

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Report of Audit

For the Fiscal Year Ended June 30, 2016

**H<sub>2</sub>GO**

The logo features the text "H2GO" in a bold, sans-serif font. The "H" and "2" are blue, while the "GO" is black. A green arrow points to the right from the bottom of the "2".

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***Financial Section***

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## **Independent Auditor's Report**

To the Board of Commissioners  
Brunswick Regional Water and Sewer H2GO  
Leland, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of the Brunswick Regional Water and Sewer H2GO (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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. 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 opinions.

## Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Brunswick Regional Water and Sewer H2GO as of June 30, 2016, and the respective 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, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Brunswick Regional Water and Sewer H2GO. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*W Greene PLLC*

Whiteville, North Carolina  
September 2, 2016

## Management's Discussion and Analysis

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As management of Brunswick Regional Water and Sewer H2GO, we offer readers of the Brunswick Regional Water and Sewer H2GO's financial statements this narrative overview and analysis of the financial activities of Brunswick Regional Water and Sewer H2GO for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of Brunswick Regional Water and Sewer H2GO exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,673,603.
- The government's total net position increased by \$4,456,164, primarily due to increases in both operating fees collected and investment earnings.
- Brunswick Regional Water and Sewer H2GO's total debt decreased by \$622,511.

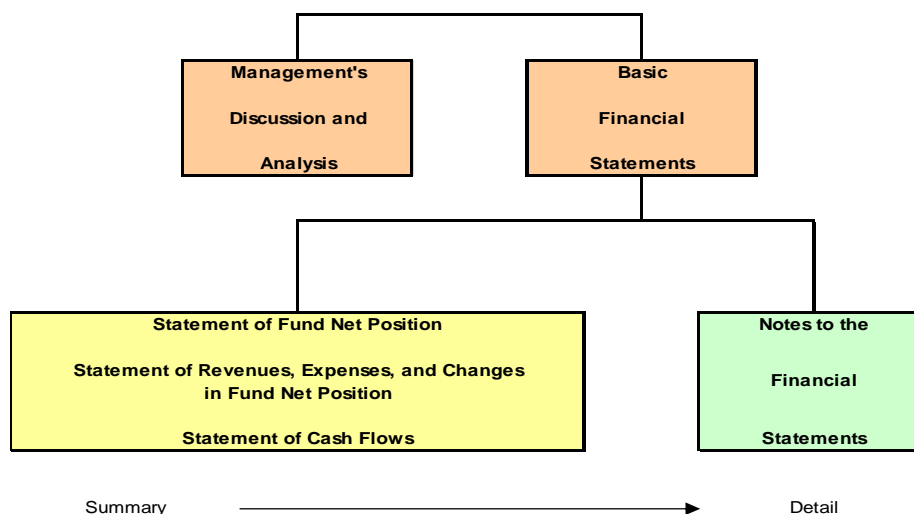
### Overview of the Financial Statements

Brunswick Regional Water and Sewer H2GO's primary mission is to provide water and sewer services to the surrounding area. The District does not provide other basic government services or programs. The District's operations, capital expansion projects, and debt payments are funded almost entirely through rates, fees, and other charges for these water and sewer services. As such, Brunswick Regional Water and Sewer H2GO is considered to be, and therefore presents its financial report, as a standalone enterprise fund.

As a stand-alone enterprise fund, the District's basic financial statements consist of; Statement of Fund Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, Statement of Cash Flows and Notes to the Financial Statements (see Figure 1). These statements, together with the Management's Discussion and Analysis, provide both short-term and long-term financial information about, and implications for the District's position. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Brunswick Regional Water and Sewer H2GO.

Required Components of Annual Financial Report

Figure 1





## Management's Discussion and Analysis (Continued)

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### Basic Financial Statements

**The Statement of Fund Net Position** – The statement of fund net position presents the District's basic financial position through disclosure of information about Brunswick Regional Water and Sewer H2GO's assets and liabilities. Net position represents the difference between total assets and total liabilities.

**The Statement of Revenues, Expenses, and Changes in Fund Net Position** – Similar to private sector statements, the statement of revenues, expenses, and changes in fund net position provides information regarding the District's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in net position, which ties this statement to the statement of net position.

**The Statement of Cash Flows** – Deals specifically with the flow of cash and cash equivalents arising from operating, financing and investing activities. Because the District's Statement of Revenues, Expenses, and Changes in Fund Net Position is a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the Statement of Cash Flows also includes a reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in this statement.

### Fund Financial Statements

**Proprietary Funds** – Brunswick Regional Water and Sewer H2GO has one type of proprietary fund. Enterprise funds are used to report the business type activities that the District charges customers to provide. Brunswick Regional Water and Sewer H2GO uses enterprise funds to account for its water and sewer activity.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Brunswick Regional Water and Sewer H2GO has one fiduciary fund, which is an agency fund.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements are on pages 24 through 42 of this report.

**Interdependence with Other Entities** – The District is subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Management's Discussion and Analysis (Continued)

### Financial Analysis

#### Brunswick Regional Water and Sewer H2GO's Net Position

Figure 2

	Business-Type	
	Activities	
	2016	2015
Current and other assets	\$ 21,610,557	\$ 18,245,700
Capital assets	41,366,871	40,906,823
Deferred outflows of resources	79,941	77,864
Total assets	<u>63,057,369</u>	<u>59,230,387</u>
Long-term liabilities outstanding	6,605,849	7,130,564
Other liabilities	1,727,579	1,589,738
Deferred inflows of resources	50,338	292,646
Total liabilities	<u>8,383,766</u>	<u>9,012,948</u>
Net position:		
Net investment in capital assets	34,307,273	33,224,714
Unrestricted	<u>20,366,330</u>	<u>16,992,725</u>
Total net position	<u>\$ 54,673,603</u>	<u>\$ 50,217,439</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Brunswick Regional Water and Sewer H2GO exceeded liabilities and deferred inflows by \$54,673,603 as of June 30, 2016. The District's net position increased by \$4,456,164 for the fiscal year ended June 30, 2016. However, the largest portion (62.75%) reflects the District's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Brunswick Regional Water and Sewer H2GO uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Brunswick Regional Water and Sewer H2GO's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$20,366,330 is unrestricted.

Several particular aspects of the District's financial operations positively influenced the total unrestricted governmental net position:

- Significant increases in collection of fees and investment earnings

## Management's Discussion and Analysis (Continued)

### Brunswick Regional Water and Sewer H2GO's Changes in Net Position

Figure 3

	Business-Type	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 5,695,575	\$ 5,372,652
Impact Fees	1,990,275	1,507,193
Administrative Fees	32,922	28,250
Irrigation Fees	1,065,067	1,029,029
Meter Purchase and Tap Fees	161,938	150,945
Recovery Fees	633,150	481,618
Penalties and Interest	90,677	89,359
Other Operating Revenue	822,366	352,156
Capital Grants and Contributions	295,451	-
Non-Operating Revenues:		
Investment Earnings	343,498	290,407
Total revenues	<u>11,130,619</u>	<u>9,301,609</u>
Expenses:		
Administration	1,383,058	1,347,834
Water Treatment and Distribution	2,931,956	2,415,816
Wastewater Collection	1,193,875	911,337
Bad Debts	-	-
Amortization	-	-
Depreciation	1,020,042	1,011,567
Interest Expense	145,524	61,605
Total expenses	<u>6,674,455</u>	<u>5,748,159</u>
Increase(Decrease) in net position before transfers	4,456,164	3,553,450
Transfers	-	-
Change in net position	4,456,164	3,553,450
Net position, July 1	<u>50,217,439</u>	<u>46,828,712</u>
Prior Period Adjustment	-	(164,723)
Net position, June 30	<u>\$ 54,673,603</u>	<u>\$ 50,217,439</u>

**Business-type activities.** Business-type activities increased the District's net position by \$4,456,164.

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

**Capital assets.** Brunswick Regional Water and Sewer H2GO's investment in capital assets for its business-type activities as of June 30, 2016, totals \$41,366,871 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Continued progress on capital projects and infrastructure expansion
- Acquisition of vehicles

#### Brunswick Regional Water and Sewer H2GO's Capital Assets

Figure 4

	<u>(Net of Depreciation)</u>	
	<b>Business-Type</b>	
	<b>Activities</b>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,049,105	\$ 1,049,105
Buildings	71,129	78,060
Vehicles and Equipment	252,025	293,061
Water and Sewer System	38,270,575	38,911,859
Construction in Progress	1,724,037	574,738
Total	<u>\$ 41,366,871</u>	<u>\$ 40,906,823</u>

Additional information on the District's capital assets can be found on page 31 in the Notes to the Financial Statements.

**Long-term Debt.** As of June 30, 2016, Brunswick Regional Water and Sewer H2GO had total long-term debt outstanding of \$7,059,598. Of this, \$0- is debt backed by the full faith and credit of Brunswick Regional Water and Sewer H2GO.

#### Brunswick Regional Water and Sewer H2GO's Outstanding Debt Revenue Bonds and Interlocal Agreements

Figure 5

	<b>Business-Type</b>	
	<b>Activities</b>	
	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ 5,641,877	\$ 6,054,285
Interlocal Agreements	1,417,721	1,627,824
Total	<u>\$ 7,059,598</u>	<u>\$ 7,682,109</u>

Brunswick Regional Water and Sewer H2GO's total debt decreased by \$622,511 during the fiscal year.

## **Management's Discussion and Analysis (Continued)**

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Additional information regarding Brunswick Regional Water and Sewer H2GO's long-term debt can be found beginning on page 38 in the Notes to the Financial Statements.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

Water and sewer revenues are expected to increase for the 16-17 budget year. General operating expenses will increase as compared to the previous year.

### **Requests for Information**

This report is designed to provide an overview of the District finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the following:

**Scott Hook  
Finance Officer  
Brunswick Regional Water and Sewer H2GO  
P.O. Box 2230  
Leland, NC 28451**



## ***Basic Financial Statements***

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**BRUNSWICK REGIONAL WATER & SEWER H2GO**  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2016

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 18,629,050
Accounts Receivable (net)	1,956,197
Due from Other Governments	55,484
Inventory	97,908
Restricted Cash and Investments	871,918
<b>Total Current Assets</b>	<u>21,610,557</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	2,773,142
Other Capital Assets, Net of Depreciation	38,593,729
Total Capital Assets	<u>41,366,871</u>
<b>Total Noncurrent Assets</b>	<u>41,366,871</u>
<b>Total Assets</b>	<u>62,977,428</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to Pension Plan in Current Fiscal Year	79,596
Pension Deferrals	345
<b>Total Deferred Outflows of Resources</b>	<u>\$ 79,941</u>



**BRUNSWICK REGIONAL WATER & SEWER H2GO**  
Statement of Fund Net Position (Continued)  
Proprietary Fund  
June 30, 2016

	<u>Water and Sewer Fund</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities	\$ 220,912
Customer Deposits	871,918
Revenue Bonds Payable - Current	420,656
Interlocal Agreements	214,093
<b>Total Current Liabilities</b>	<u>1,727,579</u>
<b>Noncurrent Liabilities</b>	
Net Pension Liability	96,850
Compensated Absences Payable	84,150
Revenue Bonds Payable - Noncurrent	5,221,221
Interlocal Agreements	1,203,628
<b>Total Noncurrent Liabilities</b>	<u>6,605,849</u>
<b>Total Liabilities</b>	<u>8,333,428</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Deferrals	50,338
<b>Total Deferred Inflows of Resources</b>	<u>50,338</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets Unrestricted	34,307,273
	<u>20,366,330</u>
<b>Total Net Position</b>	<u>\$ 54,673,603</u>



**BRUNSWICK REGIONAL WATER & SEWER H2GO**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016

	<b>Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 5,695,575
Impact Fees	1,990,275
Administrative Fees	32,922
Irrigation Fees	1,065,067
Meter Purchase and Tap Fees	161,938
Recovery Fees	633,150
Penalties and Interest	90,677
Other Operating Revenues	822,366
<b>Total Operating Revenues</b>	<u>10,491,970</u>
<b>Operating Expenses</b>	
Administration	1,383,058
Water Distribution	2,690,784
Wastewater Collection	1,193,875
Wastewater Treatment	241,172
Depreciation	1,020,042
<b>Total Operating Expenses</b>	<u>6,528,931</u>
<b>Operating Income (Loss)</b>	<u>3,963,039</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment Earnings	343,498
Interest Expense	(145,524)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>197,974</u>
<b>Income (Loss) before Contributions and and Transfers</b>	4,161,013
Capital Contributions	295,151
<b>Change in Net Position</b>	4,456,164
<b>Net Position - Beginning of Year</b>	<u>50,217,439</u>
<b>Net Position - End of Year</b>	<u><u>\$ 54,673,603</u></u>

**BRUNSWICK REGIONAL WATER & SEWER H2GO**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2016

	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Users	\$ 10,339,586
Cash Paid for Goods and Services	(3,813,318)
Cash Paid to Employees for Services	(1,701,820)
Customer Deposits Received	158,000
Customer Deposits Returned	(85,930)
<b>Net Cash Provided(Used) by Operating Activities</b>	<u>4,896,518</u>
<b>Cash Flows from Capital Financing Activities</b>	
Acquisition of Capital Assets	(1,184,939)
Interest Paid on Debt	(145,524)
Principal Paid on Debt	(622,511)
<b>Net Cash Provided(Used) by Capital Financing Activities</b>	<u>(1,952,974)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>343,498</u>
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	3,287,042
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>16,213,926</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 19,500,968</u></u>

**BRUNSWICK REGIONAL WATER & SEWER H2GO**  
Statement of Cash Flows (Continued)  
Proprietary Fund  
For the Year Ended June 30, 2016

	<u>Water and Sewer Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
<b>Operating Income (Loss)</b>	<u>\$ 3,963,039</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Depreciation	1,020,042
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(152,384)
(Increase) Decrease in Inventory	(23,937)
(Increase) Decrease in Due from Other Governments	(21,566)
(Increase) Decrease in Net Pension Asset	120,072
(Increase) Decrease in Deferred Outflows of Resources for Pensions	(2,077)
Increase (Decrease) in Net Pension Liability	96,850
Increase (Decrease) in Deferred Inflows of Resources for Pensions	(242,308)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	53,533
Increase (Decrease) in Customer Deposits	72,070
Increase (Decrease) in Compensated Absences Payable	13,184
<b>Total Adjustments</b>	<u>933,479</u>
<b>Net Cash Provided(Used) by Operating Activities</b>	<u>\$ 4,896,518</u>



**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 110,311
Accounts Receivable	84,945
<b>Total Assets</b>	<u>195,256</u>
<b>LIABILITIES</b>	
Accounts Payable	-
<b>Total Liabilities</b>	<u>-</u>
<b>NET POSITION</b>	
Assets Held in Trust (Fiduciary Net Position)	<u>195,256</u>
<b>Total Net Position</b>	<u>\$ 195,256</u>

## BRUNSWICK REGIONAL WATER AND SEWER H2GO

Notes to the Financial Statements  
For the Year Ended June 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brunswick Regional Water and Sewer H2GO conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The Brunswick Regional Water and Sewer H2GO is a municipal corporation that is governed by a five-member board. As required by generally accepted accounting principles, these financial statements present the District. The District does not have any component units that should be presented.

#### B. Basis of Presentation

The Brunswick Regional Water and Sewer H2GO is a single enterprise fund, the Water and Sewer Fund, which is used to account for the District's water and sewer operations.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The District reports the following major enterprise fund.

**Water and Sewer Fund.** This fund is used to account for the District's water and sewer operations.

The District reports the following fund type.

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the District holds on behalf of others. The District maintains the Leland Sewer Trust Agency Fund, which accounts for sewer for the Leland sewer district.

#### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the District are maintained during the year using the modified accrual basis of accounting.

*Proprietary Fund Financial Statements.* The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



## BRUNSWICK REGIONAL WATER AND SEWER H2GO

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 District are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### D. Budgetary Data

The District's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund and the Enterprise Fund Capital Reserve Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

##### 1. Deposits and Investments

All deposits of the District are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The District may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the District to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The District's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**2. Cash and Cash Equivalents**

All cash is essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Customer deposits held by the District before any services are supplied are restricted to the service for which the deposit was collected.

<b>Restricted Cash</b>	
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 871,918
Total Restricted Cash	<u>\$ 871,918</u>

**4. Unbilled Service Revenues**

An amount of \$649,794 has been accrued for estimated water and sewer usage and minimum fees earned, but not billed through June 30, 2016.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and reviewing the remaining balances due to the District. As of June 30, 2016 the District reported an allowance for doubtful accounts in the amount of \$70,000.

**6. Inventory and Prepaid Items**

The inventories of the District are valued at cost (first-in, first-out), which approximates market. The inventories of the District's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

## BRUNSWICK REGIONAL WATER AND SEWER H2GO

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

##### 7. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: machinery, equipment and vehicles, \$10,000 and land, buildings and infrastructure, \$100,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 are not recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Water Distribution System	50
Buildings	40
Other Equipment	5-10
Vehicles	5
Intangible Assets	15

##### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 and so will not be recognized as an expense or expenditure until then. The District has two items that meet this criterion, contributions made to the pension plan in the 2016 fiscal year and pension deferrals. In addition to liabilities, the statement of financial 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 net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets this criterion, deferrals of pension expense that result from the implementation of GASB Statement 68.

##### 9. Long-Term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

## BRUNSWICK REGIONAL WATER AND SEWER H2GO

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

##### 10. Compensated Absences

The vacation policy of the District provides that an employee shall earn 6 days of vacation during the first year of employment, 12 days during the second through fourth years of employment, 18 days during the fifth through ninth year of employment, and 24 days for ten or more years of employment. The vacation policy provides for an unlimited accumulation of earned vacation days. Vacation is fully vested when earned. The District has assumed the last-in, first-out method of using accumulated compensation time.

The District's sick leave policy provides for an accumulation of 8 hours of sick leave per month of employment. There is no limit on the accumulation of earned sick leave. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

##### 11. Net Position/Fund Balances

###### Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

##### 12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Brunswick Regional Water and Sewer H2GO employer contributions are recognized when due and the Brunswick Regional Water and Sewer H2GO has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the District are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the District's agents in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the District or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the District under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The District has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The District complies with the provisions of G.S. 159-31 when designing official depositories and verifying that deposits are properly secured.

At June 30, 2016, the District's deposits had a carrying amount of \$14,391,754 and a bank balance of \$14,484,669. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the District's petty cash funds totaled \$900.

**2. Investments**

At June 30, 2016, the Brunswick Regional Water and Sewer H2GO had the following investments and maturities.

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
Government Agency: Federal Home Loan Bank	Fair Value Level 1	\$ 2,026,165	10 years	AAA
Government Agency: Federal Home Loan Mortgage Corp	Fair Value Level 1	300,147	6-10 years	AAA
Government Agency: Federal Home Loan Mortgage Corp	Fair Value Level 1	99,759	10-15 years	AAA
Government Agency: Federal National Mortgage Association	Fair Value Level 1	400,105	6-10 years	AAA
Government Agency: Federal National Mortgage Association	Fair Value Level 1	1,199,875	10-15 years	AAA
NC Capital Management Trust – Cash Portfolio	Amortized Cost	1,192,574	N/A	AAAm
<b>Total:</b>		<u>\$ 5,218,625</u>		

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**2. Investments (Continued)**

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The District does not have a formal investment policy that limits investment maturities as a means on managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The District limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The District's investments in Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2016.

*Concentration of Credit Risk.* The District places no limit on the amount that the District may invest in any one issuer. More than 5 % of the District's investments are in Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation securities. These investments are 39%, 31%, and 8% respectively of the District's total investments.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

Fund	06/30/2016
Enterprise Fund:	
Water and Sewer – Accounts Receivable	\$ 70,000
Total	\$ 70,000

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,049,105	\$ -	\$ -	\$ 1,049,105
Construction in Progress	574,738	1,149,299	-	1,724,037
Total capital assets not being depreciated	1,623,843	1,149,299	-	2,773,142
<b>Capital assets being depreciated:</b>				
Buildings	210,914	-	-	210,914
Equipment	223,451	-	-	223,451
Vehicles	962,247	35,640	-	997,887
Water System	46,705,466	295,151	-	47,000,617
Total capital assets being depreciated	48,102,078	330,791	-	48,432,869
<b>Less accumulated depreciation for:</b>				
Buildings	132,854	6,931	-	139,785
Equipment	82,190	26,438	-	108,628
Vehicles	810,447	50,238	-	860,685
Water System	7,793,607	936,435	-	8,730,042
Total accumulated depreciation	8,819,098	1,020,042	-	9,839,140
Total capital assets being depreciated, net	39,282,980			38,593,729
<b>Water and Wastewater Fund capital assets, net</b>	<b>\$ 40,906,823</b>			<b>\$ 41,366,871</b>

**Construction Commitments**

The district has active construction projects as of June 30, 2016. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water and Sewer Construction	\$ 1,847,501	\$ 5,333,886
Total	\$ 1,847,501	\$ 5,333,886

## BRUNSWICK REGIONAL WATER AND SEWER H2GO

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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### II. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities

##### 1. Pension Plan Obligations

###### a. Local Governmental Employees' Retirement System

**Plan Description.** The Brunswick Regional Water and Sewer H2GO is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Brunswick Regional Water and Sewer H2GO employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Brunswick Regional Water and Sewer H2GO's contractually required contribution rate for the year ended June 30, 2016, was 6.67% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the District were \$79,596 for the year ended June 30, 2016.



**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

*Refunds of Contributions* – District employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the District reported a liability of \$96,850 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the District's proportion was 0.02158%, which was an increase of 0.00122% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$27,463. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 22,765
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	27,573
Changes in proportion and differences between District contributions and proportionate share of contributions	345	-
District contributions subsequent to the measurement date	79,596	-
Total	\$ 79,941	\$ 50,338

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

\$79,596 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2017	\$ (32,023)
2018	(32,023)
2019	(31,989)
2020	46,042
2021	-
Thereafter	-
Total	\$ (49,993)

**Actuarial Assumptions.** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension asset to changes in the discount rate.* The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability (asset)	\$ 675,349	\$ 96,850	\$ (390,522)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**b. Supplemental Retirement Income Plan**

*Plan Description.* The District contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to those employed by Brunswick Regional Water and Sewer H2GO. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Supplemental Retirement Income Plan (Continued)**

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Brunswick Regional Water and Sewer H2GO to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$81,289, which consisted of \$54,880 from the District and \$26,409 from the employees.

**2. Deferred Outflows and Inflows of Resources**

The District has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

	Unavailable Revenue	Unearned Revenue
Contributions to Pension Plan in Current Fiscal Year	\$ 79,596	\$ -
Pension Deferrals	345	-
Total	<u>\$ 79,941</u>	<u>\$ -</u>

Deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
Pension Deferrals	50,338	-
Total	<u>\$ 50,338</u>	<u>\$ -</u>

**3. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools the District obtains general liability of \$3 million and auto liability of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$5 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$1,000,000 and \$5,000,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**3. Risk Management (Continued)**

The District carries no flood insurance through the National Flood Insurance Plan (NFIP), as they are considered to be in a low-risk area.

The District carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the District's employees that have access to \$100 or more at any given time of the District's funds are performance bonded through a commercial surety bond. The finance officer and director are each individually bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000 per occurrence.

**4. Claims, Judgments and Contingent Liabilities**

At June 30, 2016, the District had several condemnation actions pending in which it is the plaintiff and seeks to acquire the right of way for its sewer systems.

**5. Long-Term Obligations**

**a. Revenue Bonds**

Effective July 2012, the District refinanced the following revenue bonds by issuing Water and Sewer Revenue Bonds, Series 2012 in the amount of \$6,855,000: Sewer System Revenue bonds, Series 2004A in the amount of \$2,752,000, Sewer System Revenue bonds, Series 2004B in the amount of \$1,303,000, Sewer System Revenue bonds, Series 2006 in the amount of \$2,095,000, and Sewer System Revenue Bonds, Series 2006B in the amount of \$705,000.

Debt at June 30, 2016 is comprised of the following:

Sewer System Revenue Bonds, Series 2012, due in annual principal payments ranging from \$412,408 to \$523,033, plus interest at 2.0 percent through July 2027.	<u>\$ 5,641,877</u>
Total Revenue Bonds	<u>\$ 5,641,877</u>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****5. Long-Term Obligations (Continued)****a. Revenue Bonds (Continued)**

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 420,656	\$ 112,838
2018	429,069	104,424
2019	437,651	95,843
2020	446,404	87,090
2021	455,332	78,162
2022-2026	2,416,956	250,514
2027-2028	1,035,809	31,179
Total	<u>\$ 5,641,877</u>	<u>\$ 760,050</u>

The District is in compliance with the covenants as to rates, fees, rentals and charges in Section 5.01 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2012. Section 5.01(c)(3) of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2016, is as follows:

Operating revenues	\$ 10,491,970
Operating expenses*	<u>5,508,889</u>
Operating income	4,983,081
Nonoperating revenues (expenses)**	<u>343,498</u>
Income available for debt service	5,326,591
Debt service, principal and interest paid (Subordinated Indebtedness only)	-
Debt service, principal and interest paid (Other Improvements to System Financing only)	<u>243,554</u>
Income available for debt service (before Revenue Bond)	5,570,133
Debt service, principal and interest paid (Revenue bond only)	\$ 533,494
Debt service coverage ratio	1044%

\* Per rate covenants, this does not include the depreciation expense of \$1,020,042.

\*\* Per rate covenants, this does not include interest of \$145,524.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**5. Long-Term Obligations (Continued)**

**b. Interlocal Agreements**

The District has incurred the following liability through joint service agreements with Brunswick County. In these agreements, the District shares in the costs and debt of certain sewer infrastructure financed by the County. These agreements require principal payments due annually with semiannual interest payments, at an annual interest rate of 1.84% to 2.18%.

Annual debt service requirements to maturity for interlocal agreements are as follows:

Year Ending June 30	Business Type Activities	
	Principal	Interest
2017	\$ 214,093	\$ 29,042
2018	219,113	24,548
2019	223,143	19,947
2020	228,194	15,263
2021	233,274	10,471
2022-2024	299,904	6,138
Total	\$ 1,417,721	\$ 105,409

**c. Changes in Long-Term Liabilities**

Business-type activities:	Balance 07/01/15	Increases	Decreases	Balance 06/30/16	Current Portion of Balance
Revenue Bonds	\$ 6,054,285	\$ -	\$ 412,408	\$ 5,641,877	\$ 420,656
Interlocal Agreements	1,627,824	-	210,103	1,417,721	214,093
Compensated Absences	70,966	13,184	-	84,150	-
Net Pension Liability (LGRS)	-	96,850	-	96,850	-
Business-type activity long-term liabilities	\$ 7,753,075	\$ 110,034	\$ 622,511	\$ 7,240,598	\$ 634,749

Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.



**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2016

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2016, consist of the following:

From the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund	\$	2,494,425
From the Water and Sewer Fund		
to the Water Line Extension Capital Project Fund		596,710
From the Water and Sewer Capital Reserve Fund		
to the Regional Lift Station Capital Project Fund		3,500,000
From the Compass Pointe Sewer Infrastructure Capital Project Fund		
to the Water and Sewer Fund		<u>181,377</u>
Total	\$	<u>6,772,512</u>

Transfers are used to move unrestricted revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

**III. NET INVESTMENT IN CAPITAL ASSETS**

Capital Assets	\$	41,366,871
Less: Long-Term Debt		(7,059,598)
Add: Unexpended Debt Proceeds		-
Net Investment in Capital Assets	\$	<u>34,307,273</u>

**IV. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 2, 2016, which is the date the financial statements were available to be issued.



***Required Supplementary  
Financial Data***

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**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
 Proportionate Share of Net Pension Liability (Asset)  
 Required Supplementary Information  
 Last Three Fiscal Years\*

**Local Government Employees' Retirement System**

	2016	2015	2014
Brunswick Regional Water and Sewer H2GO's proportion of the net pension liability (asset) (%)	0.02158%	0.02036%	0.01960%
Brunswick Regional Water and Sewer H2GO's proportion of the net pension liability (asset) (\$)	\$ 96,850	\$ (120,072)	\$ 236,255
Brunswick Regional Water and Sewer H2GO's covered-employee payroll	\$ 1,097,680	\$ 1,011,774	\$ 944,361
Brunswick Regional Water and Sewer H2GO's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.82%	(11.87%)	25.02%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\*This will be the same percentage for all participant employers in the LGERS plan.

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
 Brunswick Regional Water and Sewer H2GO's Contributions  
 Required Supplementary Information  
 Last Three Fiscal Years

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**Local Government Employees' Retirement System**

	2016	2015	2014
Contractually required contribution	\$ 79,596	\$ 77,606	\$ 71,532
Contributions in relation to the contractually required contribution	79,596	77,606	71,532
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Brunswick Regional Water and Sewer H2GO's covered employee payroll	\$ 1,193,340	\$ 1,097,680	\$ 1,011,774
Contributions as a percentage of covered-employee payroll	6.67%	7.07%	7.07%

**H<sub>2</sub>GO**

The logo features the text "H<sub>2</sub>GO" in a bold, sans-serif font. The "H" and "2" are blue, while "GO" is black. A blue arrow originates from the bottom of the "2" and points to the right, where it meets a green arrow that continues to the right.

***Individual Fund Statements and Schedules***

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**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Water and Wastewater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Operating Revenues</b>			
Water Charges		\$ 3,215,743	
Sewer Charges		2,479,832	
Impact Fees		1,425,275	
Administrative Fees		32,922	
Irrigation Fees		1,065,067	
Meter Purchase and Taps		161,938	
Recovery Fees		633,150	
Penalties and Interest		90,677	
Other Operating Revenues		822,366	
<b>Total Operating Revenues</b>	<b>\$ 9,602,230</b>	<b>9,926,970</b>	<b>\$ 324,740</b>
<b>Nonoperating Revenues</b>			
Investment Earnings	130,000	133,522	3,522
Gain(Loss) on Investments	-	209,976	209,976
<b>Total Nonoperating Revenues</b>	<b>130,000</b>	<b>343,498</b>	<b>213,498</b>
<b>Total Revenues</b>	<b>9,732,230</b>	<b>10,270,468</b>	<b>538,238</b>
<b>Expenditures</b>			
<b>Administration</b>			
Salaries and Wages		785,605	
Operating Expenditures		610,816	
Debt Service			
Principal Retirement		622,511	
Interest and other charges		145,524	
<b>Total Administration</b>	<b>2,366,478</b>	<b>2,164,456</b>	<b>202,022</b>
<b>Water Distribution</b>			
Salaries and Wages		488,584	
Operating Expenditures		2,209,200	
Capital Outlay		35,640	
<b>Total Water Distribution</b>	<b>2,945,199</b>	<b>2,733,424</b>	<b>211,775</b>
<b>Wastewater Collections</b>			
Salaries and Wages		343,463	
Operating Expenditures		856,031	
Capital Outlay		-	
<b>Total Wastewater Collections</b>	<b>1,284,272</b>	<b>1,199,494</b>	<b>84,778</b>
<b>Wastewater Treatment</b>			
Salaries and Wages		84,168	
Operating Expenditures		158,485	
Capital Outlay		-	
<b>Total Wastewater Treatment</b>	<b>297,348</b>	<b>242,653</b>	<b>54,695</b>
<b>Total Expenditures</b>	<b>6,893,297</b>	<b>6,340,027</b>	<b>553,270</b>



**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
Water and Wastewater Fund  
Schedule of Revenues and Expenditures (Continued)  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2016

<b>Revenue Over (Under) Expenditures</b>	<u>\$ 2,838,933</u>	<u>\$ 3,930,441</u>	<u>\$ 1,091,508</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	-	-	-
Transfers In:			
Compass Pointe Sewer Infrastructure CPF	181,377	181,377	-
Transfers Out:			
Water and Sewer CRF	(3,020,310)	(2,494,425)	525,885
Regional Lift Station CPF	-	-	-
Water Line Extension CPF	-	(596,710)	(596,710)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,838,933)</u>	<u>(2,909,758)</u>	<u>(70,825)</u>
<b>Revenue Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ 1,020,683</u>	<u>\$ 1,020,683</u>

**Reconciliation from Budgetary Basis  
(Modified Accrual) to Full Accrual:**

Revenue Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ 1,020,683</u>
Reconciling Items:	
Depreciation Expense	(1,020,042)
Capital Outlay	35,640
Contributed Capital	295,151
Principal Retirement	622,511
Increase (Decrease) in Net Pension Asset	(120,072)
Increase (Decrease) in Deferred outflows of to pension plan in current fiscal year	2,077
(Increase) Decrease in Net Pension Liability	(96,850)
(Increase) Decrease in Deferred Inflows of Resources for Pension Deferrals	242,308
Transfers Out	
Water and Sewer CRF	2,494,425
Water Line Extension CPF	596,710
Transfers In	
Compass Pointe Sewer Infrastructure CPF	(181,377)
Impact Fees	
Compass Pointe Sewer Infrastructure CPF	423,000
Recovery Fees	
Compass Pointe Sewer Infrastructure CPF	142,000
Total Reconciling Items	<u>3,435,481</u>
<b>Change in Net Position</b>	<u>\$ 4,456,164</u>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Water and Sewer Capital Reserve Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2016

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Investment Earnings</b>			
Interest	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
Water and Wastewater Fund	2,423,600	2,494,425	70,825
Transfers out:			
Regional Lift Station CPF	(3,500,000)	(3,500,000)	-
Appropriated Fund Balance	1,076,400	-	(1,076,400)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(1,005,575)</u>	<u>(1,005,575)</u>
<b>Revenues and Other Sources Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ (1,005,575)</u>	<u>\$ (1,005,575)</u>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**

Water and Sewer Debt Service Reserve Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2016

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Investment Earnings			
Interest	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Fund Balance Appropriated	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and Other Sources Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
Wastewater Treatment Plant Capital Project Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2016

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
<b>Revenues</b>					
Sales Tax Refunds	\$ 152,000	\$ 114,544	\$ -	\$ 114,544	\$ (37,456)
<b>Total Revenues</b>	<b>152,000</b>	<b>114,544</b>	<b>-</b>	<b>114,544</b>	<b>(37,456)</b>
<b>Expenditures</b>					
Equipment & Electrical Package	370,000	370,000	-	370,000	-
Engineering	934,000	918,163	-	918,163	15,837
Legal Fees	535,000	519,854	-	519,854	15,146
Construction	4,290,000	4,536,527	-	4,536,527	(246,527)
Line Upgrade	253,000	-	-	-	253,000
Contingency	-	-	-	-	-
<b>Total Expenditures</b>	<b>6,382,000</b>	<b>6,344,544</b>	<b>-</b>	<b>6,344,544</b>	<b>37,456</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(6,230,000)</b>	<b>(6,230,000)</b>	<b>-</b>	<b>(6,230,000)</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>					
Appropriated Fund Balance	-	-	-	-	-
Transfers in: Water and Sewer CRF	6,230,000	6,230,000	-	6,230,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>6,230,000</b>	<b>6,230,000</b>	<b>-</b>	<b>6,230,000</b>	<b>-</b>
<b>Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
Water Treatment Plant Capital Project Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2016

	Actual				
	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Impact Fees	\$ 1,163,805	\$ -	\$ -	\$ -	\$ (1,163,805)
Interest	-	-	-	-	-
<b>Total Revenues</b>	1,163,805	-	-	-	(1,163,805)
<b>Expenditures</b>					
Construction	271,355	271,355	-	271,355	-
Engineering Fees	2,217,450	456,030	964,943	1,420,973	796,477
Legal Fees	110,000	-	-	-	110,000
Property Acquisition	200,000	-	-	-	200,000
Raw Water Line	1,200,000	-	-	-	1,200,000
Testing/Design	265,000	-	-	-	265,000
Pilot Plant	900,000	-	-	-	900,000
Contingency	-	-	-	-	-
<b>Total Expenditures</b>	5,163,805	727,385	964,943	1,692,328	3,471,477
<b>Revenues Over (Under) Expenditures</b>	(4,000,000)	(727,385)	(964,943)	(1,692,328)	2,307,672
<b>Other Financing Sources (Uses)</b>					
Transfers in:					
Water and Sewer	-	4,000,000	-	4,000,000	4,000,000
Water and Sewer CRF	4,000,000	1,163,805	-	1,163,805	(2,836,195)
<b>Total Other Financing Sources (Uses)</b>	4,000,000	5,163,805	-	5,163,805	1,163,805
<b>Revenues and Other Sources Over (Under) Expenditures</b>	\$ -	\$ 4,436,420	\$ (964,943)	\$ 3,471,477	\$ 3,471,477

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
 Water Line Extension Capital Project Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2016

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
<b>Revenues</b>					
Investment Earnings					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
Engineering	240,000	211,287	20,720	232,007	7,993
Construction	1,420,000	779,392	18,923	798,315	621,685
<b>Total Expenditures</b>	<b>1,660,000</b>	<b>990,679</b>	<b>39,643</b>	<b>1,030,322</b>	<b>629,678</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,660,000)</b>	<b>(990,679)</b>	<b>(39,643)</b>	<b>(1,030,322)</b>	<b>629,678</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in:					
Water and Sewer Fund	1,360,360	2,460,360	596,710	3,057,070	1,696,710
Appropriated Fund Balance	299,640	-	-	-	(299,640)
<b>Total Other Financing Sources (Uses)</b>	<b>1,660,000</b>	<b>2,460,360</b>	<b>596,710</b>	<b>3,057,070</b>	<b>1,397,070</b>
<b>Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 1,469,681</b>	<b>\$ 557,067</b>	<b>\$ 2,026,748</b>	<b>\$ 2,026,748</b>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
 Compass Pointe Sewer Infrastructure Capital Project Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2016

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
<b>Revenues</b>					
Operating Revenues					
Impact Fees	\$ 7,500,000	\$ 1,220,400	\$ 423,000	\$ 1,643,400	\$ (5,856,600)
Recovery Fees	2,500,000	409,000	142,000	551,000	(1,949,000)
<b>Total Revenues</b>	<b>10,000,000</b>	<b>1,629,400</b>	<b>565,000</b>	<b>2,194,400</b>	<b>(7,805,600)</b>
<b>Expenditures</b>					
Engineering	60,000	44,456	14,577	59,033	967
Construction	600,000	-	26,642	26,642	573,358
Contingencies	7,525,729	-	-	-	7,525,729
<b>Total Expenditures</b>	<b>8,185,729</b>	<b>44,456</b>	<b>41,219</b>	<b>85,675</b>	<b>8,100,054</b>
<b>Revenues Over (Under) Expenditures</b>	<b>1,814,271</b>	<b>1,584,944</b>	<b>523,781</b>	<b>2,108,725</b>	<b>294,454</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out:					
Water and Wastewater Fund	(1,814,271)	(510,837)	(181,377)	(692,214)	1,122,057
Appropriated Fund Balance	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,814,271)</b>	<b>(510,837)</b>	<b>(181,377)</b>	<b>(692,214)</b>	<b>1,122,057</b>
<b>Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 1,074,107</b>	<b>\$ 342,404</b>	<b>\$ 1,416,511</b>	<b>\$ 1,416,511</b>

**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
Regional Lift Station Capital Project Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2016

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
<b>Revenues</b>					
Impact Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
<b>Total Revenues</b>	-	-	-	-	-
<b>Expenditures</b>					
Administration	37,000	-	-	-	37,000
Construction	3,000,000	-	-	-	3,000,000
Engineering Fees	320,000	-	103,494	103,494	216,506
Easements	140,000	-	-	-	140,000
Permits and Licenses	3,000	-	-	-	-
Contingency	-	-	-	-	-
<b>Total Expenditures</b>	3,500,000	-	103,494	103,494	3,393,506
<b>Revenues Over (Under) Expenditures</b>	(3,500,000)	-	(103,494)	(103,494)	3,396,506
<b>Other Financing Sources (Uses)</b>					
Transfers in:					
Water and Sewer CRF	3,500,000	-	3,500,000	3,500,000	-
<b>Total Other Financing Sources (Uses)</b>	3,500,000	-	3,500,000	3,500,000	-
<b>Revenues and Other Sources Over (Under) Expenditures</b>	\$ -	\$ -	\$ 3,396,506	\$ 3,396,506	\$ 3,396,506



**BRUNSWICK REGIONAL WATER AND SEWER H2GO**  
 Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b><u>Leland</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 100,618	\$ 1,299,793	\$ 1,290,100	\$ 110,311
Accounts Receivable	79,863	1,304,875	1,299,793	84,945
Total Assets	<u>180,481</u>	<u>2,604,668</u>	<u>2,589,893</u>	<u>195,256</u>
<b>Liabilities</b>				
Accounts Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Held in Trust (Fiduciary Net Position)	<u>\$ 180,481</u>	<u>\$ 2,604,668</u>	<u>\$ 2,589,893</u>	<u>\$ 195,256</u>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 100,618	\$ 1,299,793	\$ 1,290,100	\$ 110,311
Accounts Receivable	79,863	1,304,875	1,299,793	84,945
Total Assets	<u>180,481</u>	<u>2,604,668</u>	<u>2,589,893</u>	<u>195,256</u>
<b>Liabilities</b>				
Accounts Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Held in Trust (Fiduciary Net Position)	<u>\$ 180,481</u>	<u>\$ 2,604,668</u>	<u>\$ 2,589,893</u>	<u>\$ 195,256</u>

**H<sub>2</sub>GO**

The logo features the text "H<sub>2</sub>GO" in a bold, sans-serif font. The "H" and "2" are blue, while the "GO" is black. A blue arrow points to the right from the bottom of the "2", and a green arrow points to the right from the bottom of the "O".