

Greer Commission of Public Works

Greer, South Carolina

Comprehensive Annual
Financial Report

Years ended December 31, 2008 and 2007

Issued by
Finance Department

Greer Commission of Public Works

Greer, South Carolina

December 31, 2008 and 2007

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Commissioners
Jeffrey M. Howell, Chairman
Eugene G. Gibson

General Manager
Nick W. Stegall

April 17, 2009

To the customers of the Greer Commission of Public Works, Greer, South Carolina:

INTRODUCTION

The Comprehensive Annual Financial Report of the Commission of Public Works (the “Commission”) for the fiscal year ended December 31, 2008, is hereby submitted. This report was prepared by the Commission’s financial staff and external auditors, and conforms to the guidelines of the Governmental Finance Officers Association and General Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Commission is in compliance with the Governmental Accounting Standard’s Board Statement No. 34, entitled “Basic Financial Statements – For State and Local Governments’ (hereafter referred to as GASB Statement No. 34). Responsibility for both accuracy of the data and the completeness and fairness of the presentation rests with the Commission. To provide a reasonable basis for making these representations, management of the Commission has established a comprehensive internal control framework that is designed both to protect the Commission’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commission’s financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the Commission’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Commission. All disclosures, necessary to enable the reader to gain an understanding of the Commission’s financial activities, have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, a list of Commissioners and operating officers, and the Commission’s organizational chart. The financial section includes Managements Discussion and Analysis, the independent auditor’s report, the basic financial statements, notes to the financial statements, and supplemental schedules. The statistical section includes selected unaudited financial and demographic information generally presented on a multi-year basis. The compliance section includes the report on audits performed in accordance with *Government Auditing Standards*.

The Commission's financial statements have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission are free of material misstatement. As part of their audit, the independent auditors examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; and evaluated the overall financial statement presentation. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Commission's MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE COMMISSION

The Commission of Public Works formally came into existence pursuant to a citywide election in 1913, for the purposes of providing electricity, water distribution and sewer collection and treatment to the residents of the municipality. In 1950, the City of Greer's City Council enacted an ordinance to combine the previously separate systems of the Commission. In 1958, the City Council enacted an ordinance which founded a natural gas unit to be added to what is now the present-day "System".

Designation of management, contractual and budgetary authority, funding of deficits, responsibility for debt, setting of rates, and fiscal management of the affairs of the Commission are the exclusive responsibility of the Commission of Public Works. The Commission makes recommendations to City Council for the issuance of bonds, but is otherwise authorized under the laws of the State of South Carolina to have full control and management of the System. The laws of the State of South Carolina provide for three Commissioners to be elected by the public for six-year, staggered terms.

Waterworks Unit

The Waterworks unit of the Commission was established in 1914. The Commission owns and manages two raw water reservoirs: Lake Cunningham and Lake Robinson. Lake Cunningham is the Commission's primary water supply and was constructed on the South Tyger River in 1957 and is approximately 280 surface acres in size. Lake Robinson was constructed in 1984 and includes approximately 800 surface acres, and acts as a secondary water supply located just north of Lake Cunningham.

The Commission's water treatment facility is located at Lake Cunningham and has a treatment capacity of 24 million gallons per day (MGD). This plant was expanded from an 8 MGD facility to a capacity of 16 MGD in 1992, and recently completed a second upgrade to a capacity level of 24 MGD to provide for future growth capacity. The water distribution system operates on two gradient levels, a high level system and a low level system. The high level system operates from two elevated storage tanks, one with

1,000,000 gallons of storage capacity and the other with 750,000 gallons of storage capacity. The low level system operates from three elevated storage tanks, with individual storage capacities of 1,750,000, 500,000 and 500,000 gallons respectively. The Commission supplies potable water to approximately 16,870 customers and serves all of the population within the City limits and surrounding areas.

Sewer Unit

The Sewer unit of the Commission was established in 1914 and provides wastewater collection, treatment and disposal by means of its sole wastewater treatment facility. The Maple Creek treatment facility was placed into operation by the Commission in the 1950s. This facility presently experiences an average daily processing flow of 1.91 MGD, with a current capacity of 4.5 MGD. The plant was originally constructed with a capacity of 1.75 MGD, but was subsequently upgraded in 1997 and 2000 to capacities of 3.0 MGD and 4.5MGD, respectively. The Commission is currently upgrading this facility to a capacity of 5.0 MGD, which will provide for a pathway to future upgrades to 7.5 MGD and eventually 10.0 MGD to provide for additional capacity growth. The upgrade includes significant improvements to the headwork's, influent pumping, sludge handling facilities, and will provide ultra-violet treatment of the wastewater at the Maple Creek Plant. The upgrade also provides for an energy generation plant that will not only provide the energy needed for this plant, but will provide additional energy that can be added to the electrical system, and may generate significant load-side generation credits from our energy provider. Sewer collection for the Commission's approximately 10,890 customers is accomplished through approximately 70 miles of collector mains and outfall lines maintained by the Commission.

Electric Unit

The Electric unit was established in 1914 and provides for the generation and distribution of electricity to City residents. In 1927, the Commission ceased generating electricity and from that time initiated the purchase of power from outside electric utilities to provide its supply of electricity. Up until 1985, the Commission purchased from Duke Energy Company most of its electric power requirements in excess of allotments of power from Federally-owned facilities through the Southeastern Power Administration (SEPA). During 1985, the Commission began purchasing its primary supply of electrical power from the Piedmont Municipal Power Agency (PMPA), a joint public agency consisting of ten municipal participants, of which the Commission is a charter member.

The electric unit consists of ten circuits originating from the Duke Street electrical substation, six circuits from the County Club Road substation, and five circuits from the Suber Road Substation. Distribution of 12,470 volts of electricity is managed with approximately 190 miles of overhead distribution facilities and approximately 170 miles of underground facilities. The service area served by this unit is approximately 32.4 square miles, including the City limits and surrounding areas, and serves approximately 17,530 customers.

Gas Unit

The Natural Gas unit was established during 1957 and provides for distribution of natural gas to residents of the City and surrounding areas. The transmission originates on the Transcontinental Gas Pipeline Corporation (Transco) mainline in Crescent, South Carolina, from which point gas is transported to the City by means of an eight-inch high-pressure transmission line which is owned and maintained by the Commission. The Commission operates and maintains approximately 46 miles of high-pressure lines and approximately 683 miles of intermediate and distribution lines, along with 139 pressure-reducing and regulating stations. These distribution lines serve approximately 18,410 customers located from the City of Landrum, north of the City of Greer on Highway 14, to south of the City of Greer along Highway 101 towards the City of Woodruff, encompassing approximately 450 square miles.

FACTORS AFFECTING FINANCIAL CONDITIONS

Economy

Known for being the heart of the Greenville – Spartanburg region in the Upstate of South Carolina, located in the foothills of the Blue Ridge Mountains, the Greater Greer area continues to benefit from a flourishing economy. Partnerships between local and state governments and the private business sector continue to produce tremendous benefits for new and expanding businesses. The City of Greer currently covers approximately 27 square miles, making Greer one of the largest land area cities in South Carolina. The current economic outlook for Greer is extremely attractive. Unemployment rates continue to be estimated in the 7.9% to 9.4% range, in line with the national and state averages, and new capital investment into the area continues to decline. The Greer community has emerged as one of the highest income markets in the Greenville/Spartanburg metropolitan region.

Easy access to Interstate 85 and the Greenville – Spartanburg International Airport, and the availability of undeveloped land is resulting in the continued development of several industrial and business parks. The Upstate of South Carolina has one of the largest concentrations of international firms per capita than any other area of the United States. Many of the top international companies are located in the Greater Greer area, including BMW Manufacturing, Honeywell, Mitsubishi Polyester Film, Michelin North America, and Coats & Clark.

The future outlook for the Greater Greer area remains positive. The growth and development of new and expanding industry that has taken place in the past few years serves to diversify the tax base and create an even more vibrant economy while the Upstate transitions from a textile-based economy to one based on retail, distribution, manufacturing, chemical and health care. BMW Manufacturing is currently building its expansion of its BMW North America plant located in Greer to include the addition of approximately 500 new jobs, and over \$750 million of capital investment. The attraction of two area hospitals has enabled the Greater Greer Area to benefit from an estimated \$250

million capital investment and the development of a two major competing healthcare systems that will provide benefits to the residents with the most up-to-date technology for various medical procedures. This investment in the healthcare industry has also encouraged several medical facilities to locate in this area. The area located between Highways 14 and 101, on the east side of Interstate 85 has been determined to be a prime area for future growth, including several commercial and industrial ventures.

Long-Term Financial Planning

The Commission uses a variety of sources in the development of long-term financial planning and has developed the Capital Improvement Plan (CIP) that currently spans from 2009 until 2013. As the Greater Greer area continues to experience rapid growth, the Commission must continue to enhance the system capacity for each of its utilities in order to keep up with the effects of the growing demand. The Commission also must focus on the replacement or the rehabilitation of the aging water and sewer infrastructure, as well as keeping our water and wastewater treatment facilities in compliance with regulatory requirements. The CIP consists of various projects totaling approximately \$65 million and provides for the rehabilitation of existing infrastructure, development of expansion for the existing operations facility, and expansion of the wastewater treatment facility to meet the demands of growth and new regulations. While not all inclusive, the following projects highlight some of the major capital activities planned for the next several years:

Water System

Pleasant Grove Elevated Storage Tank, \$7,800,000 – Provides for a 1 million gallon Elevated Water Storage Tank that will be necessary to provide water requirements to southeast developing service area, with improvements to the Greenville-Spartanburg Airport, the Spartanburg Regional Hospital, and a 24" Transmission line to Interstate 85, while providing required fire flow protection to industrial customers located along the J. Verne Smith Parkway.

Sewer System

Maple Creek WWTP 7.5MGD Upgrade, \$14,000,000 – Project will complete necessary upgrades to accommodate future growth in the commercial, industrial and residential sectors and is expected to be sufficient to supply the wastewater needs of the system for the next 15 years, barring any addition of any unexpected major dischargers to the system. In anticipation of future growth, the infrastructure constructed in this upgrade can be easily retrofitted to allow a future capacity upgrade to 10 MGD with minimum construction requirements. Construction is expected to be complete during 2009.

Sewer Rehabilitation Project, \$4,000,000 – Project addresses on-going concerns of inflow and infiltration into parts of the sewer system that have been in operation for over 25 years. The purpose for the rehabilitation to the current system is to extend the life of the sewer treatment facility and the collection system, and to regain treatment capacity.

Abner Creek Collector System, \$5,000,000 – Project will provide sewer infrastructure south of Interstate 85 along Hwy 101 and will provide gravity sewer to the location of the Spartanburg District 5 elementary and middle schools. This collection system will also provide sewer to new and expanded industry along this area.

Gibb Shoals Collector System, \$1,000,000 - Project will provide a sewer collector system connecting to the new Western Carolina Regional Sewer Authority's trunk sewer line to serve the developing residential area along Gibb Shoals Road.

Bent Creek Pump Station Improvements, \$2,000,000 – Project will provide for the replacement and relocation of the current Sewer pump station to strategically accommodate growth and capacity needs.

Taylor Road to Memorial Drive Extension Rehabilitation, \$750,000 – Project provides for a parallel 12" sewer line to be put in place to decrease the overflows in the area between Taylor Road and Memorial Drive Extension.

Natural Gas System

South Carolina Highway 414 Transmission Lateral, \$3,200,000 – This Project will enable us to provide the Northwestern side of our gas system with high pressure (450 psi) natural gas. We currently know that our ability to grow is geared toward the northwestern section of our gas system and expect residential, small commercial and large commercial growth in this area. During the past few years, the Commission has been building our gas distribution system towards the area north of our service lines, and it is apparent that this transmission lateral will enable us to back feed our lower pressure (20 - 60 psi) system. An added benefit of this project is will be to better define our system jurisdiction. Our gas system is presently positioned between Piedmont Natural Gas' Greenville and Spartanburg systems. In the State of South Carolina, there are no defined jurisdictional areas and this would provide additional service area to our current gas system, while providing system stability and future growth.

Electric System

Blue Ridge Substation, \$3,000,000 – Project will serve the rapidly growing areas north of Greer. This region is slated to develop exponentially over the next couple years with three developments already planned in this area that will contain more than 2,000 homes and business.

Electric System Upgrade, \$4,135,000 – Project is an on-going project that addresses load issues, line size and reliability issues with our current electrical system. This is a system-wide upgrade that is being systematically performed based on the long-range utility plan developed for the electric system.

Cash Management Policies and Practices

The primary objective of the cash management policy of the Commission is to invest funds in a method which will ensure the preservation of capital while providing the highest investment return with the maximum security, meeting the cash flow demands of the Commission, and conforming to all state and local statutes governing the investment of public funds. The Commission attempts to maximize investment income while investing in obligations of the United States and its agencies, repurchase agreements, and certificates of deposits to the extent that they are collateralized by U.S. Treasuries and its agencies or general obligations of the State of South Carolina or any of its political units at market value or insured by the FDIC. Investment earnings totaled \$456,930 for fiscal year 2008.

Risk Management

The Commission maintains a Risk Management Program through the South Carolina State Budget and Control Board Office of Insurance Services. This all-inclusive plan includes vehicle comprehensive, collision and liability, building and personal property, inland marine, data processing, general tort liability and business income loss, fire, earthquake, flood and employees' bond coverage.

In addition to the traditional insurance coverage, an active safety program is employed at the Commission to facilitate the reduction of risks in the workplace. Safety in the workplace extends to all areas of employment at the Commission, not just the traditional high-risk areas. For this reason, all employees of the Commission are required to attend monthly safety meetings. Each department of the Commission is represented by an employee appointed by the department head to represent his/her respective department for a term of one year. The Committee reviews all safety policies and makes recommendations for further revisions and/or additions, as well as reports on the progress of projects and problems in our efforts to maintain a healthy and safe work environment. This committee also makes recommendations as to the safety goals that are to be met each year regarding accidents and loss-time accidents.

All employees and Commissioners participate in the South Carolina Retirement System (SCRS) a cost sharing, multiple employer defined benefit pension plan. This program was established by the South Carolina State Legislature for the benefit of public school employees, public higher education personnel, state employees, city, county and other local public personnel. Benefits include service and disability retirement, vesting rights and survivor allowances. The Commission additionally elected to participate in the group life insurance coverage for all of its employees, at a cost of .15% of covered payroll. Plan members are required to contribute 6.50% of the annual covered salary and the Commission's contribution is determined at an actuarial rate, which is currently 9.24% of annual covered payroll.

The Commission also provides post employment health and dental care benefits for certain retirees and their dependents. As of the end of 2008, there were 10 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. The Commission is

in compliance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additional information on the Commission's pension arrangements and post employment benefits can be found in the notes to the financials.

AWARDS

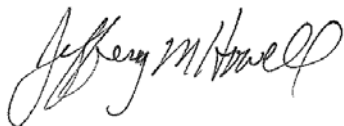
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended December 31, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


ACKNOWLEDGEMENTS

This report could not have been prepared without the efficient and dedicated services of all the Commission employees who assisted and contributed to its preparation. We would like to express sincere appreciation to our Commissioners for their vision, leadership and guidance in helping us provide high-quality services, information and education resulting in the best possible utility services at reasonable rates while protecting our natural resources and the environment.

Sincerely,



Jeffery M. Howell
Chairman



Charles E. Reynolds
Finance Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Greer Commission of Public Works South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

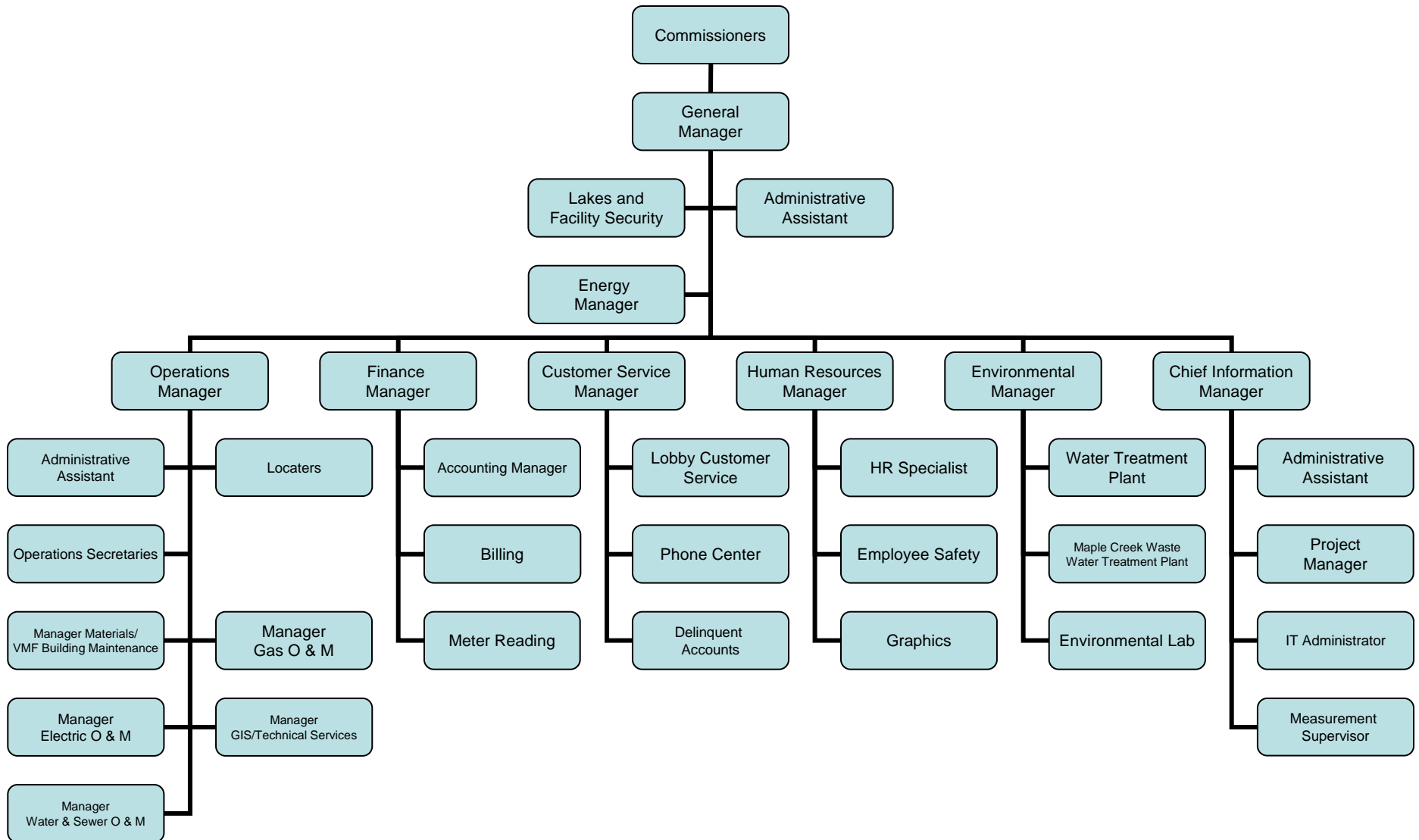


President

Executive Director

Greer Commission of Public Works

Organizational Chart



GREER COMMISSION OF PUBLIC WORKS
As of December 31, 2007

LIST OF PRINCIPAL OFFICIALS

Commissioners	Year Service Began	Position	Term Expires December 31,
Jeffrey M. Howell	1998	Chairman	2009
Eugene G. Gibson	1982	Commissioner	2013

Operating Officers	Year First Employed	Position
H. Jerry Balding	1988	General Manager
Charles E. Reynolds	2001	Finance Manager
Randall C. Olson	2003	Operations Manager
Tony E. Farr	1985	Electric Manager
Robert F. Rhodes	1978	Gas Manager
Thomas K. Holliday	2001	Human Resources Manager
Brian M. Forrester	1991	Information Technology Manager
Kandis C. Powell	1978	Materials Manager
Wendell O. Woodward	1971	Environmental Manager
Bradley M. Nelson	2006	Water Treatment Plant Manager
Kevin J. Reardon	2003	Water/Sewer Operations Manager
Charles E. Barnes	1979	Chief Lake Warden
Michael E. Watson	1981	Maple Creek Waste Water Treatment Plant
Freda Snow	1999	Customer Service Manager



Independent Auditors' Report

To the Board of Commissioners
of the Greer Commission of Public Works

We have audited the balance sheets of the Greer Commission of Public Works (the "Commission") as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements the Commission adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions*, changing its method of accounting for the cost of other post retirement employee benefits in the year ended December 31, 2008

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009 on our consideration of the Commission's internal control over financial reporting and on our tests of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and, accordingly, express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, the supplementary information included in Schedules 1 and 2 and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in Schedules 1 and 2 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cheng Beckert + Holland, C.C.P.

Greenville, South Carolina
April 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Greer Commission of Public Works' (Commission) annual financial statements presents our analysis of the Commission's financial performance during the Fiscal Year that ended on December 31, 2008. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Commission continued to show a solid financial position for fiscal year 2008. The Commission is well within its debt covenants and the more stringent financial policies and guidelines set by the Board and management. The following are financial highlights for 2008:

- The Commission's net assets increased by \$7,191,743, or 5.82 percent, for 2008 compared to \$6,596,725, or 5.64 percent, in 2007.
- During the year the Commission's operating revenues increased to \$80,157,818, which represents a 7.72 percent increase from the prior year. Operating revenues increased to \$74,411,108, or by 6.94 percent, in 2007.
- Total expenses increased to \$72,671,076, which represents a 6.71 percent increase from the prior year. Total expenses increased to \$68,099,352 or by 4.04 percent in 2007.
- Purchased Power expenses increased to \$22,688,529, up from \$20,859,070 last year. This 8.77 percent increase is reflected in the total expenses shown above. Purchased power increased from \$19,333,300, or by 7.89 percent, to \$20,859,070 in 2007.
- Purchased Gas expenses increased to \$28,889,372, up from \$27,333,104 last year. This 5.69 percent increase is reflected in the total expenses shown above. Purchased gas decreased from 27,936,462, or by 2.16 percent, to \$27,333,104 in 2007.
- Capital contributions to the Commission decreased by \$80,445, which represents a 2.27 percent decrease from the prior year. Capital contributions increased by \$2,299,917, or 185.11 percent in 2007.
- Transfers to the City of Greer remained unchanged at \$1,000,000 for 2008 and 2007.
- Debt service coverage was 255% for 2008, an increase from the 2007 coverage of 253%. Debt service coverage required by the bond covenants is 120%, which is well below our current coverage.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual statement consists of four parts: Management's Discussion and Analysis, Financial Statements, Supplementary Information, and the Compliance Section. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Commission report information about the Commission using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Balance Sheet includes all of the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Commission's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Commission's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE COMMISSION

Our analysis of the Commission begins in the Financial Statement Section. As a review is made of the Commission's finances, one should consider "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the Commission's activities in a way that will help answer this question. These two statements report the net assets of the Commission and changes in them. One can think of the Commission's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, annexation and new or changed government legislation.

NET ASSETS

A summary of the Commission's Balance Sheet is presented in Table A-1. Net assets increased \$7,191,743 to \$130,670,070 in Fiscal Year 2008, up from \$123,478,327 in Fiscal Year 2007. While the Balance Sheet shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Fund Net Assets, provides answers as to

the nature and source of these changes. As can be seen in Table A-2, the income before capital contributions of \$3,729,828 and capital contributions of \$3,461,915 were the two sources of the increase in net assets.

As presented in Table A-1, net assets increased \$6,596,725 to \$123,478,327 in Fiscal Year 2007, up from \$116,881,602 in Fiscal Year 2006. As can be seen in Table A-2, the income before capital contributions of \$3,054,365 and capital contributions of \$3,542,360 were the two sources of the increase in net assets.

TABLE A-1
Balance Sheet

	FY 2006	Total Dollar Change	Total Percent Change	FY 2007	Total Dollar Change	Total Percent Change	FY 2008
Current and Other Assets	\$27,926,930	\$848,266	3.04%	\$28,775,196	(\$223,635)	-0.78%	\$28,551,561
Capital Assets	166,179,201	11,974,898	7.21%	178,154,099	17,333,243	9.73%	195,487,342
Total Assets	194,106,131	12,823,164	6.61%	206,929,295	17,109,608	8.27%	224,038,903
Long-term Debt Outstanding	66,415,664	4,674,168	7.04%	71,089,832	8,634,289	12.15%	79,724,121
Other Liabilities	10,808,865	1,552,271	14.36%	12,361,136	1,283,576	10.38%	13,644,712
Total Liabilities	77,224,529	6,226,439	8.06%	83,450,968	9,917,865	11.88%	93,368,833
Invest in Capital Assets, Net of Related Debt	98,779,928	7,104,777	7.19%	105,884,705	7,984,362	7.54%	113,869,067
Restricted	7,853,786	3,312,762	42.18%	11,166,548	-3,340,441	-29.91%	7,826,107
Unrestricted	10,247,888	-3,820,814	-37.28%	6,427,074	2,547,822	39.64%	8,974,896
Total Net Assets	\$116,881,602	\$6,596,725	5.64%	\$123,478,327	\$7,191,743	5.82%	\$130,670,070

Income (Loss) Before Capital Contributions and City Transfer

A closer examination of the individual categories affecting the source of changes in net assets reveals that the Commission's total revenues increased by \$5,193,474 to \$80,505,912 in fiscal 2008 from \$75,312,438 in fiscal 2007 due primarily to increased electric, gas water and sewer operating revenues. Electric revenues increased 8.24%, due in part from an increase in the electric customer base of 4.07% and an increase on consumption of 1.48%. The Commission was also subject to an increase in its wholesale rate from Piedmont Municipal Power Agency (PMPA). Given that our service area and customer base continue to grow, we were able to spread a portion of the amount of our increased wholesale costs over a wider universe of customers, resulting in a minimal rate increase to our customers. During August 2007, the Southeast Region of the United States, particularly the Upstate of South Carolina, experienced record breaking heat, thus setting a new record for the amount of energy distributed to its customers in the amount of 80.65 megawatts. The previous record was set in 2006 with 74.20 megawatts distributed to its customers. During 2007, the Commission's total revenues increase by \$5,313,356 to \$75,312,438 from \$69,999,082 in fiscal 2006 due primarily to increased electric, gas and other operating revenues. Electric revenues increased 11.81%, due in part from an increase in the electric customer base of 3.22% and an increase in consumption of 9.67%.

Water revenues and sewer revenues increased 2.66% and 8.79%, respectively in 2008. The increases in the water and sewer revenues are attributed to a number of factors, including an increase in the customer base of 1.55% and 1.74%, respectively, increases in the water and sewer rates during 2008, and the addition of several large multi-family residential units. To the contrary, there was a decrease in water consumption of 4.52% and a small increase in sewer consumption of .97%. The decrease in water consumption is partially the result of the

Upstate of South Carolina experiencing drought conditions, with precipitation amounts increasing by 22.33% to 38.02 inches during 2008 from 31.08 inches during 2007. The average rainfall for the Upstate of South Carolina is 51 inches of precipitation. The drought conditions prompted the Commission to issue voluntary water restrictions to its customers. Water revenues and sewer revenues increased 16.89% and 14.22%, respectively in 2007. The increase in the water and sewer revenues are attributed to a number of factors including an increase in the customer base of 2.71% and 3.29%, respectively, and an increase in consumption of 12.35% and 1.38%, respectively. The increase in consumption was to some extent the result of a below-average year of precipitation, with precipitation amounts decreasing by 25.65% to 31.08 inches during 2007 from 41.80 inches during 2006.

Natural gas revenues increased by 11.71% during 2008, due mainly to the increase in the customer base and a decrease in the costs of the commodity, which increase residential and commercial consumption by 12.69% and 18.11%, respectively. The natural gas revenues increased by 2.42% in 2007, due mainly to the increase in the customer base and consumption of 2.12% and 3.87%, respectively.

Other operating revenues decreased by \$978,000 during 2008. The decrease is attributable to numerous factors, but primarily related to the decline in customer tap fees and investment income. During 2007, other operating revenues decreased by \$123,635, from \$3,728,313 in 2006. The decrease is attributable to several factors, but primarily related to the decline in customer tap fees.

The decrease in the non-operating revenues of \$553,236 in 2008 is explained by a combination of a decrease in the amounts of investment earnings received and an increase in the loss on disposal of utility plant. During 2008, interest revenues were \$456,930, or a decrease of 49.98%. These decreases were attributable to the decrease in interest rates during fiscal 2008 and the decrease in the amounts of funds available for investment. The current year also recognized a loss for the disposal of certain obsolete assets and inventory in the amount of \$108,836, an increase of 799.40% from 2007. These disposals included assets that were replaced or determined obsolete. During 2007, interest revenues were \$913,431, an increase of 8.42% from \$842,469 in 2006. These increases were attributable to the increase in interest rates during fiscal 2007 and the increase in the amounts of funds available for investment. During the 2007 year, the Commission also recognized a loss for the disposal of certain obsolete assets and inventory in the amount of \$12,101, an decrease of 97.15% from 2006. These disposals included assets that were replaced or determined obsolete during the upgrade at the Water Treatment Plant.

A further review of Table A-2 reveals that expenses increased by \$4,518,011 to \$76,776,084 in fiscal 2008, up from \$72,258,073 in fiscal 2007, due primarily to the increased expenses related to the costs of purchased power, purchased gas, depreciation and other operating expenses, such as salaries and related benefits, and property insurance expenses. Purchased power costs increased by \$1,829,459, or 8.77%. Given the fact that overall electric consumption increased, the Commission was able to minimize this increase in costs by taking advantage of power allocations provided by the United States Department of Energy's Southeastern Power Agency's allocations which provides pooled hydroelectric power at reduced costs. The Commission also received \$67,020 in net Load Side Generation credits from PMPA which further reduced the costs associated with the purchased power. Purchased

gas costs increased by \$1,556,628, or 5.69%, due to the fact that the average costs related to natural gas increased during 2008, due to market speculation and lower storage supplies available as compared to prior years. Operating expenses excluding depreciation and amortization, purchased power, and purchased gas increased by \$764,632 or 5.45%. As a result of these factors, the Commission experienced \$3,729,828 in net operating revenues before capital contributions.

Expenses increased by \$2,748,523 to \$72,258,073 in fiscal 2007, up from \$69,509,550 in fiscal 2006, due primarily to the increased expenses related to the costs of purchased power and other operating expenses, such as salaries and related benefits, and property insurance expenses. Purchased power costs increased by \$1,525,770, or 7.89%. Given the fact that overall electric consumption increased, the Commission was able to minimize this increase in costs by taking advantage of power allocations provided by the United States Department of Energy's Southeastern Power Agency's allocations which provides pooled hydroelectric power at reduced costs. The Commission also received \$38,386 in net Load Side Generation credits from PMPA which further reduced the costs associated with the purchased power. Purchased gas costs decreased by \$603,358, or 2.16%, due to the fact that the average costs related to natural gas lowered during 2007 and there were no erratic weather or other phenomenon that upset the natural gas markets as compared to prior years. Operating expenses excluding depreciation and amortization, purchased power, and purchased gas increased by \$1,335,848 or 7.92%. As a result of these factors, the Commission experienced \$3,054,365 in net operating revenues before capital contributions.

TABLE A-2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	FY 2006	Total Dollar Change	Total Percent Change	FY 2007	Total Dollar Change	Total Percent Change	FY 2008
Electric Revenues	\$23,868,121	\$2,818,408	11.81%	\$26,686,529	\$2,199,095	8.24%	\$28,885,624
Gas Revenues	33,629,990	812,941	2.42%	34,442,931	4,033,264	11.71%	38,476,195
Water Revenues	5,000,365	844,376	16.89%	5,844,741	155,487	2.66%	6,000,228
Sewer Revenues	3,355,039	477,190	14.22%	3,832,229	336,864	8.79%	4,169,093
Operating Revenues	3,728,313	-123,635	-3.32%	3,604,678	-978,000	-27.13%	2,626,678
Non-operating Revenues	417,254	484,076	116.01%	901,330	-553,236	-61.38%	348,094
Total Revenues	69,999,082	5,313,356	7.59%	75,312,438	5,193,474	6.90%	80,505,912
Purchased Power	19,333,300	1,525,770	7.89%	20,859,070	1,829,459	8.77%	22,688,529
Purchased Gas	27,936,462	-603,358	-2.16%	27,333,104	1,556,268	5.69%	28,889,372
Depreciation and Amortization Expense	5,376,666	490,173	9.12%	5,866,839	421,365	7.18%	6,288,204
Other Operating Expense	12,810,725	1,229,614	9.60%	14,040,339	764,632	5.45%	14,804,971
Non-operating Expense	4,052,397	106,324	2.62%	4,158,721	-53,713	-1.29%	4,105,008
Total Expense	69,509,550	2,748,523	3.95%	72,258,073	4,518,011	6.25%	76,776,084
Revenues Before Capital Contributions	489,532	2,564,833	523.94%	3,054,365	675,463	22.11%	3,729,828
Capital Contributions	1,242,443	2,299,917	185.11%	3,542,360	-80,445	-2.27%	3,461,915
Change in Net Assets	1,731,975	4,864,750	280.88%	6,596,725	595,018	9.02%	7,191,743
Beginning Net Assets	115,149,627	1,731,975	1.50%	116,881,602	6,596,725	5.64%	123,478,327
Ending Net Assets	\$116,881,602	\$6,596,725	5.64%	\$123,478,327	\$7,191,743	5.82%	\$130,670,070

Capital Contributions

Contributions include cash and non-cash contributions and grants from various sources such as developers, customer assessments, and state and federal agencies. During 2008, the Commission received \$3,461,915 in capital contributions. The \$80,445 decrease from Fiscal Year 2007 capital contributions of \$3,542,360 included the following receipts:

- \$668,668 received from the Greenville Hospital System to offset capital costs related to the building of the Greer Memorial Hospital campus
- \$518,827 received from the developers of O'Neal Village development to offset the capital costs related to the placement of a sewer pump station and related sewer infrastructure
- \$850,037 in non-cash contributions in the form of water infrastructure assets received from various developers as constructed for various subdivisions

During 2007, the Commission received \$3,542,360 in capital contributions. This was an increase of \$2,299,917 from \$1,731,975 received during Fiscal Year 2006.

Transfers to the City

The Commission currently makes annual transfers to the City's General Fund based upon an agreement in the amount of \$1,000,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major capital improvements completed and added to the system during Fiscal Year 2008.

This year's major capital asset additions to plant include:
<ul style="list-style-type: none"> • \$99,343 for the development of the Gas infrastructure along Bridge Road • \$428,114 to provide Electric, Gas, Water, and Sewer infrastructure to the Spartanburg Regional Village Hospital Campus • \$55,996 to provide Sewer infrastructure to the McDonald's • \$29,108 to provide Sewer infrastructure to the Burger King • \$160,071 to provide Sewer infrastructure to the Greer International Business Park • \$200,812 to provide for Electric and Gas infrastructure in the Chartwell Estates Subdivision • \$36,524 to provide for Electric and Sewer infrastructure in the Stillwater Subdivision • \$25,704 to provide for Gas infrastructure in the Lyman Farms Subdivision • \$60,945 to provide for Electric and Sewer infrastructure to the Abner Creek Elementary School • \$90,302 to provide for Electric, Gas, Water, and Sewer infrastructure to the new Greer City Complex and City Hall • \$1,251,365 to provide Gas infrastructure along the Verne Smith Parkway

- \$66,349 to provide for Electric infrastructure in the Briar Creek Subdivision
- \$29,162 to provide for Sewer infrastructure to the Stirling on the Lake Subdivision
- \$168,762 to provide Electric infrastructure to the O’Neal Village Subdivision
- \$59,122 in costs associated with replacing aged Water infrastructure located along Highway 357
- \$79,732 to secure Utility Right of Ways for planned infrastructure growth
- \$685,461 to provide improvements and updates to the existing Electric system
- \$667,958 to provide Sewer infrastructure along Hwy 101 and Hwy 296 in the Abner Creek Area
- \$488,892 to provide for replacement of motor vehicles and heavy equipment
- \$362,936 to purchase Electric, Water and Gas meters equipped with Electronic Reading Technology (ERT) to provide for wireless meter reading capabilities
- \$540,186 in demolition costs associated with the removal of the Calvary School property
- \$38,961 in costs associated with Inflow and Infiltration Rehabilitation of aged sewer infrastructure.
- \$1,634,514 in costs associated with a Sewer Pumpstation located on Abner Creek Road
- \$156,520 in costs to relocate Electric transmission lines along Duke Street
- \$9,420,350 in engineering and construction costs associated with the upgrade design for the Maple Creek Waste Water Facility from its current capacity of 4.5 MGD to 7.5 MGD
- \$810,418 to provide Electric Infrastructure along Interstate 85
- \$288,643 to provide Gas Infrastructure to the area along Highway 290 and Highway 253
- \$39,460 in costs associated with providing Sewer infrastructure to Riverside Place
- \$69,910 in engineering costs associated with the development of the plans and specifications for the 1.0 MG Elevated Water Storage Tank
- \$986,108 to provide for additional infrastructure for newly added subdivisions and commercial customers

At the end of 2008, the Commission has invested \$195,487,342 in land and a broad range of infrastructure including electric distribution facilities; electric substations; fiber optic infrastructure and equipment; water and sewer plants; wastewater facilities; water and sewer lines, maintenance and administration facilities; vehicles and equipment; and office and computer equipment as shown in Table A-3. Please refer to Note 3 to the financial statements for additional information on the Commission’s capital assets.

**TABLE A-3
Capital Assets**

	FY 2006	Total Dollar Change	Total Percent Change	FY 2007	Total Dollar Change	Total Percent Change	FY 2008
Land	\$ 467,390	\$ -	0.00%	\$ 467,390	\$ 540,185	115.57%	\$ 1,007,575
Buildings	6,885,689	88,901	1.29%	6,974,590	23,823	0.34%	6,998,413
Machinery, Equipment and Vehicles	6,817,255	554,011	8.13%	7,371,266	24,017	0.33%	7,395,283
Electric distribution system	30,982,169	1,333,587	4.30%	32,315,756	4,879,632	15.10%	37,195,388
Water distribution system	43,542,043	12,801,950	29.40%	56,343,993	7,350,921	13.05%	63,694,914
Water reservoirs and dams	10,510,108	25,113	0.24%	10,535,221	-	0.00%	10,535,221
Recreational facilities	1,218,630	94,719	7.77%	1,313,349	-	0.00%	1,313,349
Gas distribution system	47,556,410	2,348,819	4.94%	49,905,229	6,288,438	12.60%	56,193,667
Disposal plants and sanitary sewer	58,077,679	3,065,887	5.28%	61,143,566	1,819,780	2.98%	62,963,346
Office equipment and software	2,379,557	325,091	13.66%	2,704,648	(83,417)	-3.08%	2,621,231
Fiber Optic	21,201	226	1.07%	21,427	-	0.00%	21,427
Construction in Progress	22,630,431	(3,517,530)	-15.54%	19,112,901	1,585,173	8.29%	20,698,074
Subtotal	231,088,562	17,120,774	7.41%	248,209,336	22,428,552	9.04%	270,637,888
Less Accumulated Depreciation	64,909,361	5,145,876	7.93%	70,055,237	5,095,309	7.27%	75,150,546
Net property plant equipment	\$ 166,179,201	\$ 11,974,898	7.21%	\$ 178,154,099	\$ 17,333,243	9.73%	\$ 195,487,342

In 2008, the Commission expended \$22,428,552 for capital assets, of which \$20,338,771 was for expansion and improvement to utility plant and the remainder for other operating assets.

In Table A-4, the Commission's Fiscal Year 2009 adopted Capital Budget provides another \$14,452,390 for capital projects, principally for the wastewater treatment plant upgrade, water distribution system, sewer collection system, electric distribution system, and natural gas system.

**TABLE A-4
Fiscal Year 2009 Adopted Capital Budget**

Water Distribution System	\$2,356,491	Natural Gas System	390,000
Sewer Collection System	7,289,318	Other	189,109
Electric Distribution System	3,627,472	Vehicles and Equipment	600,000

LONG TERM DEBT

At year-end, the Commission had \$81,618,275 in aggregate long-term debt, up from \$72,545,842 at the end of Fiscal Year 2007, an increase of \$9,072,433, or approximately 12.51%. The Commission had \$72,545,842 in aggregate long-term debt, up from \$67,531,461 at the end of Fiscal Year 2006, an increase of \$5,014,381, or approximately 7.42%. The changes resulted from scheduled principal payments made on the existing debt and new issuances of long-term debt from the SC State Revolving Loan Fund (see Note 7 in the Notes to the Financial Statements).

Bond Ratings All outstanding Revenue Bonds carry an A2, A and A+ ratings from Moody's, Standard & Poor's and Fitch, respectively. Each of the bonds are fully insured by AMBAC Indemnity Corporation, which guarantees the payment of principal and interest under municipal bond insurance policies. During 2007, the Commission visited the three rating agencies and the bond insurer's to present a thorough review of the financial condition of the Commission and to formally request rating increased based on current and pro-forma performances. This resulted in an upgrade from Fitch Ratings from an A to an A+, with a

stable outlook, and a reaffirmation from the remaining agencies. According to Fitch Ratings, the upgrade “reflects the system’s continued success in managing its strong customer growth, while maintaining a healthy financial profile consistent with other utilities in the ‘A+’ rating category.”

Limitations on Debt The Ordinance provides that Bonds may be issued under the Ordinance from time to time in such amounts as deemed necessary or advisable by the City, upon request of the Commission, for any purpose for which Bonds may be issued for the benefit of the System under the Enabling Act. Prior to issuing any additional Bonds other than refunding Bonds, the Commission is required to prove that the estimated future net revenues of the System are expected to be at least 120% of the actual highest combined debt service requirement (including debt service on the proposed additional Bonds) for the current Fiscal Year and for the three Fiscal Years following the issuance of the additional Bonds. The Commission currently reports a maximum debt service coverage ratio of 2.55%, 2.53%, and 2.26%, for the years 2008, 2007 and 2006, respectively.

With this strong debt service coverage ratio, the Commission has the ability and capacity to issue additional Bonds to fund future capital additions to the System. As the long-range Capital Improvement Plan has evolved, the Commission currently anticipates issuing additional Bonds, via private placement and loans through the State Revolving Loan Fund to fund certain identified projects within the current long-range Capital Improvement Plan through Fiscal Year 2013. This additional debt is programmatically scheduled to be issued in the year 2009. With the potential acquisition of alternative capital resources, such as Federal grant monies, the amount of additional debt required to be issued may be reduced.

In addition, the Commission has been successful in accessing other available low interest cost financing, as was the case in the \$1,750,850 State Revolving Loan Fund (SRF) loan completed in Fiscal Year 1999, the \$9,211,590 SRF loan completed in Fiscal Year 2004, and the \$7,500,000 SRF loan completed in Fiscal Year 2005. The Commission closed on a fourth SRF loan during 2007 in the amount of \$13,235,000, which carries a rate of 3.5% for a 30-year term, for which the proceeds were used to complete an upgrade in the capacity at our Maple Creek Waste Water Treatment Facility from 4.5 million gallons per day (MGD) to 5.0 MGD, with equipment retrofitted to upgrade to 7.5 MGD. This upgrade also provides for a change in the treatment process from chlorinated treatment, to a much safer ultraviolet treatment.

During 2008, the Commission began the planning, design and construction of improvements of the Sewer lift station that serves the BMW plant and the businesses along the Hwy 101 corridor, as well as future development south of the Interstate 85 and Highway 101 junction. This project will be funded by new debt issued through the SRF during 2009, and is estimated to cost approximately \$6,000,000. The Commission will also be strategically attempting to secure additional funding in alternative capital resources, such as other Federal Grants.

During 2009, the Commission will begin the planning, design and construction of a 1.0 million gallon (MG) elevated water storage tank, including a 24 inch water transmission line from this site along Highway 14 and underneath Interstate 85. This storage and transmission line will facilitate improving the water flow and fire flow protection to businesses along the

Verne Smith Parkway and Highway 14, including the Greenville-Spartanburg International Airport. This project will be funded by new debt issued through the SRF during 2009, and is estimated to cost approximately \$7,500,000. The Commission has secured an EDA grant through the Appalachian Regional Council in the amount of \$500,000. The Commission will also be strategically attempting to secure additional funding in alternative capital resources, such as other Federal Grants.

TABLE A-5
Debt Coverage Ratio

	FY 2006	FY 2007	Total Percent Change	FY 2008	Total Percent Change
Revenues					
Revenues from Operations	\$ 69,581,828	\$ 74,411,108	6.94%	\$ 80,157,818	7.72%
Non-operating Revenue	417,254	901,330	116.01%	348,094	-61.38%
Capacity fees	839,205	730,300	-12.98%	630,599	-13.65%
Total Revenues	70,838,287	76,042,738	7.35%	81,136,511	6.70%
Expenses					
Total Expenses	69,509,550	72,258,073	3.95%	75,776,084	4.87%
Depreciation and Amortization Expense	(5,376,666)	(5,866,839)	9.12%	(6,288,204)	7.18%
Bond Interest Expense	(3,052,397)	(3,158,721)	3.48%	(3,105,008)	-1.70%
Gain/Loss on sale of assets	(425,215)	(12,101)	-97.15%	(108,836)	799.40%
Total Expenses	60,655,272	63,220,412	4.23%	66,274,036	4.83%
Income Available for Debt Service	\$ 10,183,015	\$ 12,822,326	25.92%	\$ 14,862,475	15.91%
Maximum Annual Debt Service	\$ 4,512,807	\$ 5,071,918		\$ 5,817,971	
Maximum Annual Debt Service Coverage	2.26	2.53	12.04%	2.55	1.05%

*Although Capacity fees are allocated to Contributions of Capital, they are available for debt service under the Bond Ordinance

As can be seen in Table A-6, the Commission's current average cost of capital is 4.37 percent in outstanding debt, with the average cost of capital being 4.50% and 4.55%, for the years 2007 and 2006, respectively.

TABLE A-6
Cost of Capital

	FY 2006		FY 2007		FY 2008	
	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate
Series 1997 Combined Revenue Bonds	\$ 26,200,000	4.90%	\$ 25,330,000	4.90%	\$ 24,425,000	4.90%
Series 2002 Combined Revenue Bonds	24,785,000	5.36%	24,645,000	5.36%	24,495,000	5.36%
1999 South Carolina SRF Loan	1,290,058	3.50%	1,212,099	3.50%	1,131,375	3.50%
2004 South Carolina SRF Loan	8,439,838	2.50%	8,723,685	2.50%	8,500,013	2.50%
2005 South Carolina SRF Loan	6,816,565	3.00%	6,658,609	3.00%	7,056,893	3.00%
2007 BB&T Lease	-	-	276,449	3.73%	187,653	3.73%
Series 2007 Combined Revenue Bonds	-	-	5,700,000	4.02%	5,508,981	4.02%
2007 South Carolina SRF Loan	-	-	-	-	10,313,360	3.50%
	\$ 67,531,461	4.55%	\$ 72,545,842	4.50%	\$ 81,618,275	4.37%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission considered a variety of factors in developing the Fiscal Year 2009 Budget, including required rates by utility and customer class, user fees and other charges. The Commission is required under the Ordinance to set rates and fees at levels which are at least

sufficient to provide 100 percent of the amounts required to be deposited into the Operation and Maintenance Fund for the then current Fiscal Year, any amounts required to be deposited into any Debt Service Reserve Fund for the then current Fiscal Year, and any other amounts necessary to comply with the terms of the Ordinance or any other contract or agreement with the Bondholders.

The Fiscal Year 2009 Budget provides for a rate increases to one of the four operating utilities. Operating costs within our ability to control were held very much in check for this budget year. The Commission has experienced a compound annual growth in total active meters of 9.90 percent since 2005, growing from 48,243 meters in December 2005 to 53,032 meters in December 2008. Given the current state of the economy, the Commission has decided to maximize the efficiency of our current staff, adding no new positions during 2009. Other requirements, such as increased security against the threat of terrorism, increasingly-legislated environmental requirements mandated for our drinking water and wastewater treatment facilities, volatile natural gas markets and the rising cost of purchased power, and the general overall effects of inflation on our day-to-day operating requirements, must be dealt with effectively through increases in the rates and fees charged for our services in order to achieve revenue sufficiency and appropriate levels of debt coverage for each of the four operating utilities.

Contributions, or transfers, to the City of Greer's General Fund remained level at \$1,000,000 for Fiscal Year 2009, and we currently expect to remain at that annual level until a new agreement is entered into with the City. Although this subject is on-going, the intent of the Commission is to negotiate a future transfer program with the City that serves to reduce their dependency upon this annual subsidy over a reasonable period of years.

The Commission continues to make meaningful investments in the refurbishing, renewing and replacing of our utility infrastructure. In addition, we continue to expand our System with new capital projects as necessary to meet the demands of our growing customer base. The Commission's long-range Capital Improvement Plan, developed as a dynamic document, was most recently updated in March 2009, and currently projects a remaining \$65 million in identified major capital projects through Fiscal Year 2013. The Commission has also identified the specific funding resources necessary to complete the plan, the majority of which will be provided by internally generated sources.

The Commission's customer base for each utility is evaluated in consideration of the City and county projected population growth, the impacts of annexations, the general economy and other known factors affecting each individual utility.

CONTACTING THE COMMISSION'S FINANCE MANAGER

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the office of: Charles E. Reynolds, Finance Manager, Greer Commission of Public Works, P.O. Box 216, Greer, South Carolina 29652-0216.

Greer Commission of Public Works
Balance Sheets
December 31, 2008 and December 31, 2007

	<u>2008</u>	<u>2007</u>
Assets		
Utility plant	\$ 270,637,888	\$ 248,209,336
Less accumulated depreciation	(75,150,546)	(70,055,237)
Net utility plant	<u>195,487,342</u>	<u>178,154,099</u>
Current assets:		
Cash and cash equivalents		
Operating	3,558,712	2,730,874
Restricted	<u>4,076,107</u>	<u>10,266,548</u>
Total funds	7,634,819	12,997,422
Receivables:		
Customers, less allowance for doubtful accounts of \$383,159 in 2008 and \$392,920 in 2007	8,666,711	7,984,651
Interest	<u>144,111</u>	<u>197,142</u>
Total receivables	8,810,822	8,181,793
Short-term investments:		
Unrestricted	4,437,725	2,416,746
Restricted	3,750,000	900,000
Inventories	1,291,999	1,409,980
Customer deposits	<u>737,753</u>	<u>736,502</u>
Total current assets	<u>26,663,118</u>	<u>26,642,443</u>
Other non-current assets:		
Debt issuance cost, net of accumulated amortization \$430,336 in 2008 and \$412,999 in 2007	1,467,454	1,535,768
Other assets	<u>420,989</u>	<u>596,985</u>
Total other non-current assets	<u>1,888,443</u>	<u>2,132,753</u>
Total assets	<u>\$ 224,038,903</u>	<u>\$ 206,929,295</u>
Equity and Liabilities		
Current liabilities:		
Accounts payable	\$ 7,015,058	\$ 7,047,109
Construction contract retainage payable	850,759	423,313
Accrued interest	1,050,805	1,015,247
Other accrued expenses	1,070,054	928,776
Other post-employment liability	295,000	-
Customer deposits	737,753	736,502
Current portion of long-term debt	<u>2,229,283</u>	<u>1,797,689</u>
Total current liabilities	<u>13,248,712</u>	<u>11,948,636</u>
Landfill post-closure liability	396,000	412,500
Long term debt, net of unamortized discount, unamortized premium, and current portion of long-term debt	<u>79,724,121</u>	<u>71,089,832</u>
Total non-current assets	<u>80,120,121</u>	<u>71,502,332</u>
Total liabilities	<u>93,368,833</u>	<u>83,450,968</u>
Net Assets		
Capital assets, net of related debt	112,683,179	105,884,705
Restricted assets		
Debt service	1,578,469	2,154,633
Capital projects	6,247,638	9,011,915
Unrestricted net assets	<u>10,160,784</u>	<u>6,427,074</u>
Total net assets	<u>130,670,070</u>	<u>123,478,327</u>
Total equity and liabilities	<u>\$ 224,038,903</u>	<u>\$ 206,929,295</u>

Greer Commission of Public Works

Statement of Revenues, Expenses and Changes in Net Assets Periods ended December 31, 2008 and December 31, 2007

	2008	2007
Operating revenues		
Electric revenues	\$ 28,885,624	\$ 26,686,529
Gas revenues	38,476,195	34,442,931
Water revenues	6,000,228	5,844,741
Sewer revenues	4,169,093	3,832,229
Other operating revenues	2,626,678	3,604,678
Total operating revenues	80,157,818	74,411,108
Operating expenses		
Purchased power	22,688,529	20,859,070
Purchased gas	28,889,372	27,333,104
Depreciation and amortization	6,288,204	5,866,839
Other operating expenses	14,804,971	14,040,339
Total Operating expenses	72,671,076	68,099,352
Net operating revenue	7,486,742	6,311,756
Other revenues (expenses)		
Interest expense	(3,105,008)	(3,158,721)
Interest revenue	456,930	913,431
Transfers to the City of Greer	(1,000,000)	(1,000,000)
Loss on disposal of utility plant	(108,836)	(12,101)
Total other expenses, net	(3,756,914)	(3,257,391)
Revenues over expenses before contributions	3,729,828	3,054,365
Contributions	3,461,915	3,542,360
Revenues over expenses after contributions	7,191,743	6,596,725
Net assets at beginning of the year	123,478,327	116,881,602
Net assets at end of the year	\$ 130,670,070	\$ 123,478,327

Greer Commission of Public Works

Statement of Cash Flows
For the Periods Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers	77,026,327	71,033,621
Cash paid to suppliers	(61,802,954)	(57,309,433)
Cash paid to employees	(5,348,609)	(5,401,957)
Other operating revenue	2,626,678	3,604,678
Net cash provided by operating activities	12,501,442	11,926,909
Cash flows from noncapital financing activities:		
Payments to City of Greer	(1,000,000)	(1,000,000)
Net cash used in noncapital financing activities	(1,000,000)	(1,000,000)
Cash flows from capital and related financing activities:		
Increase in utility plants, net	(21,245,243)	(15,290,093)
Capital contributions	2,611,878	2,472,000
Proceeds from sale of utility plant	131,227	129,187
Proceeds from issuance of long-term debt	10,870,181	6,478,406
Debt issuance costs	(2,620)	(322,100)
Repayment of debt	(1,797,749)	(1,464,024)
Interest paid on long-term debt	(3,069,450)	(3,103,281)
Net cash used in capital and related financing activities	(12,501,776)	(11,099,905)
Cash flows from investing activities:		
Purchase of investments	(6,770,978)	(1,817,847)
Maturities of certificates of deposit	4,186,032	5,328,316
Interest received on certificates of deposit	509,961	1,083,188
Net cash provided (used in) by investing activities	(2,074,985)	4,593,657
Net (decrease) increase in cash and cash equivalents	(3,075,319)	4,420,661
Cash and cash equivalents at beginning of year	10,777,335	6,356,674
Cash and cash equivalents at end of year	7,702,016	10,777,335
Reconcile ending cash to balance sheet		
Cash and cash equivalents	\$ 7,634,819	\$ 12,997,422
Customer Deposits	737,753	736,502
Total cash and customer deposits	8,372,572	13,733,924
Less funds not considered cash and cash equivalents:		
Customer Deposit investments	(670,556)	(670,373)
Bond Construction fund	-	(2,286,216)
Total funds not considered cash and cash equivalents	(670,556)	(2,956,589)
Cash and cash equivalents at end of year	\$ 7,702,016	\$ 10,777,335

Greer Commission of Public Works

Statement of Cash Flows
For the Periods Ended December 31, 2008 and 2007

Reconciliation of operating income to net cash
provided by operating activities

Net operating revenue	7,486,742	6,311,756
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation	6,223,819	5,801,242
Amortization of bond discount, premiums and issuance costs of bond amortization	- 64,385	- 65,597
Changes in assets and liabilities:	-	
Customer receivables, net	(682,060)	(19,761)
Inventories	(1,156,418)	(1,299,722)
Other assets	175,996	212,918
Accounts Payable	(32,051)	764,962
Other accrued expenses	141,278	33,383
Other post-employment liabilities	295,000	22,500
Landfill post-closure liability	(16,500)	-
Customer deposits	1,251	34,034
	<u>12,501,442</u>	<u>11,926,909</u>
Net cash provided by operating activities		
Non-cash financing and investing items		
Inventory transferred into capital assets	<u>\$ 1,274,399</u>	<u>\$ 1,248,688</u>
Loss on sale of assets	<u>\$ (108,836)</u>	<u>\$ (12,101)</u>
Non-cash capital contributions	<u>\$ 850,037</u>	<u>\$ 1,070,360</u>
Capitalized interest related to long-term debt	<u>\$ 495,955</u>	<u>\$ 232,887</u>

See accompanying notes to financial statements

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 1 - Organization and Significant Accounting Policies

Organization

The Commission of Public Works (the “Commission”) is a municipal utility system established in 1913 to furnish electricity, natural gas, water and sanitary sewer service to the City of Greer (the “City”) and the surrounding area. The Commission is governed by three elected Commissioners and managed by an appointed General Manager.

For its electric service needs, under an all requirements contract, the Commission is a member of Piedmont Municipal Power Agency (PMPA) which owns a 25% undivided ownership interest in Duke Energy’s Catawba Nuclear Station Unit 2 and its initial nuclear core. This jointly owned reactor furnishes approximately 96.16% of the Commission’s electrical needs. The Commission also purchases power from the U.S. Department of Energy – Southeastern Power Administration and from Laurens Electric Cooperative.

In addition to the incorporated City service area, natural gas is provided to four other municipalities. Natural gas supplies are purchased from a variety of sources, including TexLa Corporation, Conoco Phillips, BP Energy, Coral Energy and other providers, and delivered to the Commission’s marketing areas via transmission lines owned by Transcontinental Gas Pipeline Corporation.

Raw water supply is provided from two reservoirs located approximately 5 miles north of the City. This water undergoes treatment in compliance with the South Carolina Department of Health and Environmental Control and Federal Environmental Protection Agency regulations and is partially softened during the process.

The sanitary sewer system consists of a series of collection mains, as well as a primary sewage treatment plant.

Basis of Accounting

The Commission’s accounting records are maintained on the full accrual basis in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities and substantially in conformity with the Federal Energy Regulatory Commission’s Uniform System of Accounts.

The Commission accounts for its activities similar to those found in private business enterprises. The Financial Accounting Standards Board (FASB) and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. The Commission has elected not to apply the standards issued by those organizations after November 31, 1989. The Commission, however, has applied all applicable pronouncements issued by the Governmental Accounting Standards Board (GASB).

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 1 - Organization and Significant Accounting Policies (continued)

Measurement focus and basis of accounting

The financial statements are reported using the economic resources measurement focus and the full 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 Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On the full accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission's funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds principal ongoing operations. The principal operating revenues of the Commission's funds are charges to customers for sales and services. Operating expense for the Commission's funds include the costs of sales and services, general and administrative services and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Utility Plant

Utility plant is stated at cost and contributed capital assets are recorded at their estimated fair value at the date of contribution. Interest cost on debt issued to finance the construction of utility plant is capitalized during the construction period. Interest capitalization during the years ended December 31, 2008 and 2007 was \$500,971 and \$232,887, respectively. Minimum capitalization costs are \$1,000.

Capital assets of the Commission are depreciated on a straight-line basis over the following estimated useful lives:

	Years
Electric distribution system	25
Gas distribution system	33
Water distribution system	50
Water reservoirs and dams	50
Recreational facilities	25
Disposal plants and sanitary sewer	50

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 1 - Organization and Significant Accounting Policies (continued)

Utility Plant (continued)

Finance building	50
Operations center	50
Vehicle maintenance facility	33
Buildings	10
Vehicles and other work equipment	6.8
Office equipment and furniture	6.8
Fiber Optic	10

Depreciation expense for the years ended December 31, 2008 and 2007 was \$6,223,819 and \$5,801,242, respectively.

Costs of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the plant are charged to expense. Plant accounts are charged with the costs of permanent betterments and replacements of plant, including capitalized labor, as appropriate.

Cash Equivalents

For purposes of the statement of cash flows, the Commission considers certificates of deposit with original maturities of three months or less to be cash equivalents.

Investments

Short-term investments include fully collateralized certificates of deposit or repurchase agreements with original maturities of greater than three months and less than one year. Long-term investments include fully collateralized certificates of deposit or repurchase agreements with original maturities of one year or more. Investments are reported at original cost (See Note 4).

Inventories

Materials and supplies inventories are stated at the lower of cost, determined by the average cost method, or market.

Revenue Recognition

The Commission recognizes revenue as earned on a monthly basis, based on rates established by the Commission's Board of Commissioners. Due to the fact that the customer meters are read and billed at various times during each month, the Commission estimates unbilled revenues for each of its services delivered to customers between their last respective cycle billing date and December 31, and

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 1 - Organization and Significant Accounting Policies (continued)

Revenue Recognition (continued)

record that amount as unbilled revenues for the current year. Estimated unbilled revenues as of December 31, 2008 and 2007 were \$4,000,994 and \$3,672,583, respectively.

Allowance of Uncollectible Accounts

Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts estimated through an evaluation of specific accounts, based on the best available facts and circumstances, of customers that may be unable to meet their financial obligations, and a reserve based on historical experience. Management believes that the allowance for uncollectible accounts as of year end was adequate.

Debt Issuance Costs

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the respective bonds using the straight-line method.

Contributions

The Commission receives contributions in aid of construction from customers in the form of capacity fees for water and sewer expansions, from developer contributions, as well as from Federal, State and local grants principally for utility plant (See Note 11).

Income Taxes

The Commission is exempt from Federal and state income taxes and local property taxes as it is owned by a municipal corporation.

Restricted Assets

Restricted assets consist of cash and investments that will be used for future additions to utility plant or to meet debt service obligations on debt issued to fund additions to utility plant, as prescribed by the underlying Bond Ordinance.

Other Assets

Other assets consist primarily of a receivable from the South Carolina Department of Transportation to be collected as part of a binding agreement between the Commission and this State Agency.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 1 - Organization and Significant Accounting Policies (continued)

Derivative Instruments and Hedging Activities

The Commission has developed a hedging policy, which provides guidelines for the use of natural gas and financial futures, options, and other contracts. The purpose of the hedging policy is to mitigate the risks associated with fluctuations in interest rates and/or natural gas prices.

By using derivative financial instruments to hedge exposures to changes in natural gas prices, the Commission exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract.

When the fair value of a derivative contract is positive, the counterparty owes the Commission, which creates credit risk for the Commission. When the fair value of a derivative contract is negative, the Commission owes the counterparty and, therefore, it does not possess credit risk.

The Commission minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates or commodity prices. The market risk associated with commodity-price contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Cumulative changes in the market value of hedge contracts are recorded at the time the contracts are closed. At December 31, 2008 and 2007, the Commission had a total of 24 contracts outstanding for both years, respectively, hedging the natural gas system supply and supply for other specific non-system customers, depending upon the expected month of future delivery.

These contracts represent a total outstanding commitment of \$5,968,740 and \$4,456,499 at an average cost of \$8.15 and \$7.86 per dekatherm of natural gas at December 31, 2008 and 2007, respectively.

Customer Concentration

The Commission's largest customer accounted for \$8,746,552 or 11% of sales for the year ended December 31, 2008 and \$9,746,509 or 14% of sales for the year ended December 31, 2007.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 1 - Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for potentially detrimental effects of existing pollution. GASB Statement No. 49 is required for financial statements for periods beginning after December 15, 2007. Implementation of this pronouncement had no effect on the 2008 financial statements.

Note 2 - Project Power Sales Agreement

The Commission, as a Member of PMPA, is party to the Catawba Project Power Sales Agreements (the "Sales Agreement"). These Sales Agreements oblige PMPA to provide each Member a share of Project Power output and, in turn, each Member must pay its share of Project costs.

Members make their payments on a "take-or-pay" basis whether or not the Project is operable or operating. Such payments are not subject to reduction or offset and are not conditioned upon performance by PMPA or any given Member. The Sales Agreements are in effect until the earlier of August 1, 2025, or the completion of payments of PMPA's bonds and satisfaction of obligations under the Project agreements. The Commission's share of PMPA's total energy usage was approximately 14.64% and 14.01% in 2008 and 2007, respectively.

Supplemental Power Sales Agreements – The Commission as a Member of PMPA is also party to the Supplemental Power Sales Agreements (the "Supplemental Agreements") under which each Member has agreed to pay, in exchange for supplemental bulk power supply costs, its share of supplemental bulk power supply costs. A Member may terminate its Supplemental Agreement with ten years advance notice.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 2 - Project Power Sales Agreement (continued)

During 2008 and 2007, the Commission purchased approximately \$21,512,721 and \$19,981,752, respectively, from PMPA under the two agreements discussed above. On December 31, 2008 and 2007, amounts due to PMPA of \$1,803,065 and \$1,615,978, respectively, were included in accounts payable.

Note 3 - Utility Plant

The following is a summary of changes in utility plant:

As of December 31, 2008

	December 31, 2007	Additions	Disposals	December 31, 2008
Utility plant not being depreciated:				
Land	\$ 467,390	\$ 540,185	\$ -	\$ 1,007,575
Construction in progress	19,112,901	13,971,403	(12,386,229)	20,698,074
	<u>19,580,291</u>	<u>14,511,587</u>	<u>(12,386,229)</u>	<u>21,705,649</u>
Utility plant being depreciated:				
Electric distribution system	32,315,756	4,884,970	(5,339)	37,195,388
Gas distribution system	49,905,229	6,434,203	(145,765)	56,193,667
Water distribution system	56,343,992	7,454,972	(104,050)	63,694,914
Water reservoirs and dams	10,535,221	-	-	10,535,221
Recreational facilities	1,313,349	-	-	1,313,349
Disposal plants and sanitary sewer	61,143,567	2,122,306	(302,527)	62,963,346
Finance building	2,866,072	-	-	2,866,072
Operations center	3,474,282	23,822	-	3,498,104
Vehicle maintenance facility	358,075	-	-	358,075
Buildings	276,162	-	-	276,162
Vehicles and other work equipment	7,371,265	719,385	(695,367)	7,395,283
Office equipment and furniture	2,704,648	447,957	(531,374)	2,621,231
Fiber Optic	21,427	-	-	21,427
Total Utility plant being depreciated	<u>228,629,045</u>	<u>22,087,615</u>	<u>(1,784,421)</u>	<u>248,932,239</u>
Less accumulated depreciation for:				
	(15,201,066)	(1,214,567)	1,007	(16,414,626)
Gas distribution system	(15,136,452)	(1,510,580)	13,232	(16,633,800)
Water distribution system	(12,319,643)	(1,047,723)	78,212	(13,289,154)
Water reservoirs and dams	(3,302,260)	(136,413)	-	(3,438,673)
Recreational facilities	(830,494)	(52,003)	-	(882,497)
Disposal plants and sanitary sewer	(13,728,898)	(1,256,763)	-	(14,985,661)
Finance building	(953,376)	(58,640)	-	(1,012,016)
Operations center	(1,116,982)	(170,737)	-	(1,287,719)
Vehicle maintenance facility	(199,658)	(10,844)	-	(210,502)
Buildings	(75,000)	-	-	(75,000)
Vehicles and other work equipment	(5,100,324)	(568,279)	525,854	(5,142,748)
Office equipment and furniture	(2,083,981)	(194,442)	510,205	(1,768,219)
Fiber Optic	(7,103)	(2,828)	-	(9,931)
Total accumulated depreciation	<u>(70,055,237)</u>	<u>(6,223,819)</u>	<u>1,128,510</u>	<u>(75,150,546)</u>
Utility plant, net	<u>\$ 178,154,099</u>			<u>\$ 195,487,342</u>

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 3 - Utility Plant (continued)

As of December 31, 2007

	December 31, 2006	Additions	Disposals	December 31, 2007
Utility plant not being depreciated:				
Land	\$ 467,390	\$ -	\$ -	\$ 467,390
Construction in progress	22,630,431	9,364,526	(12,882,056)	19,112,901
	<u>23,097,821</u>	<u>9,364,526</u>	<u>(12,882,056)</u>	<u>19,580,291</u>
Utility plant being depreciated:				
Electric distribution system	30,982,169	1,347,802	(14,215)	32,315,756
Gas distribution system	47,556,410	2,417,550	(68,731)	49,905,229
Water distribution system	43,542,042	13,270,325	(468,375)	56,343,992
Water reservoirs and dams	10,510,108	25,113	-	10,535,221
Recreational facilities	1,218,630	94,719	-	1,313,349
Disposal plants and sanitary sewer	58,077,679	3,105,914	(40,026)	61,143,567
Finance building	2,866,072	-	-	2,866,072
Operations center	3,385,380	88,902	-	3,474,282
Vehicle maintenance facility	358,075	-	-	358,075
Buildings	276,162	-	-	276,162
Vehicles and other work equipment	6,817,255	879,047	(325,037)	7,371,265
Office equipment and furniture	2,379,558	330,965	(5,875)	2,704,648
Fiber Optic	21,201	226	-	21,427
Total Utility plant being depreciated	<u>207,990,741</u>	<u>21,560,563</u>	<u>(922,259)</u>	<u>228,629,045</u>
Less accumulated depreciation for:				
Electric distribution system	(14,066,506)	(1,148,775)	14,215	(15,201,066)
Gas distribution system	(13,815,525)	(1,389,499)	68,572	(15,136,452)
Water distribution system	(11,737,699)	(971,282)	389,338	(12,319,643)
Water reservoirs and dams	(3,163,525)	(138,735)	-	(3,302,260)
Recreational facilities	(780,887)	(49,607)	-	(830,494)
Disposal plants and sanitary sewer	(12,580,462)	(1,148,436)	-	(13,728,898)
Finance building	(894,736)	(58,640)	-	(953,376)
Operations center	(938,650)	(178,332)	-	(1,116,982)
Vehicle maintenance facility	(188,813)	(10,845)	-	(199,658)
Buildings	(75,000)	-	-	(75,000)
Vehicles and other work equipment	(4,735,135)	(542,701)	177,512	(5,100,324)
Office equipment and furniture	(1,928,143)	(161,567)	5,729	(2,083,981)
Fiber Optic	(4,280)	(2,823)	-	(7,103)
Total accumulated depreciation	<u>(64,909,361)</u>	<u>(5,801,242)</u>	<u>655,366</u>	<u>(70,055,237)</u>
Utility plant, net	<u>\$ 166,179,201</u>			<u>\$ 178,154,099</u>

Disposals in Construction in progress are shown as additions to Utility plant being depreciated.

At December 31, 2008 and 2007, the Commission had outstanding contractual commitments of \$3,131,395 and \$12,448,552, respectively, related to additions to the utility plant. Such construction will be financed from debt proceeds, cash flows from operations and available cash and investments.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 4 - Cash, Cash Equivalents and Investments

At December 31, 2008, the carrying value of deposits included in cash and cash equivalents was \$8,391,112 and the bank balance was \$8,658,658. These deposits were covered by federal depository insurance and/or fully collateralized with eligible securities held by an agent of the Commission in the Commission's name.

Cash and cash equivalents at December 31, 2008 and 2007 consist of the following:

	2008	2007
Cash	\$ 7,634,819	\$ 10,472,422
Certificates of deposits	-	2,525,000
	\$ 7,634,819	\$ 12,997,422

As of December 31, 2008, the Commission had the following investments and maturities

	Fair Value	Less than 6 Months	6 - 12 Months
Certificates of Deposit	\$ 6,225,000	\$ 6,225,000	\$ -

As of December 31, 2007, the Commission had the following investments and maturities

	Fair Value	Less than 6 Months	6 - 12 Months
Certificates of Deposit	\$ 5,175,000	\$ 5,175,000	\$ -

Interest Rate Risk. Interest rate risk is the risk that rising interest rates will adversely affect the fair value of the Commission's investments. As outlined in the Commission's investment policy, investment maturities shall be less than 2 years and maturities shall be staggered in a way that avoids undue concentration in a specific maturity sector. A competitive bidding process is utilized, only allowing a select list of qualified commercial banks to participate.

Credit Risk. The deposits and investments of the Commission are invested pursuant to statutes established by the State of South Carolina. The statutes allow for the investment of money in the following investments:

- a) Obligations of the United States and its Agencies
- b) General obligations of the State of South Carolina or any of its political units. Savings and loan association deposits to the extent they are insured by the Federal Deposit Insurance Corporation

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 4 - Cash, Cash Equivalents and Investments (continued)

- c) Certificates of deposit which are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an Agency of the Federal government
- d) Collateralized repurchase agreements which are collateralized by securities as set forth in (a) and (b)
- e) South Carolina Pooled Investment Fund established and maintained by the State Treasurer

The Commission is invested 100% in certificate of deposits. The certificates of deposits are unrated, but are fully collateralized by investments held in the Commission's name that meet the statutes of the State of South Carolina.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investments are subject to insurance provided by the FDIC and are fully collateralized with U.S. Treasury, "AAA" rated Federal Agency securities, or general obligations of the State of South Carolina or any of its political units.

Concentration of Credit Risk. The investment policy of the Commission places no limit on the amount that the Commission may invest in any one issuer. During 2008 and 2007, the Commission has deposited more than 5% of its investments in Certificates of Deposits, which are collaterally secured, at one financial institution. These investments represent 100.0% of the Commission's total investments for 2008 and 2007.

Note 5 - Inventories

Inventories at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Materials and supplies:		
Electric	\$ 421,392	\$ 499,078
Gas	570,618	639,442
Water and sewer	280,947	245,762
Other	7,025	6,386
Merchandise held for resale	-	-
Gasoline	12,017	19,312
	<u>\$ 1,291,999</u>	<u>\$ 1,409,980</u>

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 6 – Postclosure Care Costs - Solid Waste Landfills

On October 9, 1991, Federal regulations issued by the Environmental Protection Agency (EPA) placed specific requirements pertaining to the closing of municipal solid waste landfills as well as postclosure maintenance for a period of thirty years after closure. During 2003, the Commission recorded a \$435,000 landfill postclosure liability for its South Tyger Monofill landfill. Under the EPA rulings, this amount is to be amortized over the remaining life the postclosure period, which is 28 years. During 2007, after a review by independent engineers, the landfill postclosure liability was increased to \$412,500, and will be amortized over the remaining postclosure period. For the years ended December 31, 2008 and 2007, amortization in the amount of \$16,500 and \$16,500, respectively, was recorded against related expenses. Actual cost for postclosure care may vary due to inflation, developments in technology, or changes in laws and regulations.

Note 7 - Long-Term Debt

In prior years, the Commission defeased outstanding debt issues by issuing new debt and depositing the proceeds in an irrevocable trust to provide for all future debt service payments of the old debt. Thus, the defeased debt and the irrevocable trust are not a part of the financial statement. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt which is included in the accompanying financial statements as debt issuance costs and is being amortized as interest expense over the term of the new debt. At December 31, 2008 and 2007, the amount of defeased bonds principal outstanding and unpaid by the Trustee was \$4,905,000 and \$5,475,000, respectively.

Long-term debt at December 31, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
\$33,165,000 Series 1997 Combined Utility System Revenue Bonds used to refund Series 1996 Combined Utility System Revenue Bond Anticipation Note and Series 1995 and 1993 Combined Utility System Revenue Bonds; and to fund construction and acquisition of certain improvements of utility plants; interest at 3.80% to 6.00%; principal payment annually and interest payable semi-annually through September 1, 2025.	\$ 24,425,000	\$ 25,330,000
South Carolina Water Quality Revolving Fund loan to finance the South Tyger Consolidation Project; interest at 3.5%; quarterly installments through February 1, 2020.	1,131,375	1,212,099

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 7 - Long-Term Debt (continued)

	2008	2007
<p>\$25,060,000 Series 2002 Combined Utility System Revenue Bond used to fund construction and Acquisition of certain improvements of utility plants; interest at 3.00% to 5.50%; principal payable annually starting at September 1, 2005 and interest payable semi-annually through September 1, 2032.</p>	24,495,000	24,645,000
<p>South Carolina Water Quality Revolving Fund loan to finance the Water Treatment Plant Upgrade Project; interest at 2.5%; quarterly installments through May 1, 2035.</p>	8,500,013	8,723,685
<p>South Carolina Water Quality Revolving fund loan to finance the Water Transmission and Distribution System Improvements Project, interest at 3.0%; quarterly installments through May 1, 2036.</p>	7,056,893	6,658,609
<p>\$5,700,000 Series 2007 Combined Utility System Revenue Bond used to fund construction and acquisition of certain improvements of utility plants; interest at 4.02%; principal payable annually starting at September 1, 2008 and interest payable annually through September 1, 2027.</p>	5,508,981	5,700,000
<p>\$276,449 Equipment Lease entered into with Branch Banking and Trust to fund certain equipment purchases; interest at 3.73%; principal and interest payable annually starting November 16, 2009 through November 16, 2010 and collateralized by the equipment under lease. At December 31, 2007, the Commission had not obtained equipment under this lease.</p>	187,653	276,450
<p>South Carolina Water Quality Revolving Fund loan to finance the upgrading and expanding of the Maple Creek Waste Water Treatment Plant Project; interest at 3.5%; quarterly installments through March 1, 2029</p>	10,313,360	-
	81,618,275	72,545,843

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 7 - Long-Term Debt (continued)

	2008	2007
Current portion of long-term debt.	(2,229,283)	(1,797,689)
Original issue discount, net of accumulated amortization of \$307,870 in 2008 and \$280,705 in 2007.	(452,755)	(479,920)
Bond premium, net of accumulated amortization of \$223,528 in 2008 and \$189,814 in 2007.	787,884	821,598
	\$ 79,724,121	\$ 71,089,832

Future maturities of long-term debt area as follows:

	Principal	Interest	Total
2009	\$ 2,229,283	\$ 3,494,130	\$ 5,723,413
2010	2,322,146	3,495,826	5,817,971
2011	2,317,303	3,402,737	5,720,040
2012	2,409,224	3,309,167	5,718,391
2013	2,512,405	3,208,830	5,721,235
2014-2018	14,222,027	14,370,181	28,592,208
2019-2023	17,030,864	11,109,651	28,140,515
2024-2028	20,497,301	7,067,485	27,564,787
2029-2033	16,528,534	2,294,308	18,822,842
2034-2036	1,549,188	59,194	1,608,382
	\$ 81,618,275	\$ 51,811,509	\$ 133,429,784

Changes in Long-Term Debt**December 31, 2008**

	Beginning Balance	New Issuance	Payments	Ending Balance	Current Portion
1997 Combined Utility System Bonds	\$ 25,330,000	\$ -	\$ (905,000)	\$ 24,425,000	\$ 955,000
1999 State Revolving Loan	1,212,099	-	(80,724)	1,131,375	83,586
2002 Combined Utility System Bonds	24,645,000	-	(150,000)	24,495,000	150,000
2004 State Revolving Loan	8,723,685	-	(223,672)	8,500,013	229,256
2005 State Revolving Loan	6,658,609	556,821	(158,537)	7,056,893	165,722
2007 BB&T Equipment Lease	276,449	-	(88,796)	187,653	92,108
2007 State Revolving Loan	-	10,313,360	-	10,313,360	354,913
2007 Combined Utility System Bonds	5,700,000	-	(191,019)	5,508,981	198,698
Landfill Postclosure Costs	412,500	-	(16,500)	396,000	16,500
	\$ 72,958,343	\$ 10,870,181	\$ (1,814,248)	\$ 82,014,275	\$ 2,245,783

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 7 - Long-Term Debt (continued)

December 31, 2007

	Beginning Balance	New Issuance	Payments	Ending Balance	Current Portion
1997 Combined Utility System Bonds	\$ 26,200,000	\$ -	\$ (870,000)	\$ 25,330,000	\$ 905,000
1999 State Revolving Loan	1,290,058	-	(77,959)	1,212,099	80,724
2002 Combined Utility System Bonds	24,785,000	-	(140,000)	24,645,000	150,000
2004 State Revolving Loan	8,439,838	501,956	(218,109)	8,723,685	223,613
2005 State Revolving Loan	6,816,565	-	(157,956)	6,658,609	158,537
2007 BB&T Equipment Lease	-	276,450	-	276,450	88,796
2007 Combined Utility System Bonds	-	5,700,000	-	5,700,000	191,019
Landfill Postclosure Costs	390,000	37,500	(15,000)	412,500	16,500
	<u>\$ 67,921,461</u>	<u>\$ 6,515,906</u>	<u>\$ (1,479,024)</u>	<u>\$ 72,958,343</u>	<u>\$ 1,814,189</u>

Note 8 - Retirement Plan

All employees of the Commission participate in the South Carolina Retirement System (SCRS), a cost sharing multiple employer public employee retirement system. The payroll for employees covered by the SCRS for the years ended December 31, 2008 and 2007 was \$6,296,113 and \$5,965,487, respectively.

The SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plan's provisions are established under Title 9 of the South Carolina Code of Laws. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS is issued and publicly available by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, SC, 29211-1960.

Both employees and the Commission are required to contribute to the SCRS at rates established under authority of Title 9 of the Code of Laws. The Commission's contributions are actuarially determined, but are communicated to and paid by the Commission as a percentage of the employee's annual earnings.

The South Carolina Retirement System has adjusted its mandatory contribution rates to be as follows:

<u>Period</u>	<u>Employee</u>	<u>Employer</u>
January - June, 2006	6.25	7.55
July - December, 2006	6.50	8.05
January - June, 2007	6.50	8.05
July - December, 2007	6.50	9.06
January - June, 2008	6.50	9.06
July - December, 2008	6.50	9.24

Contributions by the Commission were based on the percentages of the employees' earnings listed above and amounted to \$568,519, \$503,898 and \$426,708 in 2008, 2007 and 2006, respectively. Employee contributions were based on the percentages of the employees' earnings listed above and amounted to \$406,059, \$378,879 and \$339,217 in 2008, 2007, and 2006, respectively.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 8 - Retirement Plan (continued)

The State of South Carolina also provides an Optional Retirement Plan (State ORP). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the IRC. The State ORP is a defined contribution plan that provides retirement and survivor benefits for newly hired teachers and certain administrative positions which allows them to participate. As an alternative to the South Carolina Retirement System, employees eligible for the State ORP may choose between the State ORP and the SCRS.

Note 9 - Other Post-Employment Benefits

The Commission adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions* (GASB 45) for the year ended December 31, 2008. GASB 45 requires an employer to recognize the cost of providing post retirement employee benefits other than pensions as the annual required contribution, as calculated under GASB 45, adjusted for interest on the unfunded obligation or funded excess and an amount necessary to amortize the unfunded obligation. The Commission previously recognized the cost of such plans as benefits were paid under the plan.

For employees that were hired prior to October 7, 2005, the Commission provides post-employment health benefits to these employees who retire with 25 years of service and have attained age 60 for a period of five years from the date of retirement or until the employee attains age 65, whichever comes first. For those employees who retire with 30 years of service the Commission also provides their spouses with a maximum of three years of coverage.

For those employees that were hired on or after October 7, 2005, the Commission provides post-employment health benefits to these employees who retire with 30 years of service for a period of up to five years from the date of retirement or until the employee attains age 65 or the employee becomes eligible for coverage under another group policy, whichever comes first. For those employees who retire with 30 years of service the Commission also provides their spouses with a maximum of three years of coverage.

In accordance with the contractual provisions of the plan, participants must meet the specified annual deductible requirements. Thereafter, the plan pays 75% to 85% of allowable claims based on the plan option selected. The plan pays 100% of allowable claims after the participant has paid the annual out-of-pocket limit prescribed by the plan. The plan disallows claims in excess of a specified lifetime maximum.

The health plan is financed on a pay-as-you-go-basis. During the fiscal years ended December 31, 2007 and 2006, the Commission recognized expenses (net of participant contributions) of \$16,485 and \$10,814 respectively, to provide health benefits to Commission participants in post-employment status. As of December 31, 2007 and 2006, retired members in post-employment status that were eligible for benefits under the plan included ten and nine participants, respectively.

Greer Commission of Public Works

Greer, South Carolina

Notes to the Financial Statements

December 31, 2008 and 2007

Note 9 - Other Post-Employment Benefits (continued)

Employees of the Commission are eligible to participate into two additional programs that allow for income tax-deferral through the South Carolina Deferred Compensation Program, specifically in either a 401(k) or 457 plans. Participation in these programs allows an employee to defer up to the maximum amount permissible by the Internal Revenue Service for the respective deferral period. These programs are fully funded by the employee only, thus no matching funds are provided by the Commission.

Annual OPEB Cost and Net Obligation. The plan's annual Other Post-Employment Benefits ("OPEB") cost is calculated based on the System's Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the System's annual OPEB cost at December 31, 2008 and December 31, 2007, respectively, the amount actually contributed to the plan and the changes in the net OPEB obligation to the plan:

	2008	2007
Annual Required Contribution	\$ 348,000	\$ -
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	\$ 348,000	\$ -
Contributions made during the year	(53,000)	-
Increase in Net OPEB obligation	\$ 295,000	\$ -
Net OPEB obligation - beginning of year	-	-
Net OPEB obligation - end of year	\$ 295,000	\$ -

The Systems annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the years ended December 31, 2008 and December 31, 2007 are as follows:

	2008	2007
Annual OPEB cost	\$ 348,000	\$ -
Percentage of annual OPEB cost contributed to the Plan	15.2%	0%
Net OPEB obligation	\$ 295,000	\$ -

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 9 - Other Post-Employment Benefits (continued)

	January 1, 2008
Actuarial Accrued Liability (AAL)	\$ 3,725,000
Actuarial Value of Asset	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 3,725,000
Covered payroll for active employees	N/A
Ratio of UAAL to covered payroll	N/A

Actuarial valuation of an ongoing plan involves the estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The assumptions include employee turnover, mortality and health care trend rates, etc. The amounts determined regarding the funded status of the plan and the ARC of the System are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Note 10 - Related Party Transactions

In 2000, the Commission and the City of Greer signed an addendum to the existing seven-year agreement whereby the Commission makes fixed payments to the City each year through 2003, based on a schedule of payments. These payments are to assist in the operations of the City of Greer.

In 2008 and 2007, the Commission and the City of Greer verbally agreed to addendums to the existing seven-year agreement whereby the Commission makes a fixed payment to the City each year, and the Commission paid the City \$1,000,000 in 2008 and 2007.

Note 11 – Contributions and capital improvement grants

The Commission receives capital improvement grants from Federal, state and local government agencies to finance the planning and construction of various water projects. Upon completion of the projects, the Commission is required to have independent audits of grant funds. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the agreement.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2008 and 2007

Note 11 – Contributions and capital improvement grants (continued)

The Commission receives developer contributed assets from various developers during the year of which become property of the Commission for future maintenance. The Commissions' strategy has been to require residential and commercial developer's in need of sewer and water services to develop the needed infrastructure at their costs and then to donate the assets to the Commission at the donated assets fair market value.

Beginning in September 2000, the Commission initiated a policy of charging developers and consumers capacity fees related to the direct capitalization cost of installing new services in previously undeveloped parts of its service area, with respect to the waterworks and sanitary sewer systems.

These fees serve to recover a portion of the economic impact to the Commission directly relating to these system expansions and may be used to pay a portion of the debt service on debt issued to fund such improvements. Capacity fees are recorded as contributions by the Commission.

Under GASB 33, contributions for the years ended December 31, 2008 and 2007 are reported in the statement of revenues and expenses and changes in retained earnings as revenues, rather than as directed additions to contributed capital. Developer and consumer capacity fees of \$630,599 and \$730,300 and capital grants of \$2,831,316 and \$2,812,060, respectively, are included in contributions.

Note 12 - Purchased Gas Adjustment

The Commission has a purchased gas adjustment (PGA) mechanism in place to absorb fluctuations in the cost of natural gas. The Commission amended the PGA to provide the ability to spread the collection of accumulated price spikes over longer periods of time to minimize the impacts on its customers. The PGA calculation records the actual value paid for the commodity during any month, and provides the ability to charge the customer with a price per therm of consumption that would recover a portion of accumulated unbilled amounts, while remaining competitive with other providers in the existing market environment. This future recovery of the cost of natural gas not yet billed is expected to be completed over the course of future billing periods.

As of December 31, 2008 and 2007, the Commission had accumulated \$2,920,970 and \$2,560,012, respectively, in unbilled PGA costs. It is anticipated that this amount will be recovered and recognized as revenue in rate charges to residential and small commercial customers over the course of future billing periods, based upon expected usage for these customer classes, of approximately \$0.40 and \$0.24, respectively, per therm of natural gas consumed.

Note 13 - Contingencies

The Commission is occasionally involved in claims arising out of its operations in the normal course of business, none of which are expected, individually or in the aggregate, to have a material adverse effect on the Commission.

Greer CPW
Schedule of Actual and Budgeted Revenues and Expenses
Twelve Month Period Ended December 31, 2008
Schedule 1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Electric revenues	\$ 27,979,881	\$ 28,885,624	\$ 905,743
Gas revenues	35,074,708	38,476,195	3,401,487
Water and sewer service	5,876,570	10,169,321	4,292,751
Other operating revenues	6,549,108	2,626,678	(3,922,430)
Total operating revenues	<u>75,480,267</u>	<u>80,157,818</u>	<u>4,677,551</u>
Operating expenses			
Purchased power	21,788,950	22,688,529	(899,579)
Purchased gas	26,305,680	28,889,372	(2,583,692)
Depreciation and amortization	5,889,650	6,288,204	(398,554)
Other operating expenses	15,236,505	14,804,971	431,534
Total Operating expenses	<u>69,220,785</u>	<u>72,671,076</u>	<u>(3,450,291)</u>
Net operating revenue	<u>6,259,482</u>	<u>7,486,742</u>	<u>1,227,260</u>
Other revenues (expenses)			
Interest expense	(3,101,151)	(3,105,008)	(3,857)
Interest revenue - unrestricted	530,000	212,114	(317,886)
Interest revenue - restricted	200,000	244,816	44,816
Transfers to the City of Greer	(1,000,000)	(1,000,000)	-
Gain (loss) on disposal of utility plant	-	(108,836)	(108,836)
Total other expenses, net	<u>(3,371,151)</u>	<u>(3,756,914)</u>	<u>(385,763)</u>
Revenues over expenses before contributions	2,888,331	3,729,828	841,497
Contributions	<u>-</u>	<u>3,461,915</u>	<u>3,461,915</u>
Revenues over expenses after contributions	<u>\$ 2,888,331</u>	<u>\$ 7,191,743</u>	<u>\$ 4,303,412</u>

Greer CPW
Departmental Income Statement
Twelve Month Period Ended December 31, 2008
Schedule 2

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues					
Electric and gas sales -					
Residential	\$ 15,468,251	\$ 13,841,321	\$ -	\$ -	\$ 29,309,572
Commercial	4,330,759	8,089,964	-	-	12,420,723
Industrial and power	9,086,614	16,544,910	-	-	25,631,524
Water and sewer service	-	-	6,000,228	4,169,093	10,169,321
Collection penalties	152,001	283,674	126,270	81,307	643,252
Other operating revenues	301,249	335,223	435,220	911,734	1,983,426
Total Operating revenues	<u>29,338,874</u>	<u>39,095,092</u>	<u>6,561,718</u>	<u>5,162,134</u>	<u>80,157,818</u>
Operating and maintenance expenses					
Purchased power	22,688,529	-	-	-	22,688,529
Purchased gas	-	28,889,372	-	-	28,889,372
Depreciation	1,480,592	1,756,951	1,457,100	1,529,176	6,223,819
Amortization	5,711	26,443	3,618	28,613	64,385
Other operating expenses	2,965,775	4,456,230	4,590,259	2,792,707	14,804,971
Total operating expenses	<u>27,140,607</u>	<u>35,128,996</u>	<u>6,050,977</u>	<u>4,350,496</u>	<u>72,671,076</u>
Net operating departmental revenue	<u>\$ 2,198,267</u>	<u>\$ 3,966,096</u>	<u>\$ 510,741</u>	<u>\$ 811,638</u>	<u>\$ 7,486,742</u>

Greer Commission of Public Works

Statistical Section
(unaudited)
December 31, 2008 and 2007

The following Statistical section includes information to provide further understanding of financial trends and economic data relevant to the operations of the Commission. This section includes the following reports:

- Schedule of Revenue and Expenses for the Combined Utility System for the last ten fiscal years
This report summarizes the financial activity of the Commission for the last 10 years
- Schedule of Revenue and Expenses for the Water System for the last ten fiscal years
This report summarizes the financial activity, customer consumption, any unaccounted Water losses, and customer count for the Water System for the last 10 years
- Schedule of Revenue and Expenses for the Electric System for the last ten fiscal years
This report summarizes the financial activity, customer consumption, any unaccounted Electric Line Losses, and customer count for the Electric System for the last 10 years
- Schedule of Revenue and Expenses for the Sewer System for the last ten fiscal years
This report summarizes the financial activity, customer consumption, any unaccounted Sewer treatment, and customer count for the Sewer System for the last 10 years
- Schedule of Revenue and Expenses for the Natural Gas System for the last ten fiscal years
This report summarizes the financial activity, customer consumption, any unaccounted Natural Gas Line Losses, and customer count for the Natural Gas System for the last 10 years
- Fiscal Year 2007 Top 10 Largest Customers for each Utility System
This report summarizes the largest 10 customers for each Utility System and their respective percentage of the total consumption
- Debt Service Coverage for the last ten fiscal years
This report summarizes the calculations to derive the Debt Service Coverage ratios per the Commission's Bond Ordinance for the past 10 years

Greer Commission of Public Works

Combined system

Schedule of Revenues and Expenses - Last Ten Fiscal Years ⁽¹⁾

(in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATING REVENUES:										
Electric revenues	\$ 28,886	\$ 26,686	\$ 23,868	\$ 23,052	\$ 21,187	\$ 19,389	\$ 18,495	\$ 16,714	\$ 17,010	\$ 14,859
Gas revenues	38,476	34,443	33,630	32,015	26,577	28,025	30,846	48,315	35,645	16,259
Water revenues	6,000	5,845	5,001	4,597	4,375	3,882	4,173	3,842	3,966	3,743
Sewer revenues	4,169	3,832	3,355	3,165	3,057	2,774	2,878	2,521	2,379	2,151
Other operating revenues	2,627	3,605	3,728	3,847	3,299	3,582	3,821	2,399	1,917	1,556
Total operating revenues	80,158	74,411	69,582	66,676	58,495	57,652	60,213	73,791	60,917	38,568
OPERATING EXPENSES:										
Purchased power	22,689	20,859	19,333	17,843	16,299	15,395	15,256	14,061	13,404	12,374
Purchased gas	28,889	27,333	27,936	26,629	21,318	22,838	25,527	43,990	30,511	11,832
Depreciation and amortization	6,288	5,867	5,377	5,233	5,061	4,455	4,220	3,981	3,693	3,473
Other operating expenses	14,805	14,040	12,811	12,096	10,738	10,744	9,816	9,265	10,021	8,763
Total Operating expenses	72,671	68,099	65,457	61,801	53,416	53,432	54,819	71,297	57,629	36,442
Net operating revenue	7,487	6,312	4,125	4,875	5,079	4,220	5,394	2,494	3,288	2,126
OTHER REVENUES (EXPENSES)										
Interest expense	(3,105)	(3,158)	(2,920)	(2,645)	(2,421)	(2,410)	(2,456)	(1,810)	(1,644)	(1,338)
Interest revenue	457	913	842	730	461	724	700	586	502	531
Transfers to the City of Greer	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,400)	(1,130)
Gain (loss) on disposal of utility plant	(109)	(12)	(425)	(64)	(4)	(95)	28	(50)	(262)	2
Other expenses	-	-	-	-	-	-	-	-	-	-
Total other expenses, net	(3,757)	(3,257)	(3,503)	(2,979)	(2,964)	(2,781)	(2,728)	(2,274)	(2,804)	(1,935)
Revenues over (under) expenses before contributions	3,730	3,055	622	1,896	2,115	1,439	2,666	220	484	191
Contributions ⁽²⁾	3,462	3,542	1,242	4,369	4,516	1,638	1,575	4,688	-	-
Revenues over expenses after contributions	\$ 7,192	\$ 6,597	\$ 1,864	\$ 6,265	\$ 6,631	\$ 3,077	\$ 4,241	\$ 4,908	\$ 484	\$ 191

(1) Information is summarized from the audited financial statements for the years indicated.

(2) The Commission adopted GASB 33 in fiscal year 2001, which changed the classification of developer contributions, federal and state grants, and consumer capacity fees to contributions

Greer Commission of Public Works

Water System

Schedule of Revenues and Expenses, Water Usage and Active Services Statistics -Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATING REVENUES:										
Inside City	\$ 2,192	\$ 2,106	\$ 1,742	\$ 1,649	\$ 1,495	\$ 1,262	\$ 1,405	\$ 1,269	\$ 1,287	\$ 1,232
Outside City	2,075	2,023	1,729	1,673	1,662	1,521	1,528	1,604	1,600	1,541
Industrial	471	458	436	384	418	418	472	272	371	270
Fire Protection ⁽²⁾	13	13	13	14	14	12	14	12	11	9
Irrigation	213	209	174	143	111	99	142	113	115	71
Wholesale	1,037	1,036	906	734	705	570	612	572	582	620
Collection penalties	126	124	117	135	105	124	135	74	46	31
Other	435	559	611	670	636	496	555	694	574	525
Total operating revenues	6,562	6,528	5,728	5,402	5,146	4,502	4,863	4,610	4,586	4,299
OPERATING EXPENSES:										
Depreciation	1,457	1,370	1,197	1,172	1,297	1,002	955	920	905	851
Amortization	4	4	3	3	2	2	4	4	4	4
Other operating expenses	4,590	4,373	3,869	3,504	3,278	3,182	3,230	2,758	2,800	2,557
Total Operating expenses	6,051	5,747	5,069	4,679	4,577	4,186	4,189	3,682	3,709	3,412
Net operating departmental revenue	\$ 511	\$ 781	\$ 659	\$ 723	\$ 569	\$ 316	\$ 674	\$ 928	\$ 877	\$ 887
WATER USAGE (thousands of gallons)										
Total Water pumped	2,957,687	3,079,150	2,575,744	2,431,730	2,336,236	2,247,523	2,455,805	2,455,504	2,468,568	2,407,748
Consumption										
Inside City	946,308	959,233	841,986	873,102	733,327	600,447	721,134	625,135	608,167	596,712
Outside City	613,953	636,797	575,549	521,379	540,906	501,545	583,994	576,537	567,931	548,504
Industrial	291,671	300,854	286,618	253,690	284,976	283,395	308,014	328,283	265,866	305,170
Irrigation	113,145	123,206	96,167	76,613	58,476	50,358	82,555	64,752	72,200	37,427
Wholesale	669,319	742,250	661,729	585,725	586,439	537,711	578,836	537,671	564,993	598,522
Other	107,919	109,932	94,400	89,596	95,530	83,184	90,706	96,728	240,096	110,061
Total consumption	2,742,315	2,872,272	2,556,449	2,400,105	2,299,654	2,056,640	2,365,239	2,229,106	2,319,253	2,196,396
Non-account water	215,372	206,878	19,295	31,625	36,582	190,883	90,566	226,398	149,315	211,352
Non-account water as a percentage of total water pumped	7.3%	6.7%	0.7%	1.3%	1.6%	8.5%	3.7%	9.2%	6.0%	8.8%
ACTIVE SERVICES (Number of Customers)										
Inside City	9,937	9,747	9,424	8,966	8,636	8,161	7,792	7,481	7,189	6,788
Outside City	6,462	6,429	6,323	6,203	6,124	6,078	6,017	5,912	5,795	5,699
Industrial	4	4	2	3	3	4	5	4	4	5
Fire Protection	47	48	48	48	49	44	46	46	46	48
Irrigation	407	371	363	353	336	310	289	267	231	142
Wholesale	1	1	1	1	1	1	1	1	1	1
Other	15	15	15	15	15	13	12	10	9	9
Total	16,873	16,615	16,176	15,589	15,164	14,611	14,162	13,721	13,275	12,692

(1) Information is compiled from internally generated statistical reports

(2) Fire protection customers are charged based on the physical number of sprinkler heads. Consumption is metered.

Greer Commission of Public Works

Electric System

Schedule of Revenues and Expenses, Purchased Power, Consumption and Active Services Statistics - Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATING REVENUES:										
Residential	\$ 15,468	\$ 15,186	\$ 13,296	\$ 13,019	\$ 12,161	\$ 10,955	\$ 10,605	\$ 9,432	\$ 9,548	\$ 8,325
Small commercial	3,072	2,430	1,778	1,835	1,808	1,710	1,680	1,581	1,551	1,424
Time of use	227	237	212	323	365	368	398	370	352	301
Large Commercial	9,087	8,833	7,747	7,875	7,023	6,361	5,812	4,705	4,994	4,398
Rental and Street lighting	1,032	901	835	803	759	714	661	626	565	411
Collection penalties	152	149	141	163	127	149	162	400	247	165
Other	301	273	1,204	280	121	410	430	198	140	143
Total operating revenues	29,339	28,009	25,213	24,298	22,364	20,667	19,748	17,312	17,397	15,167
OPERATING EXPENSES:										
Purchased Power	22,688	20,859	19,333	17,843	16,299	15,395	14,730	13,539	12,805	11,795
Depreciation	1,481	1,408	1,317	1,279	1,198	1,067	989	938	888	801
Amortization	6	6	5	5	4	4	7	5	4	4
Other operating expenses	2,966	2,859	2,668	2,531	2,160	2,283	2,068	2,330	3,039	2,573
Total Operating expenses	27,141	25,132	23,323	21,658	19,661	18,749	17,794	16,812	16,736	15,173
Net operating departmental revenue	\$ 2,198	\$ 2,877	\$ 1,890	\$ 2,640	\$ 2,703	\$ 1,918	\$ 1,954	\$ 500	\$ 661	\$ (6)
PURCHASED POWER - (Megawatt Hours)										
Purchased from PMPA ⁽²⁾	340,029	328,918	290,598	272,704	256,798	234,344	257,648	219,783	221,410	209,826
Purchased from SEPA ⁽³⁾	14,041	13,901	13,402	27,645	21,937	25,085	13,203	12,878	12,688	12,777
Total purchased	354,070	342,819	304,000	300,349	278,735	259,429	270,851	232,661	234,098	222,603
CONSUMPTION - (Megawatt Hours)										
Residential	163,775	161,825	148,537	141,312	133,278	121,108	120,634	111,793	109,689	103,249
Small commercial	14,133	14,235	14,872	17,729	17,142	16,252	16,733	16,540	16,163	15,835
Time of use	3,299	3,639	3,473	5,190	6,004	5,957	6,068	6,323	6,386	6,413
Large Commercial	136,619	128,748	114,483	105,835	97,696	88,789	82,301	77,683	75,610	72,784
Rental and Street lighting	2,095	6,037	5,431	5,656	5,541	4,846	5,168	5,337	5,285	5,798
Other	11,226	11,825	10,733	9,377	9,809	10,224	10,050	10,205	9,321	9,284
Total consumption	331,147	326,309	297,529	285,099	269,470	247,176	240,954	227,881	222,454	213,363
Line losses and megawatt hours unaccounted for	22,923	16,510	6,471	15,250	9,265	12,253	29,897	4,780	11,644	9,240
Percentage of line losses and megawatt hours unaccounted for to purchased power	6.5%	4.8%	2.1%	5.1%	3.3%	4.7%	11.0%	2.1%	5.0%	4.2%
ACTIVE SERVICES (Number of Customers)										
Residential	13,461	12,869	12,439	11,932	11,392	10,927	10,527	10,142	9,710	9,140
Small commercial	1,245	1,192	1,154	1,140	1,185	1,155	1,147	1,138	1,128	1,080
Time of use	8	8	8	8	10	10	10	10	10	10
Large Commercial	715	684	659	641	490	439	405	390	356	343
Rental and Street lighting	2,061	2,054	2,030	2,018	2,039	2,023	2,031	2,034	2,080	2,068
Other	47	44	36	33	32	29	29	27	24	22
Total	17,537	16,851	16,326	15,772	15,148	14,583	14,149	13,741	13,308	12,663

(1) Information is compiled from internally generated statistical reports

(2) Piedmont Municipal Power Association

(3) United States Department of Energy, Southeastern Power Association

Greer Commission of Public Works

Sewer System

Schedule of Revenues and Expenses, Consumption and Active Services Statistics - Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATING REVENUES:										
Inside City	\$ 2,596	\$ 2,377	\$ 2,108	\$ 1,967	\$ 1,932	\$ 1,749	\$ 1,942	\$ 1,677	\$ 1,618	\$ 1,497
Outside City	1,164	1,088	904	884	884	811	742	737	660	549
Sewer services, no water	2	6	1	1	2	1	1	1	1	1
Enoree Basin, inside City	254	233	203	184	150	119	109	88	59	51
Enoree Basin Industrial	153	132	139	129	112	94	84	18	41	53
Collection penalties	81	80	75	87	68	80	87	24	15	10
Other	912	742	738	774	428	449	397	378	400	267
Total operating revenues	5,162	4,658	4,168	4,026	3,576	3,303	3,362	2,923	2,794	2,428
OPERATING EXPENSES:										
	110.82%									
Depreciation	1,529	1,402	1,317	1,289	1,130	1,053	1,022	972	785	726
Amortization	29	29	26	23	23	20	34	25	21	22
Other operating expenses	2,792	2,767	2,469	2,357	1,881	1,844	2,091	1,237	1,241	1,177
Total Operating expenses	4,350	4,198	3,812	3,669	3,034	2,917	3,147	2,234	2,047	1,925
Net operating departmental revenue	\$ 812	\$ 460	\$ 356	\$ 357	\$ 542	\$ 386	\$ 215	\$ 689	\$ 747	\$ 503
WASTEWATER TREATMENT										
<i>Wastewater Plant Flows (thousands of gallons)</i>										
South Tyger Wastewater Treatment Facility ⁽²⁾	-	-	-	-	-	-	-	-	86,360	330,520
Maple Creek Wastewater Treatment Facility	711,348	700,632	695,780	753,930	811,821	915,467	745,965	727,930	608,360	420,115
Total wastewater plant flows	711,348	700,632	695,780	753,930	811,821	915,467	745,965	727,930	694,720	750,635
<i>Wastewater Treated - (Thousands of Gallons)</i>										
Inside City Customers	527,247	534,089	514,022	489,089	483,843	453,672	494,677	359,760	327,205	355,907
Outside City Customers	170,541	156,128	167,570	174,399	174,659	191,990	182,073	200,541	173,964	187,428
Customers with sewer services, no water	1	1	1	1	5	5	9	5	5	5
Other	813	1,659	879	647	633	563	363	464	329	214
Retail	698,602	691,877	682,472	664,136	659,140	646,230	548,469	560,770	501,503	543,554
Unaccounted for wastewater	12,746	8,755	13,308	89,794	152,681	269,237	197,496	167,160	193,217	207,082
Percentage of unaccounted for wastewater to total wastewater treated	1.8%	1.2%	1.9%	11.9%	18.8%	29.4%	26.5%	23.0%	27.8%	27.6%
ANNUAL RAINFALL (inches) ⁽³⁾	38.02	31.08	41.80	53.14	47.68	63.14	47.85	40.38	35.04	35.93
ACTIVE SERVICES (Number of Customers)										
Inside City	6,255	6,186	6,081	5,941	5,822	5,692	5,659	5,607	5,492	5,341
Outside City	1,119	1,128	1,112	1,090	1,121	1,126	1,117	1,097	1,092	1,118
Sewer services, no water	5	5	4	4	5	5	5	5	5	5
Enoree Basin, inside City	3,397	3,281	3,069	2,721	2,455	2,164	1,843	1,571	1,371	1,134
Enoree Basin Industrial	118	108	101	86	81	45	38	33	32	29
Other	2	2	2	2	2	2	2	2	2	2
	10,896	10,710	10,369	9,844	9,486	9,034	8,664	8,315	7,994	7,629

(1) Information is compiled from internally generated statistical reports

(2) South Tyger Wastewater Treatment Facility was permanently closed during 2000

(3) Source: National Weather Service Forecast Office in Greenville for rainfall recorded in inches at Greenville-Spartanburg International Airport

Notes:

* Other customer count does not include WCRSA or surcharges

Greer Commission of Public Works

Gas System

Schedule of Revenues and Expenses, Consumption and Active Services Statistics -Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATING REVENUES:										
Residential	\$ 13,841	\$ 11,138	\$ 10,963	\$ 11,185	\$ 9,525	\$ 8,246	\$ 8,081	\$ 8,165	\$ 6,459	\$ 4,545
Commercial	7,283	5,572	5,135	6,152	5,028	5,023	4,415	4,841	4,128	2,849
Large Commercial/Industrial	430	728	673	448	372	394	394	500	580	385
Interruptible	16,115	16,346	16,076	13,410	11,585	11,218	11,431	12,529	10,017	8,376
Off-system	-	-	-	-	-	2,633	6,196	21,971	14,306	-
Schools	807	659	783	820	594	511	329	309	155	104
Collection penalties	284	278	263	304	236	278	303	161	99	66
Other	335	498	579	631	70	877	1,091	470	396	349
Total operating revenues	39,095	35,219	34,472	32,950	27,410	29,180	32,240	48,946	36,140	16,674
OPERATING EXPENSES:										
Purchased Gas	28,889	27,333	27,937	26,629	21,318	22,838	25,527	43,991	30,512	11,832
Depreciation	1,757	1,621	1,489	1,440	1,388	1,289	1,176	1,095	1,066	1,048
Amortization	26	27	23	22	19	18	33	22	20	17
Other operating expenses	4,457	4,040	3,803	3,704	3,420	3,435	2,953	3,461	3,539	3,035
Total Operating expenses	35,129	33,021	33,252	31,795	26,145	27,580	29,689	48,569	35,137	15,932
Net operating departmental revenue	\$ 3,966	\$ 2,198	\$ 1,220	\$ 1,155	\$ 1,265	\$ 1,600	\$ 2,551	\$ 377	\$ 1,003	\$ 742
PURCHASED GAS (MCF)	2,984,096	3,261,032	3,182,122	2,932,260	3,267,353	3,582,844	6,031,492	8,808,680	6,555,744	3,788,214
CONSUMPTION - (MCF)										
Residential	808,764	717,641	686,047	751,792	774,589	730,665	699,224	654,718	627,812	570,475
Commercial	402,109	340,434	339,158	404,718	420,026	421,165	376,618	375,960	482,304	304,770
Large Commercial/Industrial	7,965	58,452	35,778	37,205	37,821	11,565	24,775	18,795	18,014	68,122
Interruptible	1,463,607	1,908,916	1,850,861	1,494,890	1,792,096	1,810,125	2,901,562	2,418,890	2,629,812	2,678,068
Off-system	-	-	-	-	-	426,548	1,955,684	5,189,665	2,409,877	-
Schools	50,865	52,335	50,791	60,162	51,924	48,944	33,825	27,571	19,910	14,783
Other	2,393	1,733	2,112	2,350	2,447	2,633	2,474	1,754	1,782	1,589
Total consumption	2,735,703	3,079,511	2,964,747	2,751,116	3,078,903	3,451,645	5,994,162	8,687,353	6,189,511	3,637,807
Line-loss and unaccounted for gas	248,393	181,521	217,375	181,144	188,450	131,199	37,330	121,327	366,233	150,408
Percentage of line losses and MCF unaccounted for to purchased gas.	8.32%	5.57%	6.83%	6.18%	5.77%	3.66%	0.62%	1.38%	5.59%	3.97%
ACTIVE SERVICES (Number of Customers)										
Residential	16,871	16,334	15,996	15,268	14,696	14,012	13,475	12,346	12,039	11,091
Commercial	1,485	1,460	1,430	1,421	1,407	1,349	1,355	1,270	1,247	1,179
Large Commercial/Industrial	9	13	7	7	7	10	12	11	11	11
Interruptible	10	8	11	10	11	11	11	13	13	9
Off-system	-	-	-	-	-	2	31	37	10	-
Schools	26	25	26	26	26	25	23	21	15	18
Other	14	12	11	9	8	7	10	7	5	4
Total	18,415	17,852	17,481	16,741	16,155	15,416	14,917	13,705	13,340	12,312

(1) Information is compiled from internally generated statistical reports

Customer Statistics
Largest System Customers - Fiscal Year 2008

<u>Name</u>	<u>Consumption</u>	<u>Percent of System Gross Consumption</u>
<i>Water System (thousands of gallons)</i>		
Blue Ridge Water Company (Wholesale)	686,359	25.0%
BMW of North American LLC	165,658	6.0%
Mitsubishi Polyester Film LLC	126,501	4.6%
Water Filter Facility (GCPW)	91,033	3.3%
Cliffstar Corporation	75,798	2.8%
Spartanburg Regional Hospital	38,799	1.4%
Greenville - Spartanburg International Airport	32,366	1.2%
Honeywell International Incorporated	21,976	0.8%
BMW Performance Center	21,942	0.8%
Maple Creek Sewer Facility (GCPW)	15,523	0.6%
<i>Sewer System (thousands of gallons)</i>		
Mitsubishi Polyester Film LLC	153,512	22.0%
BMW of North America LLC	79,947	11.4%
Greenville - Spartanburg International Airport	33,388	4.8%
Cliffstar Corporation	32,413	4.6%
Crescent Apartments LLC	22,311	3.2%
Village Hospital	20,111	2.9%
Exide Battery Corporation	19,727	2.8%
Greenville County School District	19,337	2.8%
Honeywell International	16,748	2.4%
CFE/Greer Central Energy Plant	16,195	2.3%
<i>Electric System (megawatt hours)</i>		
Water Filter Facility (GCPW)	7,450	2.1%
Roger Huntington Nursing Facility	5,911	1.7%
Wal-mart Stores Incorporated	5,228	1.5%
Ingles	3,748	1.1%
Cliffstar Corporation	3,659	1.0%
Lowe's	3,525	1.0%
CFE/Cottages at Brushy Creek	3,114	0.9%
CFE/Greer Memorial Hospital	2,871	0.8%
Greenville County School District (GHS)	2,854	0.8%
Village Hospital	2,713	0.8%
<i>Natural Gas System (mcf)</i>		
Mitsubishi Polyester Film LLC	76,716	2.8%
BMW of North America LLC	65,014	2.4%
Carotell Paper Board Corporation	12,513	0.5%
Springfield LLC	10,838	0.4%
Cliffstar Corporation	6,227	0.2%
Ashmore Brothers	5,362	0.2%
Karastan Bigelow, Division of Mohawk Industries	2,813	0.1%
CFE/Greer Central Energy Plant	2,729	0.1%
Allen Bennett Hospital	2,087	0.1%
Sew Eurodrive Inc	1,864	0.1%

Greer Commission of Public Works

**Debt Service Coverage
Last Ten Fiscal Years**

<i>(in thousands)</i>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>Revenues</i>										
Revenues from Operations	\$ 80,158	\$ 74,411	\$ 69,582	\$ 66,676	\$ 58,495	\$ 57,652	\$ 60,213	\$ 73,791	\$ 60,917	\$ 38,568
Non-operating Revenues	349	901	417	666	461	629	728	536	240	533
Capacity fees ⁽¹⁾	631	730	839	974	927	792	789	955	814	383
Total Revenues	\$ 81,138	\$ 76,042	\$ 70,838	\$ 68,316	\$ 59,883	\$ 59,073	\$ 61,730	\$ 75,282	\$ 61,971	\$ 39,484
<i>Expenses</i>										
Total Expenses	75,829	72,258	69,509	65,447	55,527	55,842	57,275	73,107	59,273	37,780
Depreciation and Amortization Expense	(6,288)	(5,867)	(5,377)	(5,293)	(4,751)	(4,455)	(4,220)	(3,981)	(3,693)	(3,473)
Bond Interest Expense	(3,105)	(3,159)	(3,052)	(2,645)	(2,421)	(2,410)	(2,456)	(1,810)	(1,644)	(1,338)
Gain/Loss on sale of assets	(109)	(12)	(425)	(64)	(4)	(95)	28	(50)	(262)	2
Total Expenses	66,327	63,220	60,655	57,445	48,351	48,882	50,627	67,266	53,674	32,971
Net revenues available for debt service	14,811	12,822	10,183	10,871	11,532	10,191	11,103	8,016	8,297	6,513
Maximum annual debt service ⁽²⁾	5,818	5,072	4,513	4,234	3,917	3,767	4,028	2,292	2,347	2,347
Maximum annual debt service coverage	2.55	2.53	2.26	2.57	2.94	2.71	2.76	3.50	3.54	2.78

(1) During 2000, the Commission initiated a policy of charging developers and consumers capacity fees to recover a portion of the economic impact directly related to these system expansions. These fees may be used to pay a portion of the debt service on debt issued to fund such improvements, and therefore are considered available for debt service under the Bond Ordinance

(2) Maximum principal and interest requirements on outstanding debt for such fiscal year

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

To the Board of Commissioners
of the Greer Commission of Public Works

We have audited the financial statements of the Greer Commission of Public Works (the “Commission”) as of and for the year ended December 31, 2008 and have issued our report thereon dated April 17, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our auditing procedures 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 Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Commission’s financial statements that is more than inconsequential will not be prevented or detected by the Commission’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Commission in a separate letter dated April 17, 2009.

This report is intended solely for the information and use of management, the audit committee, City Council, others within the Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cheng Bekeert + Holland, C.C.P.

Greenville, South Carolina
April 17, 2009