

Greer Commission of Public Works

Greer, South Carolina

Comprehensive Annual
Financial Report

Years ended December 31, 2010 and 2009

Issued by
Finance Department

Greer Commission of Public Works

Greer, South Carolina
December 31, 2010 and 2009

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Commissioners
Jeffery M. Howell
Eugene G. Gibson
Perry J. Williams

Nick W. Stegall
General Manager

April 14, 2011

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 years ended December 31, 2010 and 2009 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 GASB 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 Management’s Discussion and Analysis, the independent auditors’ 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 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. 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 three gradient levels, a high level system (1,272 ft mean sea level (MSL)), intermediate level system (1,130 ft MSL), and a low level system (1,104 ft MSL). 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 intermediate level system operates with two elevated storage tanks, one with 1,500,000 gallons of storage capacity and the other with 500,000 gallons of storage capacity. The low level system operates with two elevated storage tanks, one with 1,500,000 gallons of storage capacity and the other with 500,000 gallons of storage capacity. The Commission supplies potable water to 16,906 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 1.92 MGD, with a current capacity of 5.0 MGD. The plant was originally constructed with a capacity of 1.75 MGD, but was subsequently upgraded in 1997, 2000 and 2009 to capacities of 3.0 MGD, 4.5 MGD and 5.0 MGD, respectively. The Commission has designed the upgrade of this facility to 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 wastewater treatment facility, 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 10,943 customers is accomplished through approximately 238 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 193 miles of overhead distribution facilities and approximately 184 miles of underground facilities. The service area served by this unit is approximately 32.9 square miles, including the City limits and surrounding areas, and serves 17,574 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 710 miles of intermediate and distribution lines, along with 139 pressure-reducing and regulating stations. These distribution lines serve 18,629 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 460 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 diverse industrial presence. Partnerships between local and state governments and the private business sector continue to work to produce new and expanding business.

The City of Greer currently covers approximately 27 square miles, making Greer one of the largest land area cities in South Carolina. With its population exceeding 250,000 within a 20 minute drive of the

historic downtown business district and approximately 1.5 million residents in its metropolitan area, the area offers unemployment rates that continue to be lower, 8.8%, as compared to the State of South Carolina's overall unemployment rate of 10.9%. 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. BMW Manufacturing recently completed a physical plant expansion and new construction which was valued at more than the company's original investment in the Greer, SC facility.

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 2011 until 2015. As the growth in the Greater Greer area subdues, the Commission 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 \$68 million and provides for the rehabilitation of existing infrastructure, expansion of the water distribution system and wastewater collection system to meet the demands of future growth and new regulations. While not all inclusive, the following projects highlight some of the major capital activities planned for the next several years:

Sewer System

Sewer Rehabilitation Project, \$10,000,000 – 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 Renewable Water Resources (ReWa) 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.

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. In addition, this project will better define our natural gas system's 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, \$2,100,000 – 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, \$2,900,000 – 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.

Relevant Financial Policies

The Commission operates under established policies for financing, rate setting and cash management. These policies serve as parameters for developing annual operating budgets, as well as the 5-year Capital Improvement Plan. The revenue bond ordinance provides that the rates shall be maintained at levels which will yield Net Revenues equal to a minimum of 120% of the annual principal and interest requirement in each fiscal year. The Commission strives to maintain an internal target equal to a minimum of 225% of the annual principal and interest.

In response to the effects of the recession, the Commission implemented several strategies aimed at reducing expenses. During early 2010, Management initiated a temporary hiring freeze and when attrition occurs, each position has been reviewed for the need of necessary replacements. At the end of 2010, 2 positions were eliminated and 3 positions were not replaced. The Commission also changed its post-employment policies to place 3 year eligibility limits on post-employment healthcare benefits. These changes were necessary to control the post-employment healthcare costs. Department managers were also required to closely scrutinize all expenditures, particularly related to training and travel expenses.

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, 2009. 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 GAAP 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,



Nick W. Stegall
General Manager



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, 2009

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.

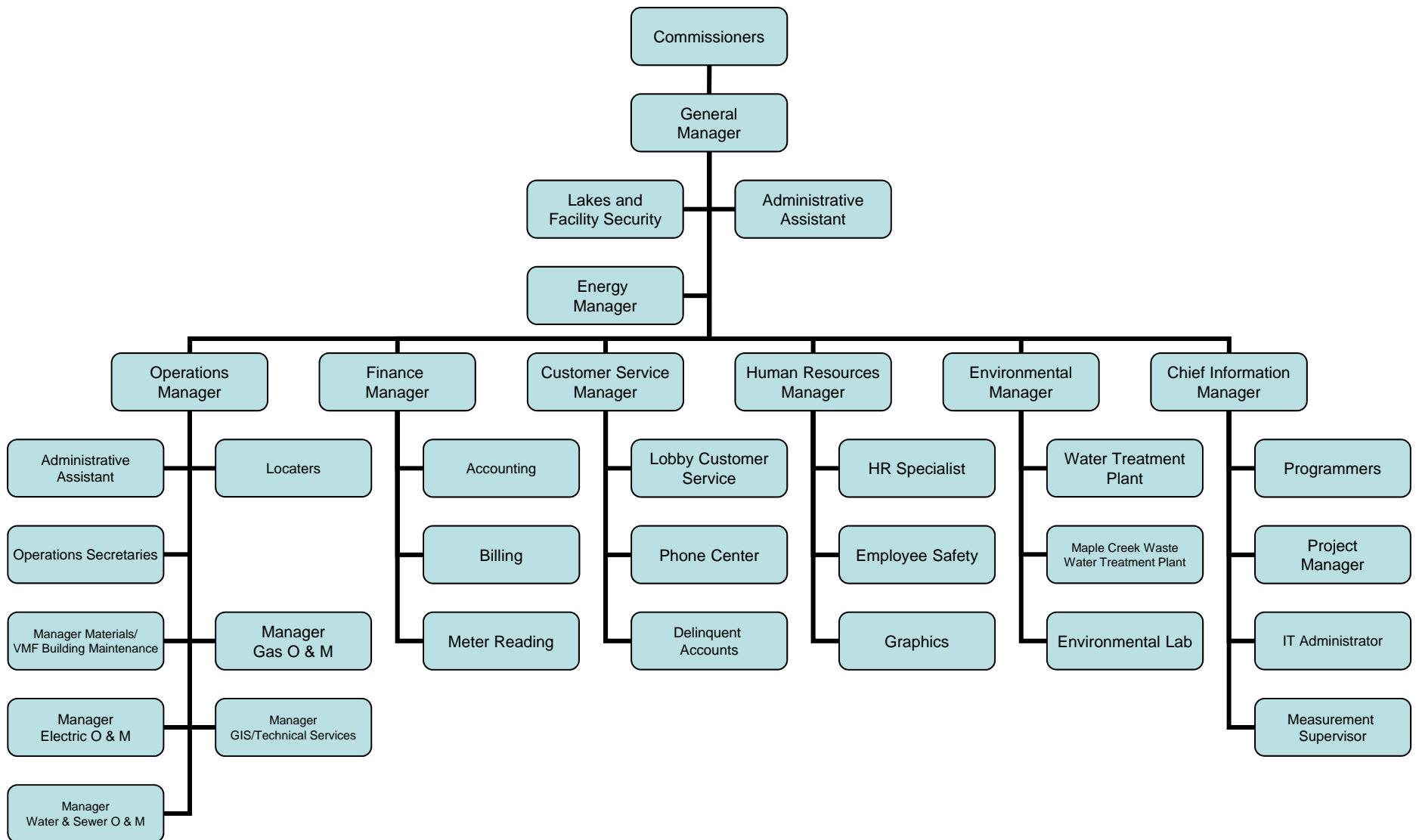


President

Executive Director

Greer Commission of Public Works

Organizational Chart



GREER COMMISSION OF PUBLIC WORKS
As of December 31, 2010

LIST OF PRINCIPAL OFFICIALS

Commissioners	Year Service Began	Position	Term Expires December 31,
Jeffrey M. Howell	1998	Chairman	2015
Eugene G. Gibson	1982	Commissioner	2013
Perry J. Williams	2009	Commissioner	2011

Operating Officers	Year First Employed	Position
Nick W. Stegall	2009	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
P. Blake Barbare	2000	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
Fredia Snow	1999	Customer Service Manager
Michael E. Watson	1981	Maple Creek Waste Water Treatment Plant Manager



Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Greer Commission of Public Works (the "Commission") as of December 31, 2010 and 2009, 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2011 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, as listed in the table of contents, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, the supplementary information, statistical section as well as the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.A.

Greenville, South Carolina
April 14, 2011

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, 2010 and 2009. 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 2010. 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 2010 and 2009:

- The Commission's net assets increased by \$3,482,476, or 2.57 percent, for 2010 compared to \$4,860,368, or 3.72 percent, in 2009 and \$7,191,743, or 5.82 percent, in 2008.
- During the year the Commission's operating revenues increased to \$75,350,019, which represents a 5.26 percent increase from the prior year. Operating revenues decreased to \$71,584,903, or by 10.70 percent, in 2009 and operating revenues increased to \$80,157,818, or by 7.72 percent, in 2008.
- Total operating expenses increased to \$67,504,654, which represents a 3.07 percent increase from the prior year. Total expenses decreased to \$65,492,617 or by 9.88 percent in 2009. Total expenses increased to \$72,671,076 or by 6.71 percent in 2008.
- Purchased Power expenses increased to \$25,053,531, up from \$23,547,604 last year. This 6.40 percent increase is reflected in the total expenses shown above. Purchased power increased from \$22,688,529, or by 3.79 percent, to \$23,547,604 in 2009. Purchased power increased from \$20,859,070, or by 8.77 percent, to \$22,688,529 in 2008.
- Purchased Gas expenses increased to \$20,380,760, up from \$20,150,380 last year. This 1.14 percent increase is reflected in the total expenses shown above. Purchased gas decreased from \$28,889,372, or by 30.25 percent, to \$20,150,380 in 2009. Purchased gas increased from 27,333,104, or by 5.69 percent, to \$28,889,372 in 2008.
- Capital contributions to the Commission decreased by \$2,061,831, which represents a 73.96 percent decrease from the prior year. Capital contributions decreased by \$674,200, or 19.47 percent in 2009 and decreased by \$80,445, or 2.27 percent in 2008.
- Transfers to the City of Greer increased by \$262,500, or 26.25 percent, from last year. Transfers to the City of Greer remained unchanged at \$1,000,000 during 2009 and 2008.
- Debt service coverage was 232% for 2010, an increase from the 2009 coverage of 230% and a decrease from the 2008 coverage of 255%. Debt service coverage required by the bond covenants is 120%, which is well below our current coverage.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commission's annual statement consists of Management's Discussion and Analysis (MD&A), the basic Financial Statements, Other Supplementary Information, and the Compliance Section. The MD&A serves as an introduction to, and should be read in conjunction with, the basic audited financial statements. The basic financial statements include notes which explain in detail some of the information included in the basic 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 basic financial statements include a Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, and notes to the financial statements.

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 the 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.

The Financial Statements were prepared by the Commission's staff from the detail books and records of the Commission. The financial statements were audited and adjusted, if material, during the independent external audit process.

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 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 \$3,482,476 to \$139,012,914 in Fiscal Year 2010, up from \$135,530,438 in Fiscal Year 2009. While the Balance Sheet shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in 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 \$2,756,592 and capital contributions of \$725,884 were the two sources of the increase in net assets.

TABLE A-1
Balance Sheet

	FY 2008	Total Dollar Change	Total Percent Change	FY 2009	Total Dollar Change	Total Percent Change	FY 2010
Current and Other Assets	\$ 28,551,561	\$ 2,753,091	9.64%	\$ 31,304,652	\$ 11,561,114	36.93%	\$ 42,865,766
Capital Assets	195,487,342	2,156,952	1.10%	197,644,294	199,313	0.10%	197,843,607
Total Assets	224,038,903	4,910,043	2.19%	228,948,946	11,760,427	5.14%	240,709,373
Long-term Debt Outstanding	79,724,121	2,362,070	2.96%	82,086,191	6,882,447	8.38%	88,968,638
Other Liabilities	13,644,712	(2,312,395)	-16.95%	11,332,317	1,395,504	12.31%	12,727,821
Total Liabilities	93,368,833	49,675	0.05%	93,418,508	8,277,951	8.86%	101,696,459
Invested in Capital Assets, Net of Related Debt	112,683,179	1,048,946	0.93%	113,732,125	(1,791,029)	-1.57%	111,941,096
Restricted	7,826,107	708,616	9.05%	8,534,723	1,292,847	15.15%	9,827,570
Unrestricted	10,160,784	3,102,806	30.54%	13,263,590	3,980,658	30.01%	17,244,248
Total Net Assets	\$ 130,670,070	\$ 4,860,368	3.72%	\$ 135,530,438	\$ 3,482,476	2.57%	\$ 139,012,914

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 \$3,656,975 to \$75,398,347 in fiscal 2010 from \$71,741,372 in fiscal 2009 due to the net effect of increases in electric, gas, water and sewer revenues. The increases in the electric and gas revenues of 5.38% and 7.03%, respectively, can be attributed to the extreme cold temperatures that were experienced during the winter months of 2010. Customer consumption for the electric and gas operations both increased by 8.47% and 13.02%, respectively. The increases in the water and sewer revenues of 1.80% and 6.40%, respectively, can be attributed to an increase in water consumption of 3.79%, and sewer collections of 3.21% from 2009. This increase in the water consumption and sewer collections were largely the result of lower precipitation amounts of 42.09 inches, a decrease from 2009 results of 10.74 inches, representing a decrease of 20.33%.

A closer examination of the individual categories affecting the source of changes in net assets reveals that the Commission's total revenues decreased by \$8,873,376 to \$71,741,372 in fiscal 2009 from \$80,614,748 in fiscal 2008 due to the net effect of an increase in electric revenues and decreased gas, and water operating revenues. Electric revenues increased 5.57%, due in part from an increase in the electric rates of 2.0%. Water revenues decreased 7.03% and sewer revenues increased 1.01%, respectively in 2009. The decreases in water revenues are attributed to the decrease in the water consumption of 8.13%. The decrease in water consumption was largely the result of abundant precipitation amounts of approximately 52.83 inches, an increase from 2008 results of 38.02 inches, representing an increase of 38.95%. Natural gas revenues decreased by 24.12% during 2009, mainly because of the fluctuations in the commodity costs. The average rates passed to our customer's decreased by 20.60%. Consumption from our customer's increased by 8.13% during 2009.

Other operating revenues decreased by \$297,777 during 2010. Other operating revenues decreased by \$521,619 during 2009. The decrease is attributable to the continued decline in customer tap fees.

During 2010, non-operating revenues decreased by \$108,141. The decrease in 2010 is explained by the continued low rates realized on investments. Interest revenues declined 69.11% during 2010. The decrease in the non-operating revenues of \$300,461 in 2009 is explained by the continued decrease in investment earnings. Earnings realized from our investments continued to decrease due to the adverse economic situation. These disposals included assets that were replaced or determined obsolete. Interest revenues declined 65.76% during 2009.

During 2010, expenses increased by \$2,973,036 to \$72,641,755, up from \$69,668,719 in fiscal 2009, due to the net effect of increased expenses related to purchased power, purchased gas, depreciation and amortization, and non-operating expenses. Purchased power costs increased by \$1,505,927, or 6.40%. With the increase in overall electric consumption, 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 \$103,093 in net Load Side Generation credits from PMPA which further reduced the costs associated with the purchased power. Purchased gas costs increased by \$230,380, or 1.14%, due to the increased consumption during 2010. The average cost of the natural gas commodity to the Commission was \$4.96 and \$6.46, respectively for 2010 and 2009, a decrease of 23.2%

A further review of Table A-2 reveals that expenses decreased by \$7,216,201 to \$69,668,719 in fiscal 2009, down from \$76,884,920 in fiscal 2008, due to the net effect of a decrease in purchased gas and other operating expenses plus increased expenses related to the costs of purchased power and depreciation. Purchased power costs increased by \$859,075, or 3.79%. The increase in costs was minimized by United States Department of Energy's Southeastern Power Agency's allocations. The Commission also received \$95,321 in net Load Side Generation credits from PMPA which further reduced the costs associated with the purchased power. Purchased gas costs decreased by \$8,738,992, or 30.25%, due to the fact that the average costs related to natural gas decreased during 2009. The average cost of the natural gas commodity to the Commission was \$6.46 and \$9.68, respectively for 2009 and 2008, a decrease of 33.26%

Non-operating expenses increased by \$960,999, or 23.01%, to \$5,137,101 during 2010. This increase is attributable to additional debt service of \$247,409 and an increase in the transfers to the City of Greer of \$262,500. Also during fiscal 2010, an increase in the loss on disposal of utility plant increased by \$451,090, or 303.76%, to \$599,590. This increase was the result of the disposal of certain obsolete assets and inventory. During 2009, the loss on disposal of utility plant was \$148,500.

As a result of these factors, the Commission experienced \$2,756,592 and \$2,072,653, respective during 2010 and 2009, in net operating revenues over expenses before capital contributions.

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

	<u>FY 2008</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>	<u>FY 2009</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>	<u>FY 2010</u>
Electric Revenues	\$ 28,885,624	\$ 1,609,681	5.57%	\$ 30,495,305	\$ 1,641,099	5.38%	\$ 32,136,404
Gas Revenues	38,476,195	(9,281,141)	-24.12%	29,195,054	2,051,849	7.03%	31,246,903
Water Revenues	6,000,228	(421,828)	-7.03%	5,578,400	100,276	1.80%	5,678,676
Sewer Revenues	4,169,093	41,992	1.01%	4,211,085	269,669	6.40%	4,480,754
Operating Revenues	2,626,678	(521,619)	-19.86%	2,105,059	(297,777)	-14.15%	1,807,282
Non-operating Revenues	456,930	(300,461)	-65.76%	156,469	(108,141)	-69.11%	48,328
Total Revenues	80,614,748	(8,873,376)	-11.01%	71,741,372	3,656,975	5.10%	75,398,347
Purchased Power	22,688,529	859,075	3.79%	23,547,604	1,505,927	6.40%	25,053,531
Purchased Gas	28,889,372	(8,738,992)	-30.25%	20,150,380	230,380	1.14%	20,380,760
Depreciation and Amortization Expense	6,288,204	791,012	12.58%	7,079,216	392,824	5.55%	7,472,040
Other Operating Expense	14,804,971	(89,554)	-0.60%	14,715,417	(117,094)	-0.80%	14,598,323
Non-operating Expense	4,213,844	(37,742)	-0.90%	4,176,102	960,999	23.01%	5,137,101
Total Expense	76,884,920	(7,216,201)	-9.39%	69,668,719	2,973,036	4.27%	72,641,755
Revenues Before Capital Contributions	3,729,828	(1,657,175)	-44.43%	2,072,653	683,939	33.00%	2,756,592
Capital Contributions	3,461,915	(674,200)	-19.47%	2,787,715	(2,061,831)	-73.96%	725,884
Change in Net Assets	7,191,743	(2,331,375)	-32.42%	4,860,368	(1,377,892)	-28.35%	3,482,476
Beginning Net Assets	123,478,327	7,191,743	5.82%	130,670,070	4,860,368	3.72%	135,530,438
Ending Net Assets	\$ 130,670,070	\$ 4,860,368	3.72%	\$ 135,530,438	\$ 3,482,476	2.57%	\$ 139,012,914

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 2010, the Commission received \$725,884 in capital contributions. The \$2,061,831 decrease from Fiscal Year 2009 capital contributions of \$2,787,715 included the following receipts:

- \$44,750 received from the Greenville Hospital System to offset capital costs related to the building of the Greer Memorial Hospital electrical infrastructure
- \$262,501 received from various sources to offset capital costs related to lighting infrastructure.
- \$171,688 in non-cash contributions in the form of water infrastructure assets received from various developers as constructed for various subdivisions

During 2009, the Commission received \$2,787,715 in capital contributions. This was a decrease of \$674,200 from \$3,729,828 received during Fiscal Year 2008.

Transfers to the City

During fiscal 2010, the Commission made transfers to the City of Greer's General Fund in the amount of \$1,262,500. During fiscal 2009, the Commission made transfers to the City's General Fund 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 2010.

This year's major capital asset additions to plant include:
<ul style="list-style-type: none"> • \$3,824,346 in construction costs associated with the development of the plans and specifications for the 1.5 MG Elevated Water Storage Tank and related 24 inch transmission line • \$60,374 in costs associated with upgrading the Buncombe Road pressure relief valves • \$196,580 to provided improvements and updates to the existing Electric system • \$861,330 in engineering and construction costs associated with the North Highway 101 Substation • \$111,496 to provide for Gas infrastructure along Highway 414 • \$231,596 to provide for engineering and construction costs associated with improving the outfall line at the Maple Creek Waste Water Treatment Plant • \$58,097 to provide for renovations to the Propane Air Plant • \$59,324 in costs associated with removing a pump station from the Riverwood Farms Subdivision • \$374,189 to provide for replacement of motor vehicles and heavy equipment • \$405,766 to provide for replacement of computers and related equipment • \$73,713 to provide for necessary upgrades and replacement equipment at the Water Treatment Plant • \$83,226 to provide for Water infrastructure in extending water lines • \$49,186 to provide Water infrastructure along James Road

At the end of 2010, the Commission has invested \$285,278,045 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. As of December 31, 2010, this investment, net of accumulated depreciation, was equal to \$197,843,607. Please refer to Note 3 to the financial statements for additional information on the Commission's capital assets.

**TABLE A-3
Capital Assets**

	<u>FY 2008</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>	<u>FY 2009</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>	<u>FY 2010</u>
Land	\$ 1,007,575	\$ 1,174,285	116.55%	\$ 2,181,860	\$ 40,561	1.86%	\$ 2,222,421
Buildings	6,998,413	(940,425)	-13.44%	6,057,988	(4,025)	-0.07%	6,053,963
Machinery, Equipment and Vehicles	7,395,283	(190,787)	-2.58%	7,204,496	211,475	2.94%	7,415,971
Electric distribution system	37,195,388	3,456,607	9.29%	40,651,995	1,062,085	2.61%	41,714,080
Water distribution system	63,679,187	(1,181,456)	-1.86%	62,497,731	797,107	1.28%	63,294,838
Water reservoirs and dams	10,535,221	2,277,823	21.62%	12,813,044	-	0.00%	12,813,044
Recreational facilities	1,313,349	(774,912)	-59.00%	538,437	14,108	2.62%	552,545
Gas distribution system	56,286,693	1,109,752	1.97%	57,396,445	(766,878)	-1.34%	56,629,567
Disposal plants and sanitary sewer	62,449,129	20,688,509	33.13%	83,137,638	658,091	0.79%	83,795,729
Office equipment and software	2,621,231	2,355,296	89.85%	4,976,527	(1,544,843)	-31.04%	3,431,684
Fiber Optic	21,427	508,419	2372.80%	529,846	14,915	2.81%	544,761
Construction in Progress	21,134,992	(19,764,413)	-93.52%	1,370,579	5,438,863	396.83%	6,809,442
Subtotal	<u>270,637,888</u>	<u>8,718,698</u>	<u>3.22%</u>	<u>279,356,586</u>	<u>5,921,459</u>	<u>2.12%</u>	<u>285,278,045</u>
Less Accumulated Depreciation	<u>75,150,546</u>	<u>6,561,746</u>	<u>8.73%</u>	<u>81,712,292</u>	<u>5,722,146</u>	<u>7.00%</u>	<u>87,434,438</u>
Net property plant equipment	<u>\$ 195,487,342</u>	<u>\$ 2,156,952</u>	<u>1.10%</u>	<u>\$ 197,644,294</u>	<u>\$ 199,313</u>	<u>0.10%</u>	<u>\$ 197,843,607</u>

In 2010, the Commission's capital assets, before accumulated depreciation, increased in the net amount \$5,921,459, of which \$7,229,829 was for expansion and improvement to utility plant and the remainder for other operating assets. In 2009, the Commission's capital assets, before accumulated depreciation, increased in the net amount of \$8,718,698 for capital assets, of which \$7,305,971 was for expansion and improvement to utility plant and the remainder for other operating assets.

LONG TERM DEBT

At year-end, the Commission had \$91,184,805 in aggregate long-term debt, up from \$83,022,356 at the end of Fiscal Year 2010, an increase of \$8,162,449, or 9.83%. The Commission had \$83,022,356 in aggregate long-term debt, up from \$81,618,275 at the end of Fiscal Year 2009, an increase of \$1,040,081, or 1.7%. The changes resulted from scheduled principal payments made on the existing debt and new issuances of long-term debt from (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. During 2010, the Commission was reviewed by Standard & Poor's and received an upgrade in our ratings to an A+ Rating.

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 232%, 230%, and 255%, for the years 2010, 2009 and 2008, 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 a result of the increase in capital reserves, the Commission currently anticipates internally funding capital projects within the current long-range Capital Improvement Plan through Fiscal Year 2013. Additional debt is programmatically scheduled as a result of the current Capital Improvement Plan during 2014, if needed. 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, the \$7,500,000 SRF loan completed in Fiscal Year 2005 and the \$13,235,000 SRF Loan completed in fiscal year 2010. The Commission closed on a fifth SRF loan during 2009, in the amount of \$5,375,417, which carries a rate of 2.26% for a 30-year term, for which the proceeds are being utilized for the planning, design and construction of a 1.5 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. The Commission has secured an Economic Development Administration (EDA) grant through the Appalachian Regional Council in the amount of \$500,000. The Commission was also able to secure \$2,000,000 in Federal American Recovery and Reinvestment Act funds that were in the form of a zero percent interest loan.

On December 2, 2010, the Commission issued \$6,115,000 of Combined System Revenue bonds for which the proceeds are being used to fund the construction of the N. Highway 101 Substation project, the rehabilitation of the sewer collection system in the Wards Creek basin to reduce in inflow and infiltration problems, and to fund other inflow and infiltration rehabilitation projects. The Series 2010 Bonds carry an interest rate of 3.07%, with annual payment of principal and interest.

TABLE A-4
Debt Coverage Ratio

	FY 2008	FY 2009	Total Percent Change	FY 2010	Total Percent Change
Revenues from Operations	\$ 80,157,818	\$ 71,584,903	-10.70%	\$ 75,350,019	5.26%
Non-operating Revenue	348,094	7,969	-97.71%	(551,262)	-7,017.58%
Capacity fees	630,599	339,699	-46.13%	227,917	-32.91%
Total Revenues	81,136,511	71,932,571	-11.34%	75,026,674	4.30%
Expenses					
Total Expenses	75,776,084	68,520,219	-9.58%	70,779,665	3.30%
Depreciation and Amortization Expense	(6,288,204)	(7,079,216)	12.58%	(7,472,040)	5.55%
Bond Interest Expense	(3,105,008)	(3,027,602)	-2.49%	(3,275,011)	8.17%
Loss on sale of assets	(108,836)	(148,500)	36.44%	(599,590)	303.76%
Total Expenses	66,274,036	58,264,901	-12.08%	59,433,024	2.00%
Income Available for Debt Service	\$ 14,862,475	\$ 13,667,670	-8.04%	\$ 15,593,650	14.09%
Maximum Annual Debt Service	\$ 5,817,971	\$ 5,938,300		\$ 6,707,964	
Maximum Annual Debt Service Coverage	2.55	2.30	-9.80%	2.32	0.87%

*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-5, the Commission's current average cost of capital is 3.96% in outstanding debt, with the average cost of capital being 4.09% and 4.37%, for the years 2009 and 2008, respectively.

**TABLE A-5
Cost of Capital**

	FY 2008		FY 2009		FY 2010	
	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate
Series 1997 Combined Utility System Revenue Bonds	\$ 24,425,000	4.90%	\$ -	-	\$ -	-
Series 2002 Combined Utility System Revenue Bonds	24,495,000	5.36%	24,345,000	5.36%	24,185,000	5.36%
1999 South Carolina SRF Loan	1,131,375	3.50%	1,047,789	3.50%	961,237	3.50%
2004 South Carolina SRF Loan	8,500,013	2.50%	8,270,758	2.50%	8,035,717	2.50%
2005 South Carolina SRF Loan	7,056,893	3.00%	6,891,171	3.00%	6,720,422	3.00%
2007 BB&T Lease	187,653	3.73%	95,544	3.73%	-	-
Series 2007 Combined Utility System Revenue Bonds	5,508,981	4.02%	5,310,283	4.02%	5,103,597	4.02%
2007 South Carolina SRF Loan	10,313,360	3.50%	12,831,811	3.50%	12,642,953	3.50%
Series 2009 Combined Utility Systems Refunding Bonds	-	-	24,230,000	4.03%	23,990,000	4.03%
2009 South Carolina SRF Loan	-	-	-	-	3,430,879	2.29%
Series 2010 Combined Utility System Revenue Bonds	-	-	-	-	6,115,000	3.07%
	<u>\$ 81,618,275</u>	<u>4.37%</u>	<u>\$ 83,022,356</u>	<u>4.09%</u>	<u>\$ 91,184,805</u>	<u>3.96%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission considered a variety of factors in developing the Fiscal Year 2011 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 2011 Budget provides for no rate increases for all four operating utilities. Controllable operating costs were held very much in check for this budget year. Given the current state of the economy, the Commission has decided to maximize the efficiency of our current staff, adding no new positions during 2011. Other requirements, such as increasing legislative environmental requirements mandated for our drinking water and wastewater treatment facilities, volatile natural gas markets and the rising cost of purchased power, rising health care costs, and the general overall effects of inflation on our day-to-day operating requirements, must be dealt with effectively through the rates and fees charged for our services in order to achieve revenue sufficiency and appropriate levels of debt service coverage for each of the four operating utilities.

Contributions, or transfers, to the City of Greer's General Fund will decrease to \$1,075,000 for Fiscal Year 2011.

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, 2010 and December 31, 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents:		
Operating	\$ 9,275,277	\$ 5,046,251
Restricted	11,525,028	4,246,522
Total funds	20,800,305	9,292,773
Receivables:		
Customers, less allowance for doubtful accounts of \$255,759 in 2010 and \$275,113 in 2009	9,282,828	9,130,102
Interest	489	15,722
Total receivables	9,283,317	9,145,824
Short-term investments:		
Unrestricted	3,012,028	3,000,071
Restricted	4,305,292	4,288,201
Inventories	2,160,723	2,306,687
Customer deposits	870,308	771,623
Total current assets	40,431,973	28,805,179
Non-current assets:		
Utility plant	285,278,045	279,356,586
Less accumulated depreciation	(87,434,438)	(81,712,292)
Net utility plant	197,843,607	197,644,294
Debt issuance cost, net of accumulated amortization \$458,753 in 2010 and \$328,851 in 2009	2,323,645	2,341,296
Other assets	110,148	158,177
Total non-current assets	200,277,400	200,143,767
Total assets	\$ 240,709,373	\$ 228,948,946
Equity and Liabilities		
Current liabilities:		
Accounts payable	\$ 5,717,544	\$ 5,790,741
Construction contract retainage payable	215,183	135,643
Accrued interest	976,314	950,172
Other accrued expenses	996,649	1,010,503
Customer deposits	870,308	771,623
Current portion of landfill post-closure liability	17,100	17,100
Current portion of long-term debt	2,936,623	1,690,335
Total current liabilities	11,729,721	10,366,117
Landfill post-closure liability	359,100	376,200
Other post-employment liability	639,000	590,000
Long term debt, net of unamortized premium, and current portion of long-term debt	88,968,638	82,086,191
Total non-current liabilities	89,966,738	83,052,391
Total liabilities	101,696,459	93,418,508
Net Assets		
Capital assets, net of related debt	111,941,096	113,732,125
Restricted assets		
Debt service	4,952,826	3,889,984
Capital projects	4,874,744	4,644,739
Unrestricted net assets	17,244,248	13,263,590
Total net assets	139,012,914	135,530,438
Total equity and liabilities	\$ 240,709,373	\$ 228,948,946

See accompanying notes to financial statements

Greer Commission of Public Works

Statements of Revenues, Expenses and Changes in Net Assets Periods ended December 31, 2010 and December 31, 2009

	2010	2009
Operating revenues		
Electric revenues	\$ 32,136,404	\$ 30,495,305
Gas revenues	31,246,903	29,195,054
Water revenues	5,678,676	5,578,400
Sewer revenues	4,480,754	4,211,085
Other operating revenues	1,807,282	2,105,059
Total operating revenues	75,350,019	71,584,903
Operating expenses		
Purchased power	25,053,531	23,547,604
Purchased gas	20,380,760	20,150,380
Depreciation and amortization	7,472,040	7,079,216
Other operating expenses	14,598,323	14,715,417
Total operating expenses	67,504,654	65,492,617
Net operating revenue	7,845,365	6,092,286
Other revenues (expenses)		
Interest expense	(3,275,011)	(3,027,602)
Interest revenue	48,328	156,469
Transfers to the City of Greer	(1,262,500)	(1,000,000)
Loss on disposal of utility plant	(599,590)	(148,500)
Total other expenses, net	(5,088,773)	(4,019,633)
Revenues over expenses before contributions	2,756,592	2,072,653
Contributions	725,884	2,787,715
Revenues over expenses after contributions	3,482,476	4,860,368
Net assets at beginning of the year	135,530,438	130,670,070
Net assets at end of the year	\$ 139,012,914	\$ 135,530,438

See accompanying notes to financial statements

Greer Commission of Public Works

Statements of Cash Flows
For the Periods Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 73,536,725	\$ 69,313,135
Cash paid to suppliers	(54,149,502)	(53,658,910)
Cash paid to employees	(6,132,651)	(6,262,097)
Other operating revenue	1,807,282	2,105,059
Net cash provided by operating activities	<u>15,061,854</u>	<u>11,497,187</u>
Cash flows from noncapital financing activities:		
Payments to City of Greer	(1,262,500)	(1,000,000)
Net cash used in noncapital financing activities	<u>(1,262,500)</u>	<u>(1,000,000)</u>
Cash flows from capital and related financing activities:		
Increase in utility plants, net	(7,649,329)	(10,131,397)
Capital contributions	576,799	2,113,645
Proceeds from sale of utility plant	43,550	285,129
Proceeds from issuance of long-term debt	9,843,574	27,103,399
Debt issuance costs	(112,250)	(951,938)
Repayment of debt	(1,681,125)	(25,280,277)
Interest paid on long-term debt	(3,248,869)	(3,128,235)
Net cash used in capital and related financing activities	<u>(2,227,650)</u>	<u>(9,989,674)</u>
Cash flows from investing activities:		
Purchase of investments	(127,733)	(16,801,883)
Maturities of certificates of deposit	-	14,929,741
Interest received on certificates of deposit	63,561	284,858
Net cash provided (used in) by investing activities	<u>(64,172)</u>	<u>(1,587,284)</u>
Net increase (decrease) in cash and cash equivalents	11,507,532	(1,079,771)
Cash and cash equivalents at beginning of year	<u>9,292,773</u>	<u>10,372,544</u>
Cash and cash equivalents at end of year	<u>\$ 20,800,305</u>	<u>\$ 9,292,773</u>

See accompanying notes to financial statements

Greer Commission of Public Works

Statements of Cash Flows
For the Periods Ended December 31, 2010 and 2009

	2010	2009
Reconciliation of operating income to net cash provided by operating activities		
Net operating revenue	\$ 7,845,365	\$ 6,092,286
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation	7,375,853	7,001,120
Amortization of bond discount, premiums and issuance costs of bond amortization	96,187	78,096
Changes in assets and liabilities:		
Customer receivables, net	(152,726)	(463,391)
Inventories	(194,388)	(516,038)
Other assets	48,029	262,812
Accounts payable	(73,197)	(1,224,317)
Other accrued expenses	(13,854)	(59,551)
Other post-employment liabilities	49,000	295,000
Landfill post-closure liability	(17,100)	(2,700)
Customer deposits	98,685	33,870
	<u>\$ 15,061,854</u>	<u>\$ 11,497,187</u>
Non-cash items		
Inventory transferred into capital assets	\$ 340,352	\$ 516,582
Capital assets transferred into inventory	\$ -	\$ (1,015,232)
Loss on sale of assets	\$ 599,590	\$ (148,500)
Non-cash capital contributions	\$ 149,085	\$ 674,070
Capitalized interest related to long-term debt	\$ 161,029	\$ 158,566

See accompanying notes to financial statements

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

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 96.99% of the Commission’s electrical needs. The Commission also purchases power from the U.S. Department of Energy – Southeastern Power Administration and from the 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 Energy Management Corporation, Conoco Phillips, BP Energy, Atmos 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.

Reporting Entity

The Commission is not included as a component unit in the financials of another governmental entity.

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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 1 - Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

The Commission, however, has applied all applicable pronouncements issued by the Governmental Accounting Standards Board (GASB).

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, 2010 and 2009 was \$161,029 and \$158,566, 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:

<u>Capital Asset Type</u>	<u>Years</u>
Water distribution system, water reservoirs and dams, disposal plants and sanitary sewer, finance building, and operations center	50
Gas distribution system and vehicle maintenance facility	33
Electric distribution system and recreational facilities	25
Buildings and fiber optics	10
Vehicles and other work equipment and office equipment and furniture	6.8

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 1 - Organization and Significant Accounting Policies (continued)

Utility Plant (continued)

Depreciation expense for the years ended December 31, 2010 and 2009 was \$7,375,853 and \$7,001,120, 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 records that amount as unbilled revenues for the current year. Estimated unbilled revenues as of December 31, 2010 and 2009 were \$4,564,827 and \$5,102,455, 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

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 1 - Organization and Significant Accounting Policies (continued)

Allowance of Uncollectible Accounts (continued)

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 12).

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 prepaid assets, such as general liability insurance premiums that have been paid during 2010, but are recognized over the appropriate accounting periods.

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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 1 - Organization and Significant Accounting Policies (continued)

Derivative Instruments and Hedging Activities (continued)

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, 2010 and 2009, the Commission had a total of 33 contracts and 6 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 \$4,953,672 and \$2,820,600 at an average cost of \$4.57 and \$6.72 per dekatherm of natural gas at December 31, 2010 and 2009, respectively.

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 GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water right, patents and computer software. The requirements for this Statement is effective for financial statements issued after June 15, 2009, and was required to be adopted by the Commission beginning January 1, 2009. The adoption of this Statement did not have a material impact on the Commission's financial statements.

The GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting requirements for

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 1 - Organization and Significant Accounting Policies (continued)

New Pronouncements (continued)

derivative instruments entered into by state and local governments. This Standard is effective for financial statements issued after June 15, 2009, and was adopted by the Commission beginning January 1, 2009. The adoption of this Standard did not have a material impact on the Commission's financial statements.

Net Assets

Equity is classified as net assets and is displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of changes in the Commission's financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. These changes have no effect on the prior year's financial position and operations.

Note 2 - Project Power Sales Agreement

The Commission, as a Member of PMPA, is party to the Catawba Project Power Sales Agreements (the “Sales Agreements”). These Sales Agreements oblige PMPA to provide each Member a share of the Catawba Nuclear Station (the “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 14.67% and 14.63% in 2010 and 2009, respectively.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 2 - Project Power Sales Agreement (continued)

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. During 2010 and 2009, the Commission purchased approximately \$24,397,994 and \$22,694,833, respectively, from PMPA under the two agreements discussed above. On December 31, 2010 and 2009, amounts due to PMPA of \$2,159,819 and \$2,034,868, respectively, were included in accounts payable.

Note 3 - Utility Plant

The following is a summary of changes in utility plant:

As of December 31, 2010

	December 31, 2009	Additions	Classification Transfers	Disposals	December 31, 2010
Utility plant not being depreciated:					
Land and easements	\$ 2,181,860	\$ 40,561	\$ -	\$ -	\$ 2,222,421
Construction in progress	1,370,579	5,195,999	242,864	-	6,809,442
	<u>3,552,439</u>	<u>5,236,560</u>	<u>242,864</u>	<u>-</u>	<u>9,031,863</u>
Utility plant being depreciated:					
Electric distribution system	40,651,995	764,762	303,134	(5,811)	41,714,080
Gas distribution system	57,396,445	628,840	(1,321,238)	(74,480)	56,629,567
Water distribution system	62,497,731	375,376	431,552	(9,821)	63,294,838
Water reservoirs and dams	12,813,044	-	-	-	12,813,044
Recreational facilities	538,437	14,107	1	-	552,545
Disposal plants and sanitary sewer	83,137,638	409,365	248,726	-	83,795,729
Finance building	369,996	-	-	-	369,996
Operations center	5,053,756	-	201,162	(4,025)	5,250,893
Vehicle maintenance facility	358,074	-	-	-	358,074
Buildings	276,162	-	(201,162)	-	75,000
Vehicles and other work equipment	7,204,496	456,786	932	(246,243)	7,415,971
Office equipment and furniture	4,976,527	408,458	15,526	(1,968,827)	3,431,684
Fiber Optic	529,846	14,915	-	-	544,761
Total Utility plant being depreciated	<u>275,804,147</u>	<u>3,072,609</u>	<u>(321,367)</u>	<u>(2,309,207)</u>	<u>276,246,182</u>
Less accumulated depreciation for:					
Electric distribution system	(17,368,530)	(1,411,919)	53,738	1,850	(18,724,861)
Gas distribution system	(18,173,297)	(1,644,129)	(1,120)	17,490	(19,801,056)
Water distribution system	(14,448,628)	(1,290,153)	(65,171)	3,829	(15,800,123)
Water reservoirs and dams	(4,309,961)	(196,460)	-	-	(4,506,421)
Recreational facilities	(296,101)	(21,044)	(1)	-	(317,146)
Disposal plants and sanitary sewer	(16,464,435)	(1,791,791)	278	-	(18,255,948)
Finance building	(24,628)	(11,097)	-	-	(35,725)
Operations center	(2,143,031)	(111,514)	55,308	2,467	(2,196,770)
Vehicle maintenance facility	(221,346)	(10,845)	-	-	(232,191)
Buildings	(75,000)	-	-	-	(75,000)
Vehicles and other work equipment	(5,076,414)	(561,744)	90,882	243,441	(5,303,835)
Office equipment and furniture	(2,988,003)	(301,520)	(133,914)	1,384,630	(2,038,807)
Fiber Optic	(122,918)	(23,637)	-	-	(146,555)
Total accumulated depreciation	<u>(81,712,292)</u>	<u>(7,375,853)</u>	<u>-</u>	<u>\$ 1,653,707</u>	<u>(87,434,438)</u>
Utility plant, net	<u>\$ 197,644,294</u>				<u>\$ 197,843,607</u>

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 3 - Utility Plant (continued)

As of December 31, 2009

	December 31, 2008	Additions	Classificati on Transfers	Disposals	December 31, 2009
Utility plant not being depreciated:					
Land and easements	\$ 1,007,575	\$ 628,046	\$ 546,239	\$ -	\$ 2,181,860
Construction in progress	21,134,992	1,714,510	-	(21,478,923)	1,370,579
	<u>22,142,567</u>	<u>2,342,556</u>	<u>546,239</u>	<u>(21,478,923)</u>	<u>3,552,439</u>
Utility plant being depreciated:					
Electric distribution system	37,195,388	4,649,865	(1,176,497)	(16,761)	40,651,995
Gas distribution system	56,286,693	1,340,674	(148,858)	(82,064)	57,396,445
Water distribution system	63,679,187	1,330,072	(2,443,668)	(67,860)	62,497,731
Water reservoirs and dams	10,535,221	-	2,277,823	-	12,813,044
Recreational facilities	1,313,349	-	(774,912)	-	538,437
Disposal plants and sanitary sewer	62,449,129	20,858,183	(169,674)	-	83,137,638
Finance building	2,866,072	258,909	(2,754,985)	-	369,996
Operations center	3,498,104	993	1,554,659	-	5,053,756
Vehicle maintenance facility	358,075	-	(1)	-	358,074
Buildings	276,162	-	-	-	276,162
Vehicles and other work equipment	7,395,283	665,529	(301,237)	(555,079)	7,204,496
Office equipment and furniture	2,621,231	487,296	1,870,668	(2,668)	4,976,527
Fiber Optic	21,427	3,208	505,211	-	529,846
Total Utility plant being depreciated	<u>248,495,321</u>	<u>29,594,729</u>	<u>(1,561,471)</u>	<u>(724,432)</u>	<u>275,804,147</u>
Less accumulated depreciation for:					
Electric distribution system	(16,414,626)	(1,732,484)	773,954	4,626	(17,368,530)
Gas distribution system	(16,633,800)	(1,588,448)	31,546	17,405	(18,173,297)
Water distribution system	(13,289,154)	(1,396,591)	229,196	7,921	(14,448,628)
Water reservoirs and dams	(3,438,673)	(59,152)	(812,136)	-	(4,309,961)
Recreational facilities	(882,497)	-	586,396	-	(296,101)
Disposal plants and sanitary sewer	(14,985,661)	(1,285,758)	(193,016)	-	(16,464,435)
Finance building	(1,012,016)	(8,069)	995,457	-	(24,628)
Operations center	(1,287,719)	(125,986)	(729,326)	-	(2,143,031)
Vehicle maintenance facility	(210,502)	(10,845)	1	-	(221,346)
Buildings	(75,000)	-	-	-	(75,000)
Vehicles and other work equipment	(5,142,749)	(602,868)	262,449	406,754	(5,076,414)
Office equipment and furniture	(1,768,218)	(308,844)	(913,609)	2,668	(2,988,003)
Fiber Optic	(9,931)	(23,054)	(89,933)	-	(122,918)
Total accumulated depreciation	<u>(75,150,546)</u>	<u>(7,142,099)</u>	<u>140,979</u>	<u>439,374</u>	<u>(81,712,292)</u>
Utility plant, net	<u>\$ 195,487,342</u>				<u>\$ 197,644,294</u>

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

At December 31, 2010 and 2009, the Commission had outstanding contractual commitments of \$286,010 and \$3,211,822, 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, 2010 and 2009

Note 4 - Cash, Cash Equivalents and Investments

At December 31, 2010, the carrying value of deposits included in cash and cash equivalents was \$20,800,305 and the bank balance was \$20,968,293. At December 31, 2009, the carrying value of deposits included in cash and cash equivalents was \$9,292,773 and the bank balance was \$9,400,735. These bank deposits were covered by federal depository insurance up to \$250,000 and/or fully collateralized with eligible securities held by an agent of the Commission in the Commission's name. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts.

Cash and cash equivalents at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash	\$ 20,800,305	\$ 9,292,773
	<u>\$ 20,800,305</u>	<u>\$ 9,292,773</u>

As of December 31, 2010, the Commission had the following investments and maturities:

Investment Type	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 - 12 Months</u>
Certificates of Deposit	\$ 830,352	\$ 830,352	\$ -
SC Local Government Investment Pool	<u>7,317,320</u>	<u>7,317,320</u>	<u>-</u>
	<u>\$ 8,147,672</u>	<u>\$ 8,147,672</u>	<u>\$ -</u>

As of December 31, 2009, the Commission had the following investments and maturities:

Investment Type	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 - 12 Months</u>
Certificates of Deposit	\$ 804,156	\$ 804,156	\$ -
SC Local Government Investment Pool	<u>7,288,272</u>	<u>7,288,272</u>	<u>-</u>
	<u>\$ 8,092,428</u>	<u>\$ 8,092,428</u>	<u>\$ -</u>

Reconciliation of Investments to Balance Sheet:

	<u>2010</u>	<u>2009</u>
Short-term Investments		
Unrestricted	\$ 3,012,028	\$ 3,000,071
Restricted	4,305,292	4,288,201
Customer Deposits Invested	830,352	771,623
Investments considered as cash and cash equivalents	-	32,533
Total Short-term Investments	<u>\$ 8,147,672</u>	<u>\$ 8,092,428</u>

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

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

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 (FDIC)
- 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) above.

The Commission is invested 10.19% 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.

In addition, the South Carolina state statutes authorize the Commission to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation with the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The SCLGIP is not rated.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

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

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 2010 and 2009, 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 10.19% and 9.9% of the Commission's total investments for 2010 and 2009, respectively.

Note 5 - Inventories

Inventories at December 31, 2010 and 2009 consist of the following:

	2010		2009
Materials and supplies:			
Electric	\$ 1,307,054	\$	1,385,535
Gas	539,341		568,697
Water and sewer	270,560		333,083
Other	10,830		6,713
Gasoline	32,938		12,659
	\$ 2,160,723	\$	2,306,687

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 2009, after a review by independent engineers, the landfill postclosure liability was increased to \$410,400, an increase of \$14,400 and will be amortized over the remaining postclosure period. For the years ended December 31, 2010 and 2009, amortization in the amount of \$17,100 and \$17,100, 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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

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, 2010 and 2009, the amount of defeased bonds principal outstanding and unpaid by the Trustee was \$26,150,000 and \$27,775,000, respectively.

On June 4, 2009, the Commission issued \$24,230,000 of refunding bonds to defease the remaining outstanding bonds, net of all cost of debt, of the Series 1997 Combined Utility System Revenue bonds. This refunding transaction provided the Commission with an economic gain of \$1,240,583. This transaction also resulted in a defeasance loss in the amount of \$937,746, which will be amortized over the life of the original debt, which is equal to the life of the new debt issue.

Long-term debt at December 31, 2010 and 2009 consists of the following:

	2010	2009
South Carolina Water Quality Revolving Fund loan to finance the South Tyger Consolidation Project; interest at 3.5%; quarterly installments through February 1, 2020.	\$ 961,237	\$ 1,047,789
\$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.	24,185,000	24,345,000
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.	8,035,717	8,270,758
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.	6,720,422	6,891,171

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 7 - Long-Term Debt (continued)

	2010	2009
\$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.	5,103,597	5,310,283
\$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.	-	95,544
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	12,642,953	12,831,811
South Carolina Water Quality Revolving fund loan to finance the Water construction of a 1.5 million gallon Elevated Water Tank and Transmission Main, interest at 2.29%; quarterly installments through January 1, 2041; Partially funded by American Recovery and Reinvestment Act (ARRA) in the amount of \$2,000,000, interest at 0.0%.	3,430,879	-
\$24,230,000 Series 2009 Combined Utility System Refunding Revenue Bond used to refund Series 1997 Combined Utility System Revenue Bonds	23,990,000	24,230,000
\$6,115,000 Series 2010 Combined Utility System Revenue Bond used to fund construction and acquisition of certain improvements of utility plants; interest at 3.07%; principal payable annually starting at September 1, 2011 and interest payable annually through September 1, 2025	6,115,000	-
	91,184,805	83,022,356
Current portion of long-term debt.	(2,936,623)	(1,690,335)
Bond premium, net of accumulated amortization of \$290,956 in 2010 and \$257,242 in 2009.	720,456	754,170
	\$ 88,968,638	\$ 82,086,191

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 7 - Long-Term Debt (continued)

Future maturities of long-term debt area as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,936,623	\$ 3,528,572	\$ 6,465,195
2012	3,116,953	3,483,665	6,600,618
2013	3,230,491	3,372,061	6,602,552
2014	3,350,523	3,255,995	6,606,518
2015	3,467,103	3,135,266	6,602,369
2016-2020	19,224,867	13,697,177	32,922,044
2021-2025	22,450,673	9,961,148	32,411,821
2026-2030	21,524,295	5,373,947	26,898,242
2031-2035	10,886,850	943,259	11,830,109
2036-2040	960,623	40,545	1,001,168
2041	35,804	387	36,191
	<u>\$ 91,184,805</u>	<u>\$ 46,792,022</u>	<u>\$ 137,976,827</u>

Changes in Long-Term Debt

December 31, 2010

	<u>Beginning Balance</u>	<u>New Issuance</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1999 State Revolving Loan	\$ 1,047,789	\$ -	\$ (86,552)	\$ 961,237	\$ 92,798
2002 Combined Utility System Bonds	24,345,000	-	(160,000)	24,185,000	165,000
2004 State Revolving Loan	8,270,758	-	(235,041)	8,035,717	240,972
2005 State Revolving Loan	6,891,171	-	(170,749)	6,720,422	175,930
2007 BB&T Equipment Lease	95,544	-	(95,544)	-	-
2007 State Revolving Loan	12,831,811	297,695	(486,553)	12,642,953	504,407
2007 Combined Utility System Bonds	5,310,283	-	(206,686)	5,103,597	214,994
2009 Combined Utility System	24,230,000	-	(240,000)	23,990,000	1,195,000
2009 State Revolving Loan	-	3,430,879	-	3,430,879	97,522
2010 Combined Utility System Bonds	-	6,115,000	-	6,115,000	250,000
Landfill Postclosure Costs	393,300	-	(17,100)	376,200	17,100
	<u>\$ 83,415,656</u>	<u>\$ 9,843,574</u>	<u>\$ (1,698,225)</u>	<u>\$ 91,561,005</u>	<u>\$ 2,953,723</u>

December 31, 2009

	<u>Beginning Balance</u>	<u>New Issuance</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1997 Combined Utility System Bonds	\$ 24,425,000	\$ -	\$ (24,425,000)	\$ -	\$ -
1999 State Revolving Loan	1,131,375	-	(83,586)	1,047,789	86,550
2002 Combined Utility System Bonds	24,495,000	-	(150,000)	24,345,000	160,000
2004 State Revolving Loan	8,500,013	-	(229,255)	8,270,758	235,041
2005 State Revolving Loan	7,056,893	-	(165,722)	6,891,171	170,749
2007 BB&T Equipment Lease	187,653	-	(92,109)	95,544	95,545
2007 State Revolving Loan	10,313,360	2,873,399	(354,948)	12,831,811	495,764
2007 Combined Utility System Bonds	5,508,981	-	(198,698)	5,310,283	206,686
2009 Combined Utility System	-	24,230,000	-	24,230,000	240,000
Landfill Postclosure Costs	396,000	14,400	(17,100)	393,300	17,100
	<u>\$ 82,014,275</u>	<u>\$ 27,117,799</u>	<u>\$ (25,716,418)</u>	<u>\$ 83,415,656</u>	<u>\$ 1,707,435</u>

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 7 - Long-Term Debt (continued)

The Commission has pledged future total revenues, net of operating expenses, to repay substantially all outstanding bonds issued in prior years. Proceeds from these bonds provided financing for utility infrastructure. The bonds are payable solely from the net revenues of the Commission and are payable through 2041. The total principal and interest remaining to be paid on the bonds is \$137,976,827. Principal and interest paid for the years ended December 31, 2010 and 2009 were \$4,929,995 and \$4,319,021, respectively. Total revenues for the years ended December 31, 2010 and 2009 were \$75,350,019 and \$71,584,903, respectively.

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, 2010 and 2009 was \$6,751,423 and \$6,948,988, 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
January - December, 2009	6.50	9.24
January - December, 2010	6.50	9.24

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 8 - Retirement Plan (continued)

Contributions by the Commission were based on the percentages of the employees' earnings listed above and amounted to \$604,583, \$633,250 and \$568,519 in 2010, 2009 and 2008, respectively. Employee contributions were based on the percentages of the employees' earnings listed above and amounted to \$428,357, \$448,056 and \$406,059 in 2010, 2009, and 2008, respectively.

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 GASB 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.

The Commission sponsors a single-employer defined benefit health plan (the "Plan") that provides medical and dental insurance for retired employees and their spouses based on the years of service at the time of retirements. The contribution requirements of the Commission and Plan members are established and amended by the Commission. Membership in the healthcare plan consisted of the following at December 31:

	2010	2009
Active Employees	130	134
Retirees	13	8
Total	143	142

For those employees that were hired prior to October 7, 2005 and retired prior to July 1, 2010 (known as the Grandfathered-Group), the Commission provides post-employment health benefits to these employees who retire with 25 years of service for a period until the employee attains age 65. For those employees who retire with 30 years of service the Commission also provides their spouses with a maximum of three years of coverage.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 9 - Other Post-Employment Benefits (continued)

The Commission adopted changes to the post-employment benefits during 2010, and are as follows. For those employees that were not considered as the Grandfathered-Group, the Commission provides post-employment health benefits to these employees who have meet the following qualifications: 1) retire with 30 years of service within the South Carolina Retirement System, 2) have 25 years of service at the Commission, and 3) have attained age 62. The post-employment health benefits are provided for a period of up to three 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 55% to 75% 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, 2010 and 2009, the Commission recognized expenses (net of participant contributions) of \$88,150 and \$31,281 respectively, to provide health benefits to Commission participants in post-employment status. As of December 31, 2010 and 2009, retired members in post-employment status that were eligible for benefits under the plan included 13 and 11 participants, respectively.

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, 2010 and December 31, 2009, respectively, the amount actually contributed to the Plan and the changes in the net OPEB obligation to the Plan:

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 9 - Other Post-Employment Benefits (continued)

	2010	2009
Annual Required Contribution	\$ 115,000	\$ 348,000
Interest on net OPEB obligation	24,000	-
Adjustment to annual required contribution	(25,000)	-
Annual OPEB cost (expense)	114,000	348,000
Contributions made during the year	(65,000)	(53,000)
Increase in Net OPEB obligation	49,000	295,000
Net OPEB obligation - beginning of year	590,000	295,000
Net OPEB obligation - end of year	\$ 639,000	\$ 590,000

The Commission's annual OPEB cost, contributions, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation of the years ended December 31, 2010 and December 31, 2009 are as follows:

Year	Annual OPEB Cost	Contribution	Percent Contributed	Net OPEB Obligation
2010	\$ 114,000	\$ 65,000	57.02%	\$ 639,000
2009	348,000	53,000	15.23%	590,000
2008	348,000	53,000	15.23%	295,000

Funding progress:

	January 1, 2010	January 1, 2008
Actuarial valuation date	January 1, 2010	January 1, 2008
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL) – projects unit credit	1,528,000	3,725,000
Unfunded AAL (UAAL)	1,528,000	3,725,000
Normal Cost	51,000	189,000
Funded ratio	0%	0%
Covered payroll	\$ 6,751,423	\$ 6,948,988
UAAL as a percent of covered payroll	22.6%	53.6%

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. At December 31, 2010, the plan was unfunded.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 9 - Other Post-Employment Benefits (continued)

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.

The projected unit credit cost method was used in the January 1, 2010 actuarial valuation. Under this method, each participant's benefits earned to date are calculated using projected benefits based on accrual to the date of the expected retirement and the participant's benefit service, when eligible. Costs are attributed from the date of hire to the date first eligible for full benefits. The service costs is the actuarial present value of the benefit earned at the end of the plan year less the actuarial present value of benefits earned at the beginning of the year. The actuarial assumptions included a 4.0% investment rate of return. For all individuals, the healthcare cost trends are computed with an annual 9% increase each year. The trends rate will decrease in 0.5% steps until it reaches 5% and then will remain level. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at December 31, 2010, was 27 years.

Note 10 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission is insured under policies through the South Carolina Budget and Control Board, Office of the Insurance Reserve Fund (the Fund) that is a public entity risk pool. The Commission pays premiums to the Fund for its general liability, property and accidental insurance. The agreement for formation of the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial companies for each insured event. The Commission carries general liability insurance with coverage of up to \$1,000,000 per occurrence; automobile insurance with coverage of up to \$1,000,000 per occurrence for bodily injury; and a public official's and employee liability with coverage of up to \$1,000,000 per occurrence.

It is the policy of the Commission to provide group health insurance for all of its full time employees and Commissioners with the South Carolina Local Government Assurance Group. This Plan is a fully funded group health plan and uses a third party administrator to process health insurance claims. The Commission pays the employees and qualifying dependent insurance premium for this insurance plan. The Plan is a PPO that contains co-insurance maximums of \$3,000.00 and \$6,000.00 in network and \$4,000.00 and \$8,000.00 out of network, not including the deductible. The co-insurance pays 75% in network and 55% out of network. The policy has a lifetime maximum of \$2,000,000. The Commission's total expense for the fiscal years ending December 31, 2010 and December 31, 2009 was \$1,510,776 and \$1,460,936, respectively.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 10 – Risk Management (continued)

The Commission also participates in the South Carolina Municipal Insurance Trust for workers compensation insurance coverage up to the statutory limits.

Note 11 - Related Party Transactions

In 2010 and 2009, 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 \$1,262,500 in 2010 and \$1,000,000 in 2009.

Note 12 – 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.

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, 2010 and 2009 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 \$227,917 and \$339,669 and capital grants of \$497,967 and \$2,448,046, respectively, are included in contributions.

Note 13 - 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

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2010 and 2009

Note 13 - Purchased Gas Adjustment (continued)

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 cover 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, 2010, the Commission had accumulated \$2,348,128 in unbilled PGA costs. As of December 31, 2009, the Commission had accumulated \$2,541,255 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 \$0.01, per therm of natural gas consumed.

Note 14 - 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 Commission of Public Works
Schedule of Actual and Budgeted Revenues and Expenses
Twelve Month Period Ended December 31, 2010
Schedule 1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Electric revenues	\$ 30,917,703	\$ 32,136,404	\$ 1,218,701
Gas revenues	32,577,242	31,246,903	(1,330,339)
Water and sewer service	10,511,217	10,159,430	(351,787)
Other operating revenues	2,055,457	1,807,282	(248,175)
Total operating revenues	<u>76,061,619</u>	<u>75,350,019</u>	<u>(711,600)</u>
Operating expenses			
Purchased power	24,074,191	25,053,531	(979,340)
Purchased gas	23,122,369	20,380,760	2,741,609
Depreciation and amortization	6,811,334	7,472,040	(660,706)
Other operating expenses	16,232,552	14,598,323	1,634,229
Total operating expenses	<u>70,240,446</u>	<u>67,504,654</u>	<u>2,735,792</u>
Net operating revenue	<u>5,821,173</u>	<u>7,845,365</u>	<u>2,024,192</u>
Other revenues (expenses)			
Interest expense	(3,303,894)	(3,275,011)	28,883
Interest revenue	250,000	48,328	(201,672)
Transfers to the City of Greer	(1,175,000)	(1,262,500)	(87,500)
Gain (loss) on disposal of utility plant	-	(599,590)	(599,590)
Total other expenses, net	<u>(4,228,894)</u>	<u>(5,088,773)</u>	<u>(859,879)</u>
Revenues over expenses before contributions	1,592,279	2,756,592	1,164,313
Contributions	<u>-</u>	<u>725,884</u>	<u>725,884</u>
Revenues over expenses after contributions	<u>\$ 1,592,279</u>	<u>\$ 3,482,476</u>	<u>\$ 1,890,197</u>

Greer Commission of Public Works
Schedule of Departmental Revenues and Expenses
Twelve Month Period Ended December 31, 2010
Schedule 2

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues					
Electric and gas sales -					
Residential	\$ 17,848,903	\$ 12,946,033	\$ -	\$ -	\$ 30,794,936
Commercial	4,553,205	6,954,727	-	-	11,507,932
Industrial and power	9,734,296	11,346,143	-	-	21,080,439
Water and sewer service	-	-	5,678,676	4,480,754	10,159,430
Collection penalties	95,017	149,413	123,936	123,938	492,304
Other operating revenues	293,644	228,968	430,018	362,348	1,314,978
Total Operating revenues	<u>32,525,065</u>	<u>31,625,284</u>	<u>6,232,630</u>	<u>4,967,040</u>	<u>75,350,019</u>
Operating and maintenance expenses					
Purchased power	25,053,531	-	-	-	25,053,531
Purchased gas	-	20,380,760	-	-	20,380,760
Depreciation	1,854,367	2,003,624	1,690,500	1,827,362	7,375,853
Amortization	43,285	38,475	4,808	9,619	96,187
Other operating expenses	3,243,716	4,516,019	4,189,645	2,648,943	14,598,323
Total operating expenses	<u>30,194,899</u>	<u>26,938,878</u>	<u>5,884,953</u>	<u>4,485,924</u>	<u>67,504,654</u>
Net operating departmental revenue	<u>\$ 2,330,166</u>	<u>\$ 4,686,406</u>	<u>\$ 347,677</u>	<u>\$ 481,116</u>	<u>\$ 7,845,365</u>

Statistical Section

(Unaudited)

This part of the Greer Commission of Public Works comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Commission's most significant revenue source, user charges.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Commission implemented GASB 34 in the year ended December 31, 2003, therefore certain schedules do not contain information prior to this year.

Greer Commission of Public Works

Combined System

Schedule of Net Assets By Component For The Last 8 Years (unaudited) ⁽¹⁾

	2010	2009	2008	2007	2006	2005	2004	2003
Investments in Capital Assets, Net of Related Debt	\$ 111,941,096	\$ 113,732,125	\$ 112,683,179	\$ 105,884,705	\$ 98,779,928	\$ 94,868,899	\$ 72,226,205	\$ 68,933,850
Restricted Assets								
Debt Service	4,952,826	3,889,984	1,578,469	2,154,633	2,452,007	2,111,197	2,902,405	2,147,927
Capital Projects	4,874,744	4,644,739	6,247,638	9,011,915	5,401,779	4,237,532	4,118,206	2,756,050
Total Restricted Assets	9,827,570	8,534,723	7,826,107	11,166,548	7,853,786	6,348,729	7,020,611	4,903,977
Unrestricted Net Assets	17,244,248	13,263,590	10,160,784	6,427,074	10,247,888	13,931,999	16,558,687	17,115,782
Total Net Assets	<u>\$ 139,012,914</u>	<u>\$ 135,530,438</u>	<u>\$ 130,670,070</u>	<u>\$ 123,478,327</u>	<u>\$ 116,881,602</u>	<u>\$ 115,149,627</u>	<u>\$ 95,805,503</u>	<u>\$ 90,953,609</u>

(1) Net Assets trend data is presented only for the years such information was determined in accordance with the implementation of GASB Statement No. 34.

Greer Commission of Public Works

Capital Assets Statistics by Utility
Last Four Fiscal Years ⁽¹⁾

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Electric				
Substations	3	3	3	3
Winter Peak (MW)	67	58	59	53
Summer Peak (MW)	83	75	81	81
Overhead Distribution (miles)	193	193	190	190
Underground Distribution (miles)	184	183	176	170
Poles	11,793	10,135	9,986	9,606
Transformers	4,587	4,571	4,534	4,499
Meters	16,143	16,089	15,955	15,263
Vehicles	17	17	18	17
Natural Gas				
Transco Pipeline Connections	2	2	2	2
High-pressure Transmission Lines (miles)	46	46	46	46
Intermediate and Distribution Lines (miles)	712	710	704	683
Pressure Reducing Regulator Stations	139	139	139	139
Meters	20,078	19,880	19,639	19,263
Vehicles	21	21	19	17
Water				
Water Treatment Plants	1	1	1	1
Water Treatment Plant Capacity (mgd)	24	24	24	24
Average Daily Flow (mgd)	8	8	9	9
Peak Flow (mgd)	22	14	16	14
Ground Storage Capacity (mg)	8	8	8	8
Elevated Tank Storage Capacity (mg)	6	4	4	4
Transmission Lines (miles)	32	31	31	30
Distribution Lines (miles)	379	373	373	372
Fire Hydrants	1,476	1,459	1,446	1,398
Meters	17,717	17,607	17,438	17,221
Vehicles	10	10	8	8
Sewer				
Treatment Plants	1	1	1	1
Treatment Plant Capacity (mgd)	5	5	5	5
Average Daily Flow (mgd)	2	2	2	2
Gravity Collection Lines (miles)	216	215	214	213
Force Main Collection Lines (miles)	22	21	21	19
Lift Stations	17	18	18	17
Sewer Valves	52	52	52	52
Manholes	5,582	5,532	5,452	5,325
Vehicles	13	13	11	12

(1) Capital Asset Information prior to Fiscal year 2007 is not readily available

Greer Commission of Public Works

Combined system

Schedule of Revenues, Expenses and Changes in Net Assets - Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING REVENUES:										
Electric revenues	\$ 32,136	\$ 30,495	\$ 28,886	\$ 26,686	\$ 23,868	\$ 23,052	\$ 21,187	\$ 19,389	\$ 18,495	\$ 16,714
Gas revenues	31,247	29,195	38,476	34,443	33,630	32,015	26,577	28,025	30,846	48,315
Water revenues	5,679	5,579	6,000	5,845	5,001	4,597	4,375	3,882	4,173	3,842
Sewer revenues	4,481	4,211	4,169	3,832	3,355	3,165	3,057	2,774	2,878	2,521
Other operating revenues	1,807	2,105	2,627	3,605	3,728	3,847	3,299	3,582	3,821	2,399
Total operating revenues	<u>75,350</u>	<u>71,585</u>	<u>80,158</u>	<u>74,411</u>	<u>69,582</u>	<u>66,676</u>	<u>58,495</u>	<u>57,652</u>	<u>60,213</u>	<u>73,791</u>
OPERATING EXPENSES:										
Purchased power	25,054	23,548	22,689	20,859	19,333	17,843	16,299	15,395	15,256	14,061
Purchased gas	20,381	20,150	28,889	27,333	27,936	26,629	21,318	22,838	25,527	43,990
Depreciation and amortization	7,472	7,079	6,288	5,867	5,377	5,233	5,061	4,455	4,220	3,981
Other operating expenses	14,598	14,716	14,805	14,040	12,811	12,096	10,738	10,744	9,816	9,265
Total operating expenses	<u>67,505</u>	<u>65,493</u>	<u>72,671</u>	<u>68,099</u>	<u>65,457</u>	<u>61,801</u>	<u>53,416</u>	<u>53,432</u>	<u>54,819</u>	<u>71,297</u>
Net operating revenue	<u>\$ 7,845</u>	<u>\$ 6,092</u>	<u>\$ 7,487</u>	<u>\$ 6,312</u>	<u>\$ 4,125</u>	<u>\$ 4,875</u>	<u>\$ 5,079</u>	<u>\$ 4,220</u>	<u>\$ 5,394</u>	<u>\$ 2,494</u>
OTHER REVENUES (EXPENSES)										
Interest expense	\$ (3,275)	\$ (3,028)	\$ (3,105)	\$ (3,158)	\$ (3,052)	\$ (2,645)	\$ (2,421)	\$ (2,410)	\$ (2,456)	\$ (1,810)
Interest revenue	48	156	457	913	842	730	461	724	700	586
Transfers to the City of Greer	(1,262)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Gain (loss) on disposal of utility plant	(599)	(148)	(109)	(12)	(425)	(64)	(4)	(95)	28	(50)
Total other expenses, net	<u>(5,088)</u>	<u>(4,020)</u>	<u>(3,757)</u>	<u>(3,257)</u>	<u>(3,635)</u>	<u>(2,979)</u>	<u>(2,964)</u>	<u>(2,781)</u>	<u>(2,728)</u>	<u>(2,274)</u>
Revenues over expenses before contributions	2,757	2,072	3,730	3,055	490	1,896	2,115	1,439	2,666	220
Contributions ⁽²⁾	<u>726</u>	<u>2,788</u>	<u>3,462</u>	<u>3,541</u>	<u>1,242</u>	<u>4,369</u>	<u>4,516</u>	<u>1,638</u>	<u>1,575</u>	<u>4,688</u>
Revenues over expenses after contributions	<u>3,483</u>	<u>4,860</u>	<u>7,192</u>	<u>6,596</u>	<u>1,732</u>	<u>6,265</u>	<u>6,631</u>	<u>3,077</u>	<u>4,241</u>	<u>4,908</u>
Beginning Net Assets ⁽³⁾	<u>135,530</u>	<u>130,670</u>	<u>123,478</u>	<u>116,882</u>	<u>115,150</u>	<u>108,885</u>	<u>102,254</u>	<u>87,877</u>		
Ending Net Assets	<u>\$ 139,013</u>	<u>\$ 135,530</u>	<u>\$ 130,670</u>	<u>\$ 123,478</u>	<u>\$ 116,882</u>	<u>\$ 115,150</u>	<u>\$ 108,885</u>	<u>\$ 90,954</u>		

(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

(3) Net Assets trend data is presented only for the years such information was determined in accordance with the implementation of GASB Statement No. 34.

Greer Commission of Public Works

Water System

Schedule of Revenue, Expenses and Operating Indicators -Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING REVENUES:										
Inside City	\$ 2,005	\$ 1,982	\$ 2,192	\$ 2,106	\$ 1,742	\$ 1,649	\$ 1,495	\$ 1,262	\$ 1,405	\$ 1,269
Outside City	2,018	1,965	2,075	2,023	1,729	1,673	1,662	1,521	1,528	1,604
Industrial	448	390	471	458	436	384	418	418	472	272
Fire Protection ⁽²⁾	13	13	13	13	13	14	14	12	14	12
Irrigation	222	202	213	209	174	143	111	99	142	113
Wholesale	973	1,026	1,037	1,036	906	734	705	570	612	572
Collection penalties	124	161	126	124	117	135	105	124	135	74
Other	430	401	435	559	611	670	636	496	555	694
Total operating revenues	<u>6,233</u>	<u>6,140</u>	<u>6,562</u>	<u>6,528</u>	<u>5,728</u>	<u>5,402</u>	<u>5,146</u>	<u>4,502</u>	<u>4,863</u>	<u>4,610</u>
OPERATING EXPENSES:										
Depreciation	1,691	1,699	1,457	1,370	1,197	1,172	1,297	1,002	955	920
Amortization	5	31	4	4	3	3	2	2	4	4
Other operating expenses	4,189	4,234	4,590	4,373	3,869	3,504	3,278	3,182	3,230	2,758
Total operating expenses	<u>5,885</u>	<u>5,964</u>	<u>6,051</u>	<u>5,747</u>	<u>5,069</u>	<u>4,679</u>	<u>4,577</u>	<u>4,186</u>	<u>4,189</u>	<u>3,682</u>
Net operating departmental revenue	<u>\$ 348</u>	<u>\$ 176</u>	<u>\$ 511</u>	<u>\$ 781</u>	<u>\$ 659</u>	<u>\$ 723</u>	<u>\$ 569</u>	<u>\$ 316</u>	<u>\$ 674</u>	<u>\$ 928</u>
WATER USAGE (thousands of gallons)										
Total Water pumped	<u>3,078,170</u>	<u>2,881,685</u>	<u>2,957,687</u>	<u>3,079,150</u>	<u>2,575,744</u>	<u>2,431,730</u>	<u>2,336,236</u>	<u>2,247,523</u>	<u>2,455,805</u>	<u>2,455,504</u>
Consumption										
Inside City	906,564	849,477	946,308	959,233	841,986	873,102	733,327	600,447	721,134	625,135
Outside City	587,988	551,435	613,953	636,797	575,549	521,379	540,906	501,545	583,994	576,537
Industrial	272,781	243,292	291,671	300,854	286,618	253,690	284,976	283,395	308,014	328,283
Irrigation	116,025	103,633	113,145	123,206	96,167	76,613	58,476	50,358	82,555	64,752
Wholesale	636,947	668,624	669,319	742,250	661,729	585,725	586,439	537,711	578,836	537,671
Other	94,666	102,955	107,919	109,932	94,400	89,596	95,530	83,184	90,706	96,728
Total consumption	<u>2,614,971</u>	<u>2,519,416</u>	<u>2,742,315</u>	<u>2,872,272</u>	<u>2,556,449</u>	<u>2,400,105</u>	<u>2,299,654</u>	<u>2,056,640</u>	<u>2,365,239</u>	<u>2,229,106</u>
Non-account water	<u>463,199</u>	<u>362,269</u>	<u>215,372</u>	<u>206,878</u>	<u>19,295</u>	<u>31,625</u>	<u>36,582</u>	<u>190,883</u>	<u>90,566</u>	<u>226,398</u>
Non-account water as a percentage of total water pumped	<u>15.0%</u>	<u>12.6%</u>	<u>7.3%</u>	<u>6.7%</u>	<u>0.7%</u>	<u>1.3%</u>	<u>1.6%</u>	<u>8.5%</u>	<u>3.7%</u>	<u>9.2%</u>
ACTIVE SERVICES (Number of Customers)										
Inside City	9,941	9,876	9,937	9,747	9,424	8,966	8,636	8,161	7,792	7,481
Outside City	6,479	6,442	6,462	6,429	6,323	6,203	6,124	6,078	6,017	5,912
Industrial	4	4	4	4	2	3	3	4	5	4
Fire Protection	45	44	47	48	48	48	49	44	46	46
Irrigation	422	410	407	371	363	353	336	310	289	267
Wholesale	1	1	1	1	1	1	1	1	1	1
Other	14	15	15	15	15	15	15	13	12	10
	<u>16,906</u>	<u>16,792</u>	<u>16,873</u>	<u>16,615</u>	<u>16,176</u>	<u>15,589</u>	<u>15,164</u>	<u>14,611</u>	<u>14,162</u>	<u>13,721</u>

(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 Revenue, Expenses and Operating Indicators - Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING REVENUES:										
Residential	\$ 17,162	\$ 16,321	\$ 15,468	\$ 15,186	\$ 13,296	\$ 13,019	\$ 12,161	\$ 10,955	\$ 10,605	\$ 9,432
Small commercial	3,492	3,171	3,072	2,430	1,778	1,835	1,808	1,710	1,680	1,581
Time of use	210	208	227	237	212	323	365	368	398	370
Large Commercial	10,211	9,702	9,087	8,833	7,747	7,875	7,023	6,361	5,812	4,705
Rental and Street lighting	1,061	1,093	1,032	901	835	803	759	714	661	626
Collection penalties	95	129	152	149	141	163	127	149	162	400
Other	294	333	301	273	1,204	280	121	410	430	198
Total operating revenues	<u>32,525</u>	<u>30,957</u>	<u>29,339</u>	<u>28,009</u>	<u>25,213</u>	<u>24,298</u>	<u>22,364</u>	<u>20,667</u>	<u>19,748</u>	<u>17,312</u>
OPERATING EXPENSES:										
Purchased Power	25,054	23,548	22,688	20,859	19,333	17,843	16,299	15,395	14,730	13,539
Depreciation	1,854	1,609	1,481	1,408	1,317	1,279	1,198	1,067	989	938
Amortization	43	4	6	6	5	5	4	4	7	5
Other operating expenses	3,244	3,219	2,966	2,859	2,668	2,531	2,160	2,283	2,068	2,330
Total operating expenses	<u>30,195</u>	<u>28,380</u>	<u>27,141</u>	<u>25,132</u>	<u>23,323</u>	<u>21,658</u>	<u>19,661</u>	<u>18,749</u>	<u>17,794</u>	<u>16,812</u>
Net operating departmental revenue	<u>\$ 2,330</u>	<u>\$ 2,577</u>	<u>\$ 2,198</u>	<u>\$ 2,877</u>	<u>\$ 1,890</u>	<u>\$ 2,640</u>	<u>\$ 2,703</u>	<u>\$ 1,918</u>	<u>\$ 1,954</u>	<u>\$ 500</u>
PURCHASED POWER - (Megawatt Hours)										
Purchased from PMPA ⁽²⁾	363,458	335,001	340,029	328,918	290,598	272,704	256,798	234,344	257,648	219,783
Purchased from SEPA ⁽³⁾	11,272	12,516	14,041	13,901	13,402	27,645	21,937	25,085	13,203	12,878
Total purchased	<u>374,730</u>	<u>347,517</u>	<u>354,070</u>	<u>342,819</u>	<u>304,000</u>	<u>300,349</u>	<u>278,735</u>	<u>259,429</u>	<u>270,851</u>	<u>232,661</u>
CONSUMPTION - (Megawatt Hours)										
Residential	183,153	162,016	163,775	161,825	148,537	141,312	133,278	121,108	120,634	111,793
Small commercial	14,418	13,432	14,133	14,235	14,872	17,729	17,142	16,252	16,733	16,540
Time of use	2,746	2,924	3,299	3,639	3,473	5,190	6,004	5,957	6,068	6,323
Large Commercial	141,101	135,962	136,619	128,748	114,483	105,835	97,696	88,789	82,301	77,683
Rental and Street lighting	2,156	2,029	2,095	6,037	5,431	5,656	5,541	4,846	5,168	5,337
Other	12,029	11,463	11,226	11,825	10,733	9,377	9,809	10,224	10,050	10,205
Total consumption	<u>355,603</u>	<u>327,826</u>	<u>331,147</u>	<u>326,309</u>	<u>297,529</u>	<u>285,099</u>	<u>269,470</u>	<u>247,176</u>	<u>240,954</u>	<u>227,881</u>
Line losses and megawatt hours unaccounted for	<u>19,127</u>	<u>19,691</u>	<u>22,923</u>	<u>16,510</u>	<u>6,471</u>	<u>15,250</u>	<u>9,265</u>	<u>12,253</u>	<u>29,897</u>	<u>4,780</u>
Percentage of line losses and megawatt hours unaccounted for to purchased power	<u>5.1%</u>	<u>5.7%</u>	<u>6.5%</u>	<u>4.8%</u>	<u>2.1%</u>	<u>5.1%</u>	<u>3.3%</u>	<u>4.7%</u>	<u>11.0%</u>	<u>2.1%</u>
ACTIVE SERVICES (Number of Customers)										
Residential	13,588	13,454	13,461	12,869	12,439	11,932	11,392	10,927	10,527	10,142
Small commercial	1,195	1,214	1,245	1,192	1,154	1,140	1,185	1,155	1,147	1,138
Time of use	6	6	8	8	8	8	10	10	10	10
Large Commercial	704	710	715	684	659	641	490	439	405	390
Rental and Street lighting	2,035	2,053	2,061	2,054	2,030	2,018	2,039	2,023	2,031	2,034
Other	46	47	47	44	36	33	32	29	29	27
	<u>17,574</u>	<u>17,484</u>	<u>17,537</u>	<u>16,851</u>	<u>16,326</u>	<u>15,772</u>	<u>15,148</u>	<u>14,583</u>	<u>14,149</u>	<u>13,741</u>

(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 Revenue, Expenses and Operating Indicators - Last Ten Fiscal Years ⁽¹⁾**

<i>(in thousands)</i>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING REVENUES:										
Inside City	\$ 2,740	\$ 2,636	\$ 2,596	\$ 2,377	\$ 2,108	\$ 1,967	\$ 1,932	\$ 1,749	\$ 1,942	\$ 1,677
Outside City	1,210	1,176	1,164	1,088	904	884	884	811	742	737
Sewer services, no water	1	2	2	6	1	1	2	1	1	1
Enoree Basin, inside City	334	258	254	233	203	184	150	119	109	88
Enoree Basin Industrial	196	138	153	132	139	129	112	94	84	18
Collection penalties	124	161	81	80	75	87	68	80	87	24
Other	362	505	912	742	738	774	428	449	397	378
Total operating revenues	<u>4,967</u>	<u>4,876</u>	<u>5,162</u>	<u>4,658</u>	<u>4,168</u>	<u>4,026</u>	<u>3,576</u>	<u>3,303</u>	<u>3,362</u>	<u>2,923</u>
OPERATING EXPENSES:										
Depreciation	1,827	1,837	1,529	1,402	1,317	1,289	1,130	1,053	1,022	972
Amortization	10	8	29	29	26	23	23	20	34	25
Other operating expenses	2,649	2,750	2,792	2,767	2,469	2,357	1,881	1,844	2,091	1,237
Total operating expenses	<u>4,486</u>	<u>4,595</u>	<u>4,350</u>	<u>4,198</u>	<u>3,812</u>	<u>3,669</u>	<u>3,034</u>	<u>2,917</u>	<u>3,147</u>	<u>2,234</u>
Net operating departmental revenue	<u>\$ 481</u>	<u>\$ 281</u>	<u>\$ 812</u>	<u>\$ 460</u>	<u>\$ 356</u>	<u>\$ 357</u>	<u>\$ 542</u>	<u>\$ 386</u>	<u>\$ 215</u>	<u>\$ 689</u>
WASTEWATER TREATMENT										
Wastewater Plant Flows (thousands of gallons)										
Maple Creek Wastewater Treatment Facility	<u>698,577</u>	<u>813,750</u>	<u>711,348</u>	<u>700,632</u>	<u>695,780</u>	<u>753,930</u>	<u>811,821</u>	<u>915,467</u>	<u>745,965</u>	<u>727,930</u>
Wastewater Treated - (Thousands of Gallons)										
Inside City Customers	495,291	497,271	527,247	534,089	514,022	489,089	483,843	453,672	494,677	359,760
Outside City Customers	187,202	164,026	170,541	156,128	167,570	174,399	174,659	191,990	182,073	200,541
Customers with sewer services, no water	1	2	1	1	1	1	5	5	9	5
Other	291	276	813	1,659	879	647	633	563	363	464
Retail	<u>682,785</u>	<u>661,575</u>	<u>698,602</u>	<u>691,877</u>	<u>682,472</u>	<u>664,136</u>	<u>659,140</u>	<u>646,230</u>	<u>677,122</u>	<u>560,770</u>
Unaccounted for wastewater	<u>15,792</u>	<u>152,175</u>	<u>12,746</u>	<u>8,755</u>	<u>13,308</u>	<u>89,794</u>	<u>152,681</u>	<u>269,237</u>	<u>68,843</u>	<u>167,160</u>
Percentage of unaccounted for wastewater to total wastewater treated	<u>2.3%</u>	<u>18.7%</u>	<u>1.8%</u>	<u>1.2%</u>	<u>1.9%</u>	<u>11.9%</u>	<u>18.8%</u>	<u>29.4%</u>	<u>9.2%</u>	<u>23.0%</u>
ANNUAL RAINFALL (inches) ⁽²⁾	42.09	52.83	38.02	31.08	41.80	53.14	47.68	63.14	47.85	40.38
ACTIVE SERVICES (Number of Customers)										
Inside City	6,206	6,195	6,255	6,186	6,081	5,941	5,822	5,692	5,659	5,607
Outside City	1,119	1,114	1,119	1,128	1,112	1,090	1,121	1,126	1,117	1,097
Sewer services, no water	4	5	5	5	4	4	5	5	5	5
Enoree Basin, inside City	3,452	3,395	3,397	3,281	3,069	2,721	2,455	2,164	1,843	1,571
Enoree Basin Industrial	161	119	118	108	101	86	81	45	38	33
Other	1	2	2	2	2	2	2	2	2	2
	<u>10,943</u>	<u>10,830</u>	<u>10,896</u>	<u>10,710</u>	<u>10,369</u>	<u>9,844</u>	<u>9,486</u>	<u>9,034</u>	<u>8,664</u>	<u>8,315</u>

(1) Information is compiled from internally generated statistical reports

(2) 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 ReWa or surcharges

Greer Commission of Public Works

Gas System

Schedule of Revenue, Expenses and Operating Indicators -Last Ten Fiscal Years ⁽¹⁾

<i>(in thousands)</i>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING REVENUES:										
Residential	\$ 12,946	\$ 11,937	\$ 13,841	\$ 11,138	\$ 10,963	\$ 11,185	\$ 9,525	\$ 8,246	\$ 8,081	\$ 8,165
Commercial	6,429	6,004	7,283	5,572	5,135	6,152	5,028	5,023	4,415	4,841
Large Commercial/Industrial	118	105	430	728	673	448	372	394	394	500
Interruptible	11,228	10,656	16,115	16,346	16,076	13,410	11,585	11,218	11,431	12,529
Off-system	-	-	-	-	-	-	-	2,633	6,196	21,971
Schools	526	494	807	659	783	820	594	511	329	309
Collection penalties	149	193	284	278	263	304	236	278	303	161
Other	229	222	335	498	579	631	70	877	1,091	470
Total operating revenues	<u>31,625</u>	<u>29,611</u>	<u>39,095</u>	<u>35,219</u>	<u>34,472</u>	<u>32,950</u>	<u>27,410</u>	<u>29,180</u>	<u>32,240</u>	<u>48,946</u>
OPERATING EXPENSES:										
Purchased Gas	20,381	20,150	28,889	27,333	27,937	26,629	21,318	22,838	25,527	43,991
Depreciation	2,003	1,855	1,757	1,621	1,489	1,440	1,388	1,289	1,176	1,095
Amortization	39	35	26	27	23	22	19	18	33	22
Other operating expenses	4,516	4,512	4,457	4,040	3,803	3,704	3,420	3,435	2,953	3,461
Total operating expenses	<u>26,939</u>	<u>26,552</u>	<u>35,129</u>	<u>33,021</u>	<u>33,252</u>	<u>31,795</u>	<u>26,145</u>	<u>27,580</u>	<u>29,689</u>	<u>48,569</u>
Net operating departmental revenue	<u>\$ 4,686</u>	<u>\$ 3,059</u>	<u>\$ 3,966</u>	<u>\$ 2,198</u>	<u>\$ 1,220</u>	<u>\$ 1,155</u>	<u>\$ 1,265</u>	<u>\$ 1,600</u>	<u>\$ 2,551</u>	<u>\$ 377</u>
PURCHASED GAS (MCF)	<u>3,604,580</u>	<u>3,118,965</u>	<u>2,984,096</u>	<u>3,261,032</u>	<u>3,182,122</u>	<u>2,932,260</u>	<u>3,267,353</u>	<u>3,582,844</u>	<u>6,031,492</u>	<u>8,808,680</u>
CONSUMPTION - (MCF)										
Residential	936,733	792,434	808,764	717,641	686,047	751,792	774,589	730,665	699,224	654,718
Commercial	491,385	418,847	402,109	340,434	339,158	404,718	420,026	421,165	376,618	375,960
Large Commercial/Industrial	5,981	7,613	7,965	58,452	35,778	37,205	37,821	11,565	24,775	18,795
Interruptible	1,865,158	1,699,902	1,463,607	1,908,916	1,850,861	1,494,890	1,792,096	1,810,125	2,901,562	2,418,890
Off-system	-	-	-	-	-	-	-	426,548	1,955,684	5,189,665
Schools	41,362	36,962	50,865	52,335	50,791	60,162	51,924	48,944	33,825	27,571
Other	2,738	2,329	2,393	1,733	2,112	2,350	2,447	2,633	2,474	1,754
Total consumption	<u>3,343,357</u>	<u>2,958,087</u>	<u>2,735,703</u>	<u>3,079,511</u>	<u>2,964,747</u>	<u>2,751,117</u>	<u>3,078,903</u>	<u>3,451,645</u>	<u>5,994,162</u>	<u>8,687,353</u>
Line-loss and unaccounted for gas	<u>261,223</u>	<u>160,878</u>	<u>248,393</u>	<u>181,521</u>	<u>217,375</u>	<u>181,143</u>	<u>188,450</u>	<u>131,199</u>	<u>37,330</u>	<u>121,327</u>
Percentage of line losses and MCF unaccounted for to purchased gas.	<u>7.2%</u>	<u>5.2%</u>	<u>8.3%</u>	<u>5.6%</u>	<u>6.8%</u>	<u>6.2%</u>	<u>5.8%</u>	<u>3.7%</u>	<u>0.6%</u>	<u>1.4%</u>
ACTIVE SERVICES (Number of Customers)										
Residential	17,141	16,902	16,871	16,334	15,996	15,268	14,696	14,012	13,475	12,346
Commercial	1,433	1,457	1,485	1,460	1,430	1,421	1,407	1,349	1,355	1,270
Large Commercial/Industrial	7	9	9	13	7	7	7	10	12	11
Interruptible	10	10	10	8	11	10	11	11	11	13
Off-system	-	-	-	-	-	-	-	2	31	37
Schools	24	26	26	25	26	26	26	25	23	21
Other	14	15	14	12	11	9	8	7	10	7
	<u>18,629</u>	<u>18,419</u>	<u>18,415</u>	<u>17,852</u>	<u>17,481</u>	<u>16,741</u>	<u>16,155</u>	<u>15,416</u>	<u>14,917</u>	<u>13,705</u>

(1) Information is compiled from internally generated statistical reports

Greer Commission of Public Works

Debt Service Coverage
Last Ten Fiscal Years

<i>(in thousands)</i>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<i>Revenues</i>										
Revenues from Operations	\$ 75,350	\$ 71,585	\$ 80,158	\$ 74,411	\$ 69,582	\$ 66,676	\$ 58,495	\$ 57,652	\$ 60,213	\$ 73,791
Non-operating Revenues	(552)	8	348	901	417	666	461	629	728	536
Capacity fees ⁽¹⁾	228	340	631	730	839	974	927	792	789	955
Total Revenues	<u>75,026</u>	<u>71,933</u>	<u>81,137</u>	<u>76,042</u>	<u>70,838</u>	<u>68,316</u>	<u>59,883</u>	<u>59,073</u>	<u>61,730</u>	<u>75,282</u>
<i>Expenses</i>										
Total Expenses	70,780	68,521	75,776	72,258	69,509	65,447	55,527	55,842	57,275	73,107
Depreciation and Amortization Expense	(7,472)	(7,079)	(6,288)	(5,867)	(5,377)	(5,293)	(4,751)	(4,455)	(4,220)	(3,981)
Bond Interest Expense	(3,275)	(3,028)	(3,104)	(3,159)	(3,052)	(2,645)	(2,421)	(2,410)	(2,456)	(1,810)
Gain/Loss on sale of assets	(600)	(149)	(109)	(12)	(425)	(64)	(4)	(95)	28	(50)
Total Expenses	<u>59,433</u>	<u>58,265</u>	<u>66,275</u>	<u>63,220</u>	<u>60,655</u>	<u>57,445</u>	<u>48,351</u>	<u>48,882</u>	<u>50,627</u>	<u>67,266</u>
Net revenues available for debt service	<u>\$ 15,593</u>	<u>\$ 13,668</u>	<u>\$ 14,862</u>	<u>\$ 12,822</u>	<u>\$ 10,183</u>	<u>\$ 10,871</u>	<u>\$ 11,532</u>	<u>\$ 10,191</u>	<u>\$ 11,103</u>	<u>\$ 8,016</u>
Maximum annual debt service ⁽²⁾	<u>\$ 6,708</u>	<u>\$ 5,938</u>	<u>\$ 5,818</u>	<u>\$ 5,072</u>	<u>\$ 4,513</u>	<u>\$ 4,234</u>	<u>\$ 3,917</u>	<u>\$ 3,767</u>	<u>\$ 4,028</u>	<u>\$ 2,292</u>
Maximum annual debt service coverage	<u>\$ 2.32</u>	<u>\$ 2.30</u>	<u>\$ 2.55</u>	<u>\$ 2.53</u>	<u>\$ 2.26</u>	<u>\$ 2.57</u>	<u>\$ 2.94</u>	<u>\$ 2.71</u>	<u>\$ 2.76</u>	<u>\$ 3.50</u>

(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

Greer Commission of Public Works
Ratios of Outstanding Long Term Debt
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Per Capita</u>	<u>As Share of Personal Income</u>
2010	\$91,184,805	\$ 3,502	0.77%
2009	83,022,355	3,307	0.70%
2008	81,618,275	3,489	0.73%
2007	72,545,842	3,231	0.61%
2006	67,531,461	3,008	0.57%
2005	63,030,627	2,942	0.59%
2004	57,446,365	2,804	0.70%
2003	55,113,279	2,801	0.73%
2002	55,901,095	2,947	0.80%
2001	41,429,609	2,271	0.64%

Customer Statistics
Largest System Customers - Fiscal Year 2010

<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)	636,946	24.36%
BMW of North American, LLC	193,500	7.40%
Mitsubishi Polyester Film, LLC	109,010	4.17%
Cliffstar Corporation	97,528	3.73%
Water Filter Facility (GCPW)	84,862	3.25%
Greenville - Spartanburg International Airport	30,632	1.17%
Greer Memorial Hospital	24,076	0.92%
Honeywell International Incorporated	13,098	0.50%
Preserve at West View	9,439	0.36%
Maple Creek Waste Water Treatment Plant (GCPW)	8,207	0.31%
<i>Sewer System (thousands of gallons)</i>		
Mitsubishi Polyester Film, LLC	113,492	6.39%
BMW of North America, LLC	99,963	5.63%
Greer Memorial Hospital	43,888	2.47%
Cliffstar Corporation	34,546	1.95%
Greenville - Spartanburg International Airport	29,718	1.67%
Exide Battery Corporation	21,194	1.19%
Greenville County School District	17,877	1.01%
Honeywell International	15,946	0.90%
Preserve at West View	13,003	0.73%
Bradford Apartments	9,839	0.55%
<i>Electric System (megawatt hours)</i>		
Greer Memorial Hospital	13,415	3.77%
Water Filter Facility (GCPW)	7,537	2.12%
Greenville County School District	4,982	1.40%
Village Hospital	4,687	1.32%
Wal-mart Stores Incorporated	4,598	1.29%
Cliffstar Corporation	3,483	0.98%
Lowe's	2,964	0.83%
Maple Creek Waste Water Treatment Plant (GCPW)	2,925	0.82%
Ingles	2,888	0.81%
Greenville County School District	2,867	0.81%
<i>Natural Gas System (mcf)</i>		
BMW of North America, LLC	122,454	36.63%
Mitsubishi Polyester Film, LLC	69,063	20.66%
Carotell Paper Board Corporation	37,554	11.23%
Springfield, LLC	10,655	3.19%
Cliffstar Corporation	5,779	1.73%
Ashmore Brothers	3,833	1.15%
Greer Memorial Hospital	3,755	1.12%
Blacklidge Emulsions	2,473	0.74%
Sew Eurodrive, Inc	2,272	0.68%
Karastan Bigelow, Division of Mohawk Industries	2,041	0.61%

Greer Commission of Public Works

Number of Employees by Identifiable Activity

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Water System										
Water Production	9	9	10	10	9	8	7	7	6	6
Water Distribution	7	8	8	8	9	9	6	7	6	6
Lake Wardens	3	3	3	3	3	3	3	3	3	3
Total Water System	19	20	21	21	21	20	16	17	15	15
Electric Distribution System	19	19	19	18	19	17	17	17	15	15
Natural Gas Distribution System	23	23	21	22	21	22	23	23	20	20
Sewer System										
Collection	9	9	8	9	7	7	6	4	4	4
Treatment	7	7	7	7	7	6	6	6	5	5
Total Sewer System	16	16	15	16	14	13	12	10	9	9
Shared Support										
General Administration	3	3	3	3	4	5	5	5	5	5
Customer Service	12	12	13	13	13	13	13	13	13	13
Billing	3	3	4	4	4	4	4	4	4	4
Finance and Accounting	4	4	4	4	3	4	4	4	4	4
Meter Reading	3	3	3	3	3	3	3	3	4	4
Engineering	4	4	3	5	6	5	6	7	7	7
Warehouse and Facilities Maintenance	4	5	5	5	5	5	4	5	5	5
Human Resources	4	4	4	4	4	4	4	4	4	3
Operations	4	4	4	4	4	4	4	4	5	5
Information Systems	8	8	8	6	6	6	6	6	6	6
Locators	2	4	4	4	3	3	3	3	3	3
Vehicle Maintenance	2	2	2	2	2	2	2	2	2	2
Total Shared Support	53	56	57	57	57	58	58	60	62	61
Total Employees	130	134	133	134	132	130	126	127	121	120

Greer Commission of Public Works

**Demographics and Economic Statistics
Last 10 Fiscal Years**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Population ^{1,2}	26,040	25,105	23,395	22,451	22,451	21,421	20,486	19,674	18,970	18,245
Mean Household Income ⁴	\$ 41,864	\$ 40,764	\$ 41,864	\$ 42,183	\$ 42,183	\$ 42,183	\$ 42,183	\$ 42,183	\$ 36,895	\$ 36,895
Personal Income ⁶	\$ 456,898	\$ 475,614	\$ 480,674	\$ 526,656	\$ 526,656	\$ 502,494	\$ 399,416	\$ 383,584	\$ 369,858	\$ 355,723
Per Capita Personal Income ⁴	\$ 17,546	\$ 18,945	\$ 20,546	\$ 23,458	\$ 23,458	\$ 23,458	\$ 19,497	\$ 19,497	\$ 19,497	\$ 19,497
Median Age ⁴	34.5	35.2	35.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7
Median School Years Completed ⁵	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	12.8	12.8
Unemployment Rates ^{2,3,4}	9.3%	9.6%	4.3%	5.0%	5.6%	5.4%	4.4%	4.5%	4.8%	4.9%

Source: (1) 2000 Census of Population, (2) US Bureau of Census, (3) South Carolina Department of Commerce (4) Greer Development Corporation, and (5) City of Greer's 2010 CAFR
(6) Computed using population multiplied by per capita income (shown in thousands)



**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 accompanying financial statements of the Greer Commission of Public Works (the “Commission”), as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated April 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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*.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, City Council, 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 14, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Greer Commission of Public Works (the “Commission”) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission’s major federal programs for the year ended December 31, 2010. The Commission’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commission’s management. Our responsibility is to express an opinion on the Commission’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission’s compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, City Council, 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, Beckert + Holland, L.L.P.

Greenville, South Carolina
April 14, 2011

Greer Commission of Public Works

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010**Section I. Summary of Auditors' Results****Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be a material weaknesses _____ yes X no

Noncompliance material to financial statements noted _____ yes X no**Federal Awards**

Internal control over major federal programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses _____ yes X no

Noncompliance material to federal awards _____ yes X no

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 _____ yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds 2009 Revolving fund loan, with \$2,000,000 ARRA no-interest bearing loan

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000Auditee qualified as low-risk auditee? X yes _____ no

Greer Commission of Public Works
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Section II. Financial Statement Findings

Finding: There were no audit findings.

Section III. Federal Award Questioned Costs & Findings

Finding: There were no audit findings.

Greer Commission of Public Works
Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2010

Section IV. Resolution of Prior Year Findings

No findings reported in the prior year audit.

Greer Commission of Public Works

Schedule of Expenditures of Federal Awards
Year ended December 31, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor's Identification Number	Drinking Water State Revolving Loan Expenditures	ARRA Expenditures	Total Expenditures
U.S. Environmental Protection Agency (pass through State)					
Capitalization Grants for Drinking Water State Revolving Funds		ARRA 25-95426409-0			
2009 Revolving fund loan, with \$2,000,000 ARRA no-interest bearing loan	66.468	S3-043-09-231005-04	\$ 2,443,938	869,217	3,313,155
 Total federal financial assistance			\$ 2,443,938	869,217	3,313,155

Greer Commission of Public Works
Note to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Greer Commission of Public Works and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.