is excluded from the reporting entity because it is considered to be a component unit of Glynn County, Georgia.

- B. Government-Wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proprietary fund financial statements use the same focus and basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within thirty-one days of the end

of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements, and interest associated with the current fiscal period are all considered as being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Authority receives cash.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fund Accounting – The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the Authority:

Governmental Fund

General Fund – The General Fund is the operating fund of the Authority. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Proprietary Fund

Industrial Development Fund – The Industrial Development Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of developing the Industrial Park are financed from interest, land sales, and rentals.

D. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Authority, available means expected to be received within thirty-one days of fiscal year-end. Under

the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the Authority receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

- E. Cash Flows – For purposes of the statement of cash flows, the Authority considers all unrestricted highly liquid investment instruments with an initial maturity of three months or less to be cash equivalents.
- F. Interest Capitalization – The Authority's policy is to capitalize construction period interest costs incurred for construction projects. Interest costs from permanent financing secured after projects are completed are expensed as incurred.
- G. Budgetary Accounting – Revenues and expenditures of the General Fund are monitored through the use of annual budgets. The budget is prepared in accordance with the basis of accounting utilized by that fund.
- H. Capital Assets – Capital assets are reported in the respective activities column of the government-wide statement of net position but governmental fund capital assets are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The capitalization policy of the Authority is to capitalize all assets which have an estimated useful life of beyond one year. The Authority does not have an established dollar threshold for capitalization of capital assets. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Construction in progress is not depreciated until the asset is placed in service.

The Authority, as defined in Governmental Accounting Standards Board statement No. 34, is a Phase 3 government for purposes of requiring governments to retroactively capitalize and depreciate general infrastructure assets. Phase 3 governments are not required to retroactively capitalize and depreciate general infrastructure assets and the Authority has not elected to voluntarily implement the GASB 34 requirements for general infrastructure assets acquired prior to periods beginning after June 15, 2003 (the effective date of GASB 34 for Phase 3 governments).

Depreciable capital assets are depreciated using the straight-line method over the estimated economic life of the assets. The estimated useful lives are as follows:

<u>Asset Type</u>	<u>Useful Life (Years)</u>
Automobiles	5
Buildings	30
Furniture and Fixtures	5-10
Land Improvements	5-20
Leasehold Improvements	5-30
Machinery and Equipment	3-10

- I. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

- J. Fair Values of Financial Instruments – The following methods and assumptions were used by the Authority in estimating its fair value disclosures for financial instruments.

Cash, cash equivalents, certificates of deposit: The carrying amounts reported in the statement of net position approximate fair values because of the relatively short maturities of those instruments.

- K. Partial Prior-Year Comparative Totals – The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

- L. Interest Rate Swap – The Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements. For more detail on the Authority's swap agreements, see Note 8 – Interest Rate Swaps.

- M. Deferred Outflow/Inflow of Resources – Accounting and financial reporting for derivative instruments requires the application of hedge accounting when reporting the changes in fair value of hedging derivative instruments. Under hedge accounting, the changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position. At June 30, 2019 and 2018, the Authority's total deferred inflow was \$701 and \$4,546, respectively, reported on the statement of net position.

- N. Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 2 – Capital Assets

A. Governmental activities:

At June 30, 2019, plant and equipment consisted of the following:

	Balance 06/30/18	Additions	Disposals	Balance 06/30/19
Automobiles	\$ 48,590	\$ -	\$ (48,590)	\$ -
Furniture and fixtures	105,976	-	-	105,976
Signage	10,360	-	-	10,360
Landscape	19,411	-	-	19,411
Leasehold improvements	43,287	-	-	43,287
	227,624	-	(48,590)	179,034
Less: Depreciation	(207,625)	(4,950)	48,590	(163,985)
	<u>\$ 19,999</u>	<u>\$ (4,950)</u>	<u>\$ -</u>	<u>\$ 15,049</u>

For the year ended June 30, 2019 and 2018, the Authority recognized depreciation expense in the amount of \$4,950 and \$6,957, respectively.

B. Business-type activities:

At June 30, 2019, property, plant and equipment consisted of the following:

	Balance 06/30/18	Additions	Disposals	Balance 06/30/19
Land	\$ 4,062,242	\$ -	\$ -	\$ 4,062,242
Buildings	26,911,054	-	-	26,911,054
Furniture and fixtures	15,685	-	-	15,685
Leasehold improvements	8,168,826	-	-	8,168,826
Vehicles	35,000	-	(35,000)	-
Infrastructure	842,002	-	-	842,002
Total	40,034,809	-	(35,000)	39,999,809
Less: Depreciation	(7,741,002)	(1,494,234)	14,583	(9,220,653)
Land and buildings, net	<u>\$ 32,293,807</u>	<u>\$ (1,494,234)</u>	<u>\$ (20,417)</u>	<u>\$30,779,156</u>

For the year ended June 30, 2019 and 2018, the Authority recognized depreciation expense of \$1,494,234 and \$1,455,840, respectively.

Note 3 – Long-Term Debt

Long-term obligations of the Authority consist of the following notes, which are secured by certain real property and lease assignments:

Interest <u>Rate</u>	Term <u>(months)</u>	Gross Monthly <u>Payment</u>	Beginning <u>Date</u>	Maturity <u>Date</u>	Balance <u>06/30/19</u>
Var	180	\$ 8,121	04/04/05	04/04/20	\$ 71,025
4.25%	240	\$ 161,043	05/08/14	07/10/35	22,483,424
3.64%	84	\$ 6,765	04/28/14	03/28/21	137,328
Var	60	Var	09/03/15	09/03/20	371,650
					<u>23,063,427</u>
			Current portion:		1,440,059
					<u>\$ 21,623,368</u>

Interest rates on variable rate debts change as applicable index rates change.

Business-Type Activities

Balance <u>06/30/18</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>06/30/19</u>	Due Within <u>One Year</u>
\$24,468,010	\$ -	\$1,404,583	\$23,063,427	\$1,440,059

Amounts due under long-term obligations for the next five years and subsequently as of June 30, 2019, are as follows:

2020	\$ 2,390,852
2021	2,069,390
2022	1,932,511
2023	1,932,511
2024	1,932,511
2025-2035	<u>21,418,661</u>
	31,676,436
Less: Amount representing interest	<u>(8,613,009)</u>
Total	<u>\$ 23,063,427</u>

Note 4 – Investments

The Authority shall invest in only such investment instruments permitted by State of Georgia law for local governments which include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

At June 30, 2019, investments were as follows:

<u>Investments</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
<i>Governmental Activities:</i>			
Certificates of deposit with initial maturities exceeding three months	\$ 206,914	\$ 206,914	-
<i>Business-type Activities:</i>			
Certificates of deposit with initial maturities exceeding three months	\$ 412,070	\$ 412,070	-

Note 5 – Credit Risk, Concentration of Credit Risk, and Interest Rate Risk – Deposits and Investments

Credit Risk – The Authority shall invest in only such investment instruments permitted by State of Georgia law for local governments which includes certificates of deposits, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority 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. State statutes require all deposits and 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.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority 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.

Interest Rate Risk – The Authority does not have a formal policy regarding interest rate risk. The Authority does not hold any investments in debt securities.

Concentration of Credit Risk – The Authority maintains depository accounts at local financial institutions to provide for its various needs. Accounts, including checking, savings, money market deposit accounts and certificates of deposits, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Authority has not

experienced any loss in such accounts. As of June 30, 2019 and 2018, the Authority had excess cash deposits over federally insured amounts totaling \$3,028,529 and \$2,388,779, respectively.

Deposits include cash and cash equivalents and certificates of deposit reported as short-term investments.

Note 6 – Development Authority as Lessor

Capital Leases

The Authority is a lessor under various capital lease agreements for real and personal property. The original leases have terms ranging from ten to fifteen years. The future minimum lease payments for the next five years and subsequently as of June 30, 2019, are as follows:

2020	\$ 66,926
2021	1,200
2022	1,200
2023	1,200
2024	1,200
2025 -2026	2,600
	<hr/> 74,326
Less: Interest	(1,676)
	<hr/> \$ 72,650 <hr/>

Note 7 – Interest Rate Swaps

Objective: As a means of hedging the interest rate risk of its variable rate loans, the Authority entered into interest rate swap agreements with SunTrust Bank in connection with the following loans:

- \$71,025 loan held by SunTrust (Holland Pump Project)
- \$371,650 loan held by SunTrust (Gulfstream Project #4)

The swaps were entered into with the intent that the swaps would hedge the Authority's exposure to changes in variable interest rates on the loans and effectively changes the Authority's interest rate on the loans to a synthetic fixed rate. Under the swap agreements, the Authority has agreed to make payments to SunTrust on a fixed rate of interest, and SunTrust has agreed to make payments to the Authority based on a floating rate of interest.

The variable rate on the Holland Pump Project is 100% of the 1-month LIBOR Index plus 2.31%. The associated hedge is intended to offset the LIBOR component of the taxable floating rate debt.

The variable rate on the Gulfstream Project #4 is 100% of the 1-month LIBOR Index plus 2.31%. The associated hedge is intended to offset the LIBOR component of the taxable floating rate debt.

Terms: The notional amounts and basic terms of the swap agreements associated with the variable rate loans at June 30, 2019 and 2018 are summarized below. The term of each swap agreement provides for reductions in the notional amounts to coincide with expected redemptions of outstanding amounts, in any, of the associated loan.

Fair Value: If a swap agreement has a negative fair value and is terminated, the Authority would be obligated to pay SunTrust the fair value amount as of the termination date; a positive fair value would result in an obligation of SunTrust. The fair values of the swaps were provided by SunTrust and are estimated using SunTrust's proprietary valuation models on the basis of estimated mid-market quotation levels. The valuation models typically calculate the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future settings for LIBOR. These payments are then discounted using the future settings implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

The Authority had the following cash flow pay-fixed interest rate swaps in place with SunTrust as of June 30, 2019:

<u>Loan</u>	<u>Original Notional</u>	<u>Notional at 06/30/19</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>	<u>Mark-to-Market 06/30/19</u>
Holland	907,485	71,025	03/04/05	03/04/20	6.930%	2.308%	(841)
Gulf #4	1,398,250	371,650	09/03/15	09/03/20	3.320%	2.307%	1,542

The Authority had the following cash flow pay-fixed interest rate swaps in place with SunTrust as of June 30, 2018:

<u>Loan</u>	<u>Original Notional</u>	<u>Notional at 06/30/18</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>	<u>Mark-to-Market 06/30/18</u>
Holland	907,485	160,176	03/04/05	03/04/20	6.930%	1.436%	(3,823)
Gulf #4	1,398,250	658,046	09/03/15	09/03/20	3.320%	1.437%	8,369

Risks

Credit Risk: The risk that a counterparty will not fulfill its obligations. The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Authority's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or as issued by Moody's Investors Service. The Authority has never failed to access collateral when required.

It is the Authority's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2019 and 2018 were \$701 and \$4,546 respectfully. This represents the maximum gain (loss) that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Currently, SunTrust is rated Baa1/A-/A- by Moody's Investors Service, Standard and Poor, and Fitch Ratings, respectively.

Basis risk: The Authority is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the Authority on these hedging derivative instruments are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is remarketed every 30 days.

Interest Rate Risk: Since the Authority is paying a fixed rate in each case under the swaps, the majority of the interest rate risk has been hedged. On its pay-fixed, receivable-variable interest rate swaps, as LIBOR swap index decreases, the Authority's net payment on the swap increases.

Rollover Risk: The risk that a hedge associated with the Authority's debt does not extend to the maturity of that debt. In the case of the loans, the swaps mature prior to the maturity of the debt obligations exposing the Authority to market-access or renewal risk.

Termination Risk: The risk that a swap may be terminated involuntarily prior to its scheduled termination date, presenting the Authority with potentially significant unscheduled termination payments to SunTrust or costs to replace the counterparty. The swaps are documented under International Swaps and Derivatives Association Master Agreement, which include standard termination events. The schedule to the master agreement negotiated by the Authority does not include Additional Termination Events that allow the swaps to be terminated other than the standard termination events. The Authority is, however, entitled to terminate, using a Loss Calculation, upon proper notice and documentation of ability to pay such termination.

Swap Effectiveness: As of June 30, 2019 and 2018, all interest rate swaps have been determined to be effective. Accordingly, the accumulated changes in fair value of the swaps were reported as a deferred inflow of resources of \$701 at June 30, 2019 and deferred inflow of resources of \$4,546 at June 30, 2018.

Note 8 – Interfund Balances and Activity

Transfers to/from funds at June 30, 2019 consisted of the following:

Transfers Out:	Transfers In:	
	<u>Proprietary</u>	<u>Total</u>
General	\$ 2,030	\$ 2,030
Total	<u>\$ 2,030</u>	<u>\$ 2,030</u>

During 2018, the general fund transferred \$2,030 to cover certain expenses, including general business fees and \$2,000 in community investments.

Note 9 – Compensated Absences

The stated policy of the Authority does not permit the accumulation of unused vacation days beyond the anniversary year to which they apply. Accordingly, no amounts for accumulated vested compensated absences have been recorded in the financial statements.

Note 10 – Economic Dependency

The Authority receives support from the government of Glynn County. This support represents a significant portion of the Authority's operating resources.

The Authority is lessor under various capital leases for real and personal property, all of which is located in Glynn County, Georgia. The lessees' ability to fulfill their obligations under these leases is considered, in part, to be dependent on local economic conditions.

Note 11 – Risk Management

Significant losses are covered by commercial insurance for all major programs, including property and casualty, workers compensation, general liability, and employee health and accident. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12 – Commitments and Contingencies

In the course of holding and developing land at the Brunswick-McBride Industrial Park, the Authority may be subjected to loss contingencies arising from environmental matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the affected funds of the Authority.

In December of 2014, Glynn County, Georgia accepted a proposal from the Authority regarding the issuance of revenue bonds in an amount not to exceed \$10,000,000 for the purpose of financing the costs associated with certain expansions, additions and improvements to the Brunswick Golden Isles Airport.

The Authority has committed to pay the Glynn County Airport Commission \$500,000 to assist with these improvements. As of June 30, 2018, the Authority had satisfied \$430,826 of this commitment. As of June 30, 2019, the Authority has satisfied \$435,201 of this commitment with the remaining \$64,799 to be paid to the Commission in the future.

In addition, the Authority was awarded a grant from the OneGeorgia Authority of the Georgia Department of Community Affairs for \$437,599 to assist in the construction of an access road to serve the Golden Isles Gateway Industrial Park. The project was completed in 2018 and all funds were received as of June 30, 2019.

Note 13 – Conduit Debt Obligations

In accordance with provisions of the Revenue Bond Laws of the State of Georgia, the Authority has issued a number of Revenue Bonds for the purpose of loaning the proceeds to local industries to finance the acquisition and/or construction of facilities and equipment.

The bond issues are special obligations of the Authority and the Authority, as issuer, has no obligation for the debt beyond the resources provided by the related loans. In addition, the bonds are not in any way an obligation of Glynn County, Georgia, nor the State of Georgia.

The aggregate amount of conduit debt obligations outstanding as of June 30, 2019 and 2018 was approximately \$40,075,162 and \$43,282,830, respectively.

On August 27, 2018, the Authority adopted a Bond Resolution for the issuance of a \$1,550,000 Revenue Bond, Series 2018, for the Brunswick Library Project. The Bond was issued to provide funds for the renovation and equipping of the Brunswick Library for the citizens of Glynn County, Georgia and the fees and expenses incurred in connection to the issuance of this Bond.

On August 20, 2019, the Board of Directors approved the issuance of revenue bonds for the benefit of Frederica Academy, Inc. in the amount of \$2,250,000. The bond issuance will be presented to the County Commissioners of Glynn County, Georgia for approval. The closing date of the issuance is expected to be in October 2019.

Note 14 – Retirement Plan

The Brunswick and Glynn County Development Authority has established an IRC Section 401(k) defined contribution plan that provides for a 5% employer matching contribution. The plan covers all employees. The contribution for the year ended June 30, 2019 and 2018 of \$5,142 and \$4,308, respectively, was reflected as an expenditure in the General Fund.

Note 15 – Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 9, 2019, the date the financial statements were available to be issued.

On August 20, 2019, the Board of Directors approved the issuance of revenue bonds for the benefit of Frederica Academy, Inc. in the amount of \$2,250,000. The bond issuance will be presented to the County Commissioners of Glynn County, Georgia for approval. The closing date of the issuance is expected to be in October 2019.

Brunswick and Glynn County Development Authority
Schedule of Expenditures - Budget and Actual
June 30, 2019

	Original Budget 4/23/2018	Amended Budget - Final	FY 2019 Actual	Variance Favorable (Unfavorable)
Personnel:				
Salaries	\$ 248,000	\$ 268,000	\$ 252,601	\$ 15,399
Payroll taxes	18,860	18,860	21,865	(3,005)
Payroll administration fees	4,000	4,000	4,197	(197)
Employee pension expense	4,440	4,440	5,142	(702)
Employee group/medical insurance	15,052	39,800	28,372	11,428
	<u>290,352</u>	<u>335,100</u>	<u>312,177</u>	<u>22,923</u>
Marketing	<u>150,000</u>	<u>135,000</u>	<u>142,853</u>	<u>(7,853)</u>
General and Administrative:				
Audit and accounting	19,000	19,000	17,625	1,375
Office rent	50,000	50,000	47,471	2,529
Consulting services	106,700	106,700	97,055	9,645
Memberships	8,000	9,100	10,383	(1,283)
Board related expenses	3,600	9,000	8,798	202
Trade zone expenses	6,000	6,000	2,482	3,518
Publications/subscriptions	300	300	316	(16)
General insurance	20,198	15,332	16,309	(977)
Office consumables/fixtures	5,100	5,100	6,789	(1,689)
Maintenance and repairs	2,000	3,230	5,799	(2,569)
Telephone	4,500	7,645	8,262	(617)
Professional Development	6,000	6,000	6,261	(261)
Other	330	330	133	197
	<u>231,728</u>	<u>237,737</u>	<u>227,683</u>	<u>10,054</u>
Capital Outlays:				
Office equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 672,080</u>	<u>\$ 707,837</u>	<u>\$ 682,713</u>	<u>\$ 25,124</u>

The accompanying notes are an integral part of this financial statement.



BEN P. LEE, CPA, CFE, CFF, CGMA, CGFM, CGFO
JAMES F. BARGER, CPA, CGMA
PAMELA A. MELTON, CPA, CGMA
JOSLYN SLOAN, CPA
TINA OWENS, CPA, CGMA

J. DENNIS SILVA, CPA, CGMA
DOUGLAS D. THORNTON, CPA
JAMIE B. CURTIS, CPA, CGMA
TRACY EVERLY
TAYLOR DREW

INDEPENDENT AUDITORS' 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 Directors
Brunswick and Glynn County Development Authority
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 governmental activities, the business-type activities and each major fund of the Brunswick and Glynn County Development Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Brunswick and Glynn County Development Authority's basic financial statements and have issued our report thereon dated September 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control structure that we consider to be a significant deficiency:

Segregation of Duties

Due to the size of the Brunswick and Glynn County Development Authority, there is not an adequate number of employees to provide for the proper segregation of duties. This condition represents a significant deficiency in the design or operation of the Authority's internal control structure and could possibly affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the Authority's financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 is required to be reported under *Government Auditing Standards*.

Brunswick and Glynn County Development Authority's Response to Findings

The Authority is aware of this condition, however, it is not financially feasible to eliminate this deficiency due to the Authority's limited resources. The Board of Governors and President will consider implementing compensating controls, such as outsourcing of certain accounting functions and continuous board oversight and awareness. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coastal CPAs, LLC

Coastal CPAs, LLC
St. Simons Island, Georgia
September 9, 2019