

Greer Commission of Public Works

Greer, South Carolina

Comprehensive Annual
Financial Report

Years ended December 31, 2011 and 2010

Issued by
Finance Department

Greer Commission of Public Works

Greer, South Carolina
December 31, 2011 and 2010

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

Nick W. Stegall
General Manager

April 16, 2012

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

INTRODUCTION

The Comprehensive Annual Financial Report of the Greer Commission of Public Works (the "Commission") for the fiscal years ended December 31, 2011 and 2010 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 Generally 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 supplementary 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 received a second upgrade to a capacity level of 24 MGD to provide for future growth capacity in 2004. 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 17,151 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 1.83 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 included significant improvements to the headwork's, influent pumping, sludge handling facilities, and provides for ultra-violet treatment of the wastewater at the Maple Creek Plant. The upgrade also provided 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 and treatment for the Commission's 11,114 customers is accomplished through approximately 238 miles of collector mains and outfall lines

maintained by the Commission. The Commission also provides sewer collection services to the customers of Renewable Water Resources (ReWa) that live in the City of Greer, and transports this sewer to ReWa's treatment facilities.

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 Country Club Road substation, five circuits from the Suber Road substation, and three circuits from the Highway 101 substation. Distribution of 12,470 volts of electricity is managed with approximately 195 miles of overhead distribution facilities and approximately 184 miles of underground facilities. The service area served by this unit is approximately 33.18 square miles, including the City limits and surrounding areas, and serves 17,815 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 712 miles of intermediate and distribution lines, along with 131 pressure-reducing and regulating stations. These distribution lines serve 18,861 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 in the United States. The Greer area is now home to more than 4,000 businesses, including

many of the top international companies of 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 2012 until 2016. 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 \$43.8 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, \$9,000,000 – Project addresses on-going concerns of inflow and infiltration into parts of the sewer system that have been in operation for over 26 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.

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, \$1,900,000 – 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. This project is expected to be completed in early 2012.

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 requirement.

In response to the effects of the recession, the Commission implemented several strategies aimed at reducing expenses. 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 2011, 3 positions were eliminated and 8 positions were not replaced. 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, 2010. 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.

The American Public Power Association awarded the Platinum Reliable Public Power Provider (RP₃) designation to the Commission during 2011. This award is given to a Utility for providing consumers with the highest degree of reliable and safe electric service. To receive this accommodation, the Utility must demonstrate proficiency in four important disciplines for reliability, safety, workforce development and system improvement as it related to our Electric system. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

The American Public Power Association awarded its 2011 Safety Awards of Excellence to the Commission in early 2012. This award is given to Utilities that emphasize the importance of safe working habits and are recognized for those Utilities whose employees have achieved particularly safe operations.

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, 2010

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.



Linda C. Dandison

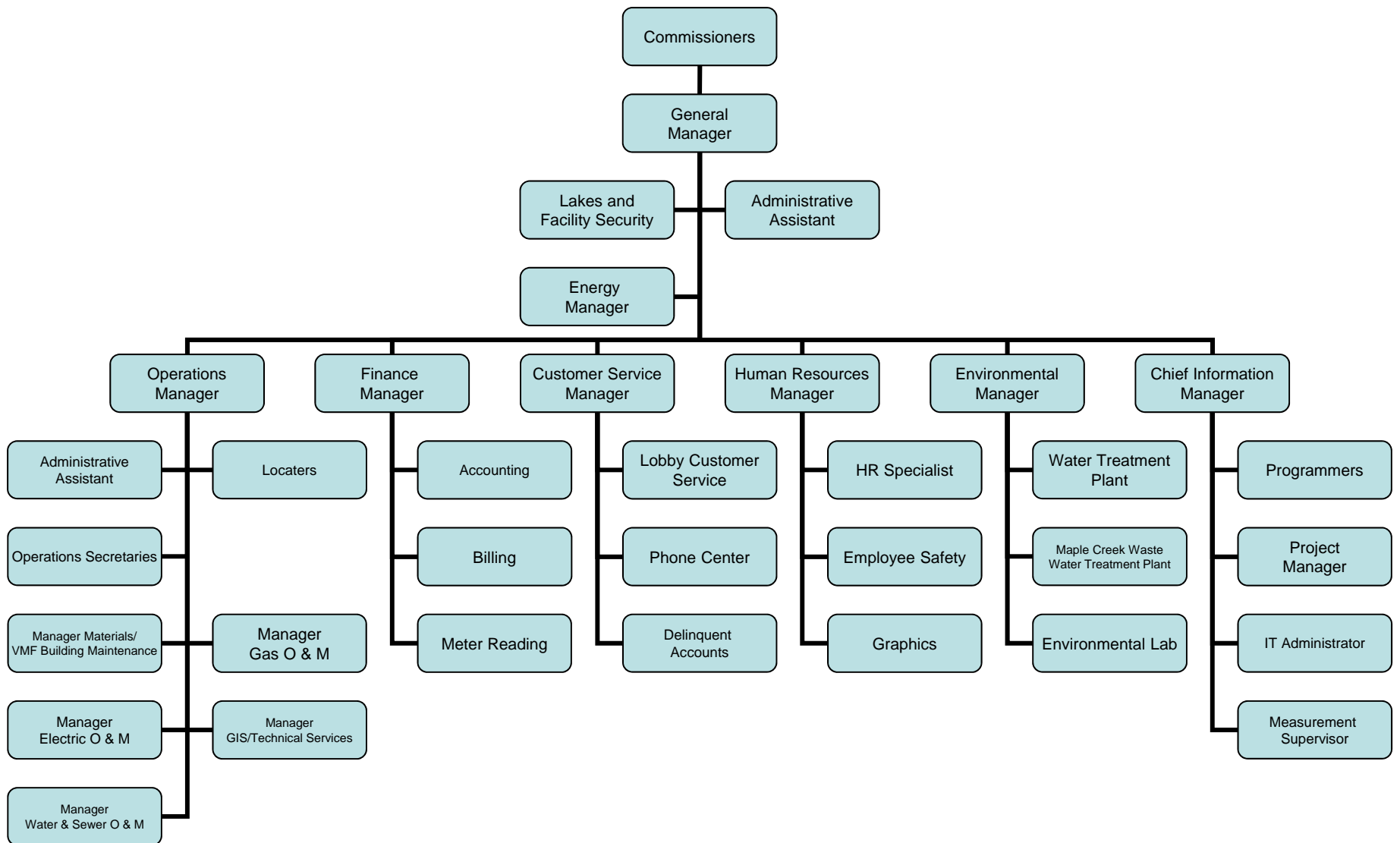
President

Jeffrey R. Emer

Executive Director

Greer Commission of Public Works

Organizational Chart



Greer Commission of Public Works
Greer, South Carolina

LIST OF PRINCIPAL OFFICIALS
As of December 31, 2011

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

<u>Operating Officers</u>	<u>Year First Employed</u>	<u>Position</u>
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
Wendell O. Woodward	1971	Interim Maple Creek Waste Water Treatment Plant Manager



INDEPENDENT AUDITOR'S 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, 2011 and 2010, 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 opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of December 31, 2011 and 2010, and the results of operations and its cash flows for the year 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 16, 2012, on our consideration of the Commission's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, and not to provide an opinion on internal control over financial reporting. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cheng, Bekart + Holland, L.L.P.

Greenville, South Carolina

April 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Greer Commission of Public Works' (the Commission) annual financial statements presents our analysis of the Commission's financial performance during the Fiscal Year that ended on December 31, 2011 and 2010. 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 2011. 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 2011:

- The Commission's net assets increased by \$2,559,624, or 1.84 percent, for 2011 compared to \$3,482,476, or 2.57 percent, in 2010.
- During the year, the Commission's operating revenues decreased to \$70,631,635, which represents a 6.26 percent decrease from the prior year. Operating revenues increased to \$75,350,019, or by 5.26 percent, in 2010.
- Total operating expenses decreased to \$64,500,183, which represents a 4.45 percent decrease from the prior year. Total expenses increased to \$67,504,654 or by 3.07 percent in 2010.
- Purchased Power expenses increased to \$26,509,277, up from \$25,053,531 last year. This 5.81 percent increase is reflected in the total expenses shown above. Purchased power increased from \$23,547,604, or by 6.40 percent, to \$25,053,531 in 2010.
- Purchased Gas expenses decreased to \$16,783,667, reduced from \$20,380,760 last year. This 17.65 percent decrease is reflected in the total expenses shown above. Purchased gas increased from \$20,150,380, or by 1.14 percent, to \$20,380,760 in 2010.
- Capital contributions to the Commission increased by \$385,931, which represents a 53.17 percent increase from the prior year. Capital contributions decreased by \$2,061,831, or 73.96 percent in 2010.
- Transfers to the City of Greer decreased by \$175,000, or 13.86 percent, from last year. Transfers to the City of Greer increased during 2010 by \$262,500, or 26.25 percent.
- Debt service coverage for 2011 was 208 percent of the bond ordinance requirement, which is 120 percent debt service coverage, a decrease from 2010 of 10.58 percent. Debt service coverage for 2010 was 232 percent.

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 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 detailed 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 \$2,559,624 to \$141,572,538 in Fiscal Year 2011, up from \$139,012,914 in Fiscal Year 2010. While the Balance Sheet shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provide answers as to the nature and source of these changes. As can be seen in Table A-2, the income before capital contributions of \$1,447,809 and capital contributions of \$1,111,815 were the two sources of the increase in net assets.

**TABLE A-1
Balance Sheet**

	<u>FY 2009</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>	<u>FY 2010</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>	<u>FY 2011</u>
Current and Other Assets	\$ 31,304,652	\$ 11,561,114	36.93%	\$ 42,865,766	\$ 2,835,366	6.61%	\$ 45,701,132
Capital Assets	197,644,294	199,313	0.10%	197,843,607	(2,781,659)	-1.41%	195,061,948
Total Assets	<u>228,948,946</u>	<u>11,760,427</u>	<u>5.14%</u>	<u>240,709,373</u>	<u>53,707</u>	<u>0.02%</u>	<u>240,763,080</u>
Long-term Debt Outstanding	82,086,191	6,882,447	8.38%	88,968,638	(1,625,357)	-1.83%	87,343,281
Other Liabilities	11,332,317	1,395,504	12.31%	12,727,821	(880,560)	-6.92%	11,847,261
Total Liabilities	<u>93,418,508</u>	<u>8,277,951</u>	<u>8.86%</u>	<u>101,696,459</u>	<u>(2,505,917)</u>	<u>-2.46%</u>	<u>99,190,542</u>
Invest in Capital Assets, Net of Related Debt	113,732,125	(1,791,029)	-1.57%	111,941,096	(3,379,822)	-3.02%	108,561,274
Restricted	8,534,723	1,292,847	15.15%	9,827,570	(190,559)	-1.94%	9,637,011
Unrestricted	13,263,590	3,980,658	30.01%	17,244,248	6,130,005	35.55%	23,374,253
Total Net Assets	<u>\$ 135,530,438</u>	<u>\$ 3,482,476</u>	<u>2.57%</u>	<u>\$ 139,012,914</u>	<u>\$ 2,559,624</u>	<u>1.84%</u>	<u>\$ 141,572,538</u>

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 decreased by \$4,686,595 to \$70,711,752 in fiscal year 2011 from \$75,398,347 in fiscal year 2010 due to the net effect of decreases in electric and gas revenues. The decreases in the electric and gas revenues of 1.79% and 13.95%, respectively, can be attributed to the lack of extreme cold temperatures that were experienced during the winter months of 2010. During 2011, customer consumption for the electric operations increased by 0.20% and consumption for the gas operations decreased by 2.32%. The water revenue decrease of 0.79% can be attributed to the customer consumption decrease of 3.95%. The sewer revenue increase of 1.00% can be attributed to sewer collections increasing by 0.87%. The decrease in the water consumption and increase in sewer collections were largely the result of higher precipitation amounts of 45.96 inches, an increase from 2010 results of 3.87 inches, representing an increase of 9.20%.

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 year 2010 from \$71,741,372 in fiscal year 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%.

Other operating revenues increased by \$215,170 during 2011. Other operating revenues decreased by \$297,777 during 2010. The increase is attributable to several factors, including an increase in the collection of reconnect fees, sales of inventoried materials, and fiber optic access fees.

During 2011, non-operating revenues increased by \$31,789. This increase can be attributed to the increased earnings on investments. Earnings on investments increased 65.78%. During 2010, non-operating revenues decreased by \$108,141. The decrease in 2010 is explained by the low rates realized on investments. Interest revenues declined 69.11% during 2010.

During 2011, expenses decreased by \$3,377,812 to \$69,263,943, reduced from \$72,641,755 in fiscal year 2011, due to the net effect of increased expenses related to purchased power, and the decrease in expenses related to purchased gas, depreciation and amortization, operating and non-operating expenses. Purchased power costs increased by \$1,455,746, or 5.81%. 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's allocation of power supply included 3.71% of hydroelectric power. The Commission

also received \$152,667 in net Load Side Generation credits from Piedmont Municipal Power Agency (PMPA) which further reduced the costs associated with the purchased power. Purchased gas costs decreased by \$3,597,093, or 17.65%, as a combined result of the decreased customer consumption from 2010 of 2.32%, and the declined average cost of the natural gas commodity. The average cost of the natural gas commodity to the Commission was \$4.37 and \$4.97, respectively for 2011 and 2010, a decrease of 12.07%.

During 2010, expenses increased by \$2,973,036 to \$72,641,755, up from \$69,668,719 in fiscal year 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 \$4.97 and \$5.40, respectively for 2010 and 2009, a decrease of 7.97%.

Non-operating expenses decreased by \$373,341, or 7.27%, to \$4,763,760 during 2011. This decrease is attributable to the net effect of the changes in debt service, transfers to the City of Greer, and disposals of utility plant. Debt service increased by 223,527, or 6.83%, due to the increase in associated debt. The transfers to the City of Greer decreased by \$175,000, or 13.86%. During 2011, the losses realized on the disposal of assets declined by \$421,868, or 70.36%. During 2010, the loss on disposal of utility plant was \$599,590.

As a result of these factors, the Commission experienced \$1,447,809 and \$2,756,592, respectively during 2011 and 2010, in net operating revenues over expenses before capital contributions.

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

	FY 2009	Total Dollar Change	Total Percent Change	FY 2010	Total Dollar Change	Total Percent Change	FY 2011
Electric Revenues	\$ 30,495,305	\$ 1,641,099	5.38%	\$ 32,136,404	\$ (574,399)	-1.79%	\$ 31,562,005
Gas Revenues	29,195,054	2,051,849	7.03%	31,246,903	(4,359,132)	-13.95%	26,887,771
Water Revenues	5,578,400	100,276	1.80%	5,678,676	(44,798)	-0.79%	5,633,878
Sewer Revenues	4,211,085	269,669	6.40%	4,480,754	44,775	1.00%	4,525,529
Operating Revenues	2,105,059	(297,777)	-14.15%	1,807,282	215,170	11.91%	2,022,452
Non-operating Revenues	156,469	(108,141)	-69.11%	48,328	31,789	65.78%	80,117
Total Revenues	71,741,372	3,656,975	5.10%	75,398,347	(4,686,595)	-6.22%	70,711,752
Purchased Power	23,547,604	1,505,927	6.40%	25,053,531	1,455,746	5.81%	26,509,277
Purchased Gas	20,150,380	230,380	1.14%	20,380,760	(3,597,093)	-17.65%	16,783,667
Depreciation and Amortization Expense	7,079,216	392,824	5.55%	7,472,040	(251,456)	-3.37%	7,220,584
Other Operating Expense	14,715,417	(117,094)	-0.80%	14,598,323	(611,668)	-4.19%	13,986,655
Non-operating Expense	4,176,102	960,999	23.01%	5,137,101	(373,341)	-7.27%	4,763,760
Total Expense	69,668,719	2,973,036	4.27%	72,641,755	(3,377,812)	-4.65%	69,263,943
Revenues Before Capital Contributions	2,072,653	683,939	33.00%	2,756,592	(1,308,783)	-47.48%	1,447,809
Capital Contributions	2,787,715	(2,061,831)	-73.96%	725,884	385,931	53.17%	1,111,815
Change in Net Assets	4,860,368	(1,377,892)	-28.35%	3,482,476	(922,852)	-26.50%	2,559,624
Beginning Net Assets	130,670,070	4,860,368	3.72%	135,530,438	3,482,476	2.57%	139,012,914
Ending Net Assets	\$ 135,530,438	\$ 3,482,476	2.57%	\$ 139,012,914	\$ 2,559,624	1.84%	\$ 141,572,538

Capital Contributions

Contributions include cash contributions, non-cash contributions and grants from various sources such as developers, customer assessments, and state and federal agencies. During 2011, the Commission received \$1,111,815 in capital contributions. The \$385,931 increase from Fiscal Year 2010 capital contributions of \$725,884. Capital Contribution for 2011 included the following receipts:

- \$126,665 received from the Greenville Hospital System to offset capital costs related to the building of the Greer Memorial Hospital's lighting infrastructure

- \$55,225 received from the Greenville Hospital System to offset capital costs related to the building of the Greer Memorial Hospital's alternative heating solutions
- \$12,795 received from the Spartanburg Regional Hospital System to offset capital costs related to the building of the Village Hospital's electrical infrastructure
- \$124,587 received from various sources to offset capital costs related to lighting infrastructure
- \$481,193 received from an Appalachian Regional Commission (ARC) Grant to help offset the costs associated with the Pleasant Grove 1.5 million gallon Elevated Storage Tank

During 2010, the Commission received \$725,884 in capital contributions. This was a decrease of \$2,061,831 from \$2,787,715 received during fiscal year 2009.

Transfers to the City

During fiscal year 2011, the Commission made transfers to the City of Greer's General Fund in the amount of \$1,087,500. During fiscal year 2010, the Commission made transfers to the City of Greer's General Fund in the amount of \$1,262,500.

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 2011.

This year's major capital asset additions to plant include:
<ul style="list-style-type: none"> • \$239,078 in construction costs associated with the completion of the plans and specifications for the 1.5 MG Elevated Water Storage Tank and related 24 inch transmission line • \$25,677 in costs associated with completing the upgrade of the Buncombe Road pressure relief valves • \$452,418 to provide improvements and upgrades to the existing Electric system • \$55,010 to provide improvements and upgrades to the Electric system along Suber Road • \$1,472,664 in engineering and construction costs associated with the North Highway 101 Substation • \$21,316 to provide for renovations to the Propane Air Plant • \$103,652 in costs associated Inflow and Infiltration upgrades at various locations, including Memorial Drive Extension and Pennsylvania Avenue. • \$236,809 to provide for replacement of motor vehicles and heavy equipment • \$448,019 to provide for replacement of computers and related equipment • \$73,713 to provide for necessary upgrades and replacement equipment at the Water Treatment Plant • \$81,190 to provide for new pavement at the Lake Cunningham Park • \$114,927 to provide for new pavement in the customer and employee parking lots, as well as the customer drive-thru • \$89,052 to provide for the design and construction of a replacement truck shed to store the Commission's temperature sensitive equipment. • \$85,423 to provide for equipment necessary to provide and maintain the utilities to our customers

At the end of 2011, the Commission has invested \$288,622,538 in land and a broad range of infrastructure including electric distribution facilities; electric substations; fiber optic infrastructure and equipment; water and sewer plants; wastewater facilities; water and sewer lines; maintenance and administration facilities; vehicles and equipment; and office and computer equipment as shown in

Table A-3. Please refer to Note 3 to the financial statements for additional information on the Commission's capital assets.

TABLE A-3
Capital Assets

	FY 2009	Total Dollar Change	Total Percent Change	FY 2010	Total Dollar Change	Total Percent Change	FY 2011
Land	\$ 2,181,860	\$ 40,561	1.86%	\$ 2,222,421	\$ 57,182	2.57%	\$ 2,279,603
Buildings	6,057,988	(4,025)	-0.07%	6,053,963	159,026	2.63%	6,212,989
Machinery, Equipment and Vehicles	7,204,496	211,475	2.94%	7,415,971	20,173	0.27%	7,436,144
Electric distribution system	40,651,995	1,062,085	2.61%	41,714,080	992,126	2.38%	42,706,206
Water distribution system	62,497,731	797,107	1.28%	63,294,838	5,883,001	9.29%	69,177,839
Water reservoirs and dams	12,813,044	-	0.00%	12,813,044	6,906	0.05%	12,819,950
Recreational facilities	538,437	14,108	2.62%	552,545	81,690	14.78%	634,235
Gas distribution system	57,396,445	(766,878)	-1.34%	56,629,567	406,496	0.72%	57,036,063
Disposal plants and sanitary sewer	83,137,638	658,091	0.79%	83,795,729	333,118	0.40%	84,128,847
Office equipment and software	4,976,527	(1,544,843)	-31.04%	3,431,684	(356,769)	-10.40%	3,074,915
Fiber Optic	529,846	14,915	2.81%	544,761	438	0.08%	545,199
Construction in Progress	1,370,579	5,438,863	396.83%	6,809,442	(4,238,894)	-62.25%	2,570,548
Subtotal	279,356,586	5,921,459	2.12%	285,278,045	3,344,493	1.17%	288,622,538
Less Accumulated Depreciation	81,712,292	5,722,146	7.00%	87,434,438	6,126,152	7.01%	93,560,590
Net property plant equipment	\$ 197,644,294	\$ 199,313	0.10%	\$ 197,843,607	\$ (2,781,659)	-1.41%	\$ 195,061,948

In 2010, the Commission's capital assets increased in the net amount of \$5,921,459, of which \$7,229,829 was for expansion and improvement to utility plant and the remainder for other operating assets.

LONG TERM DEBT

At year-end, the Commission had \$89,935,693 in aggregate long-term debt, down from \$91,184,805 at the end of Fiscal Year 2010, a decrease of \$1,249,112, or 1.37%. 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 changes resulted from scheduled principal payments made on the existing debt and new issuances of long-term debt (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 Ratings, respectively. During 2011, the Commission was reviewed by Fitch Ratings and received an affirmation of its A+ rating. 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 Bond Ordinance provides that debt may be issued under the Bond Ordinance from time to time in such amounts as deemed necessary or advisable to the City, upon request of the Commission, for any purpose for which Bonds may be issued for the benefit of the utility 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 Commission 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 208%, 232%, and 230%, for the years 2011, 2010 and 2009, 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 2016.

In addition, the Commission has been successful in accessing other available low interest financing through the South Carolina Budget and Control Board for approved water and sewer infrastructure projects. The Commission accessed these loans with 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 2007. The Commission closed on a fifth SRF loan during 2009, in the amount of \$5,375,417, which carries a rate of 2.25% 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 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. At December 31, 2011, the funds remaining from this issuance totaled \$4,121,760.

During 2011, the Commission was able to take advantage of an opportunity to lower its interest rates associated with its SRF debt. The South Carolina Budget and Control Board, upon request and approval, allowed the modification of existing SRF debt interest rates to a rate of 2.25%. The Commission successfully completed the modification to each of its SRF loans, which allows for approximately \$3,000,000 in debt service savings over the remaining life of these loans, while reducing the payback period by approximately 2.5 years.

TABLE A-4
Debt Coverage Ratio

	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total Percent Change</u>	<u>FY 2011</u>	<u>Total Percent Change</u>
Revenues					
Revenues from Operations	\$ 71,584,903	\$ 75,350,019	5.26%	\$ 70,631,635	-6.26%
Non-operating Revenue	156,469	48,328	-69.11%	80,117	65.78%
Capacity fees	339,699	227,917	-32.91%	286,975	25.91%
Total Revenues	72,081,071	75,626,264	4.92%	70,998,727	-6.12%
Expenses					
Total Expenses	68,668,719	71,379,255	3.95%	68,176,443	-4.49%
Depreciation and Amortization Expense	(7,079,216)	(7,472,040)	5.55%	(7,220,584)	-3.37%
Bond Interest Expense	(3,027,602)	(3,275,011)	8.17%	(3,498,538)	6.83%
Gain/Loss on sale of assets	(148,500)	(599,590)	303.76%	(177,722)	-70.36%
Total Expenses	58,413,401	60,032,614	2.77%	57,279,599	-4.59%
Income Available for Debt Service	\$ 13,667,670	\$ 15,593,650	14.09%	\$ 13,719,128	-12.02%
Maximum Annual Debt Service	\$ 5,938,300	\$ 6,707,964		\$ 6,599,981	
Maximum Annual Debt Service Coverage	230%	232%	1.00%	208%	-10.58%

*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 3.68% in outstanding debt, with the average cost of capital being 3.96% and 4.09%, for the years 2010 and 2009, respectively.

TABLE A-5
Cost of Capital

	<u>FY 2009</u>		<u>FY 2010</u>		<u>FY 2011</u>	
	<u>Principal Outstanding</u>	<u>Weighted Average Coupon Rate</u>	<u>Principal Outstanding</u>	<u>Weighted Average Coupon Rate</u>	<u>Principal Outstanding</u>	<u>Weighted Average Coupon Rate</u>
Series 2002 Combined Utility Revenue Bonds	\$ 24,345,000	5.36%	\$ 24,185,000	5.36%	\$ 24,020,000	5.36%
1999 South Carolina SRF Loan	1,047,789	3.50%	961,237	3.50%	871,618	2.25%
2004 South Carolina SRF Loan	8,270,758	2.50%	8,035,717	2.50%	7,794,744	2.25%
2005 South Carolina SRF Loan	6,891,171	3.00%	6,720,422	3.00%	6,544,492	2.25%
2007 BB&T Lease	95,544	3.73%	-	0.00%	-	0.00%
Series 2007 Combined Utility Revenue Bonds	5,310,283	4.02%	5,103,597	4.02%	4,888,603	4.02%
2007 South Carolina SRF Loan	12,831,811	3.50%	12,642,953	3.50%	12,122,823	2.25%
Series 2009 Combined Utility Refunding Bonds	24,230,000	4.03%	23,990,000	4.03%	22,795,000	4.03%
2009 South Carolina SRF Loan	-	0.00%	3,430,879	2.29%	5,033,413	2.25%
Series 2010 Combined Utility Revenue Bonds	-	0.00%	6,115,000	3.07%	5,865,000	3.07%
	\$ 83,022,356	4.09%	\$ 91,184,805	3.96%	\$ 89,935,693	3.68%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission considered a variety of factors in developing the Fiscal Year 2012 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 2012 Budget provides for rate increases in both the Electric and Water utilities. Controllable operating costs were held very much in check for this budget year. For 2012, the Commission has decided to maximize the efficiency of our current staff while adding no new positions during 2012. 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 \$1,000,000 for Fiscal Year 2012.

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, 2011 and December 31, 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents:		
Operating	\$ 16,659,863	\$ 9,275,277
Restricted	9,440,647	11,525,028
Total funds	26,100,510	20,800,305
Receivables:		
Customers, less allowance for doubtful accounts of \$223,213 in 2011 and \$255,759 in 2010	6,942,257	9,282,828
Interest	-	489
Total receivables	6,942,257	9,283,317
Short-term investments:		
Unrestricted	3,021,006	3,012,028
Restricted	4,318,125	4,305,292
Inventories	2,089,227	2,160,723
Customer deposits	933,957	870,308
Total current assets	43,405,082	40,431,973
Non-current assets:		
Utility plant	288,622,538	285,278,045
Less accumulated depreciation	(93,560,590)	(87,434,438)
Net utility plant	195,061,948	197,843,607
Debt issuance cost, net of accumulated amortization \$591,044 in 2011 and \$458,753 in 2010	2,188,854	2,323,645
Other assets	107,196	110,148
Total non-current assets	197,357,998	200,277,400
Total assets	\$ 240,763,080	\$ 240,709,373
Equity and Liabilities		
Current liabilities:		
Accounts payable	\$ 4,600,562	\$ 5,717,544
Construction contract retainage payable	54,761	215,183
Accrued interest	964,900	976,314
Other accrued expenses	968,727	996,649
Customer deposits	933,957	870,308
Current portion of landfill post-closure liability	17,200	17,100
Current portion of long-term debt	3,279,154	2,936,623
Total current liabilities	10,819,261	11,729,721
Landfill post-closure liability	344,000	359,100
Other post-employment liability	684,000	639,000
Long-term debt, net of unamortized premium, and current portion of long-term debt	87,343,281	88,968,638
Total non-current liabilities	88,371,281	89,966,738
Total liabilities	99,190,542	101,696,459
Net Assets		
Capital assets, net of related debt	108,561,274	111,941,096
Restricted assets		
Debt service	4,467,936	4,952,826
Capital projects	5,169,075	4,874,744
Unrestricted net assets	23,374,253	17,244,248
Total net assets	141,572,538	139,012,914
Total equity and liabilities	\$ 240,763,080	\$ 240,709,373

See accompanying notes to financial statements

Greer Commission of Public Works

Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and December 31, 2010

	2011	2010
Operating revenues		
Electric revenues	\$ 31,562,005	\$ 32,136,404
Gas revenues	26,887,771	31,246,903
Water revenues	5,633,878	5,678,676
Sewer revenues	4,525,529	4,480,754
Other operating revenues	2,022,452	1,807,282
Total operating revenues	70,631,635	75,350,019
Operating expenses		
Purchased power	26,509,277	25,053,531
Purchased gas	16,783,667	20,380,760
Depreciation and amortization	7,220,584	7,472,040
Other operating expenses	13,986,655	14,598,323
Total operating expenses	64,500,183	67,504,654
Net operating revenue	6,131,452	7,845,365
Other revenues (expenses)		
Interest expense	(3,498,538)	(3,275,011)
Interest revenue	80,117	48,328
Transfers to the City of Greer	(1,087,500)	(1,262,500)
Loss on disposal of utility plant	(177,722)	(599,590)
Total other expenses, net	(4,683,643)	(5,088,773)
Revenues over expenses before contributions	1,447,809	2,756,592
Contributions	1,111,815	725,884
Revenues over expenses after contributions	2,559,624	3,482,476
Net assets at beginning of the year	139,012,914	135,530,438
Net assets at end of the year	\$ 141,572,538	\$ 139,012,914

See accompanying notes to financial statements

Greer Commission of Public Works

Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$ 71,016,356	\$ 73,536,725
Cash paid to suppliers	(53,118,399)	(54,149,502)
Cash paid to employees	(5,949,472)	(6,132,651)
Other operating revenue	2,022,452	1,807,282
Net cash provided by operating activities	13,970,937	15,061,854
Cash flows from noncapital financing activities:		
Payments to City of Greer	(1,087,500)	(1,262,500)
Net cash used in noncapital financing activities	(1,087,500)	(1,262,500)
Cash flows from capital and related financing activities:		
Increase in utility plants	(3,973,369)	(7,649,329)
Capital contributions	1,111,815	576,799
Proceeds from sale of utility plant	42,241	43,550
Proceeds from issuance of long-term debt	1,699,606	9,843,574
Debt issuance costs	-	(112,250)
Repayment of debt	(2,948,718)	(1,681,125)
Interest paid on long-term debt	(3,509,952)	(3,248,869)
Net cash used in capital and related financing activities	(7,578,377)	(2,227,650)
Cash flows from investing activities:		
Purchase of investments	(85,461)	(127,733)
Interest received on investments	80,606	63,561
Net cash used in investing activities	(4,855)	(64,172)
Net increase in cash and cash equivalents	5,300,205	11,507,532
Cash and cash equivalents at beginning of year	20,800,305	9,292,773
Cash and cash equivalents at end of year	\$ 26,100,510	\$ 20,800,305

See accompanying notes to financial statements

Greer Commission of Public Works

Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating income to net cash provided by operating activities		
Net operating revenue	\$ 6,131,452	\$ 7,845,365
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation	7,119,506	7,375,853
Amortization of bond discount, premiums and issuance costs of bond amortization	101,078	96,187
Changes in assets and liabilities:		
Customer receivables, net	2,340,571	(152,726)
Inventories	(673,367)	(194,388)
Other assets	2,952	48,029
Accounts payable	(1,116,982)	(73,197)
Other accrued expenses	(27,922)	(13,854)
Other post-employment liabilities	45,000	49,000
Landfill post-closure liability	(15,000)	(17,100)
Customer deposits	63,649	98,685
Net cash provided by operating activities	\$ 13,970,937	\$ 15,061,854
Non-cash items		
Inventory transferred into capital assets	\$ 744,863	\$ 340,352
Loss on sale of assets	\$ 177,722	\$ 599,590
Non-cash capital contributions	\$ -	\$ 149,085
Capitalized interest related to long-term debt	\$ 119,887	\$ 161,029

See accompanying notes to financial statements

Greer Commission of Public Works

Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

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% 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, BP Energy, Atmos Energy, EDF Trading North America LLC, SW Virginia Gas Company 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, however, the Commission has applied all applicable pronouncements issued by the GASB.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 1 - Organization and Significant Accounting Policies (continued)

Measurement focus and basis of accounting

The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On the full accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Utility Plant

Utility plant is stated at cost and contributed capital assets are recorded at their estimated fair value at the date of contribution. Interest cost on debt issued to finance the construction of utility plant is capitalized during the construction period. Interest capitalization during the years ended December 31, 2011 and 2010 was \$119,887 and \$161,029, 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>Years</u>		<u>Years</u>
Electric distribution system	25	Finance building	50
Gas distribution system	33	Operations center	50
Water distribution system	50	Vehicle maintenance facility	33
Water reservoirs and dams	50	Buildings	10
Recreational facilities	25	Vehicles and other work equipment	6.8
Disposal plants and sanitary sewer	50	Office equipment and furniture	6.8
Fiber Optic	10		

Depreciation expense for the years ended December 31, 2011 and 2010 was \$7,119,506 and \$7,375,853, respectively.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 1 - Organization and Significant Accounting Policies (continued)

Utility Plant (continued)

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, and consists of materials, supplies and fuel.

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, 2011 and 2010 were \$3,321,896 and \$4,564,827, respectively.

Allowance of Uncollectible Accounts

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

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 1 - Organization and Significant Accounting Policies (continued)

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 2011 and 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.

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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 1 - Organization and Significant Accounting Policies (continued)

Derivative Instruments and Hedging Activities (continued)

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, 2011 and 2010, the Commission had a total of 31 contracts and 33 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 \$4,053,950 and \$4,953,672 at an average cost of \$4.41 and \$4.92 per dekatherm of natural gas at December 31, 2011 and 2010, 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.

Pronouncements

The GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial periods beginning after December 15, 2011. Adoption of this Statement is not expected to have any impact on the Commission's financial statements.

The GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Additionally, the Statement eliminates the election for enterprise funds and business type-activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements, although they may continue to apply all post November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial periods beginning after December 15, 2011, although early adoption of this Standard is permitted. The Commission has chosen to early adopt the provisions of this standard, however, it had no material effect on the financial statements.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 1 - Organization and Significant Accounting Policies (continued)

Net Assets

Equity is classified into 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.”

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 14.92% and 14.67% in 2011 and 2010, respectively.

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 2011 and 2010, the Commission purchased approximately \$25,765,436 and \$24,397,994, respectively, from PMPA under the two agreements discussed above. On December 31, 2011 and 2010, amounts due to PMPA of \$2,164,196 and \$2,159,819, respectively, were included in accounts payable.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 3 - Utility Plant

The following is a summary of changes in utility plant:

As of December 31, 2011

	December 31, 2010	Additions	Classification Transfers	Disposals	December 31, 2011
Utility plant not being depreciated:					
Land	\$ 2,222,421	\$ 57,182	\$ -	\$ -	\$ 2,279,603
Construction in progress	6,809,442	1,669,710	(5,693,421)	(215,183)	2,570,548
	<u>9,031,863</u>	<u>1,726,892</u>	<u>(5,693,421)</u>	<u>(215,183)</u>	<u>4,850,151</u>
Utility plant being depreciated:					
Electric distribution system	41,714,080	1,065,696	(71,047)	(2,523)	42,706,206
Gas distribution system	56,629,567	604,534	-	(198,038)	57,036,063
Water distribution system	63,294,838	440,505	5,491,635	(49,139)	69,177,839
Water reservoirs and dams	12,813,044	2,081	4,825	-	12,819,950
Recreational facilities	552,545	81,690	-	-	634,235
Disposal plants and sanitary sewer	83,795,729	95,434	237,684	-	84,128,847
Finance building	369,996	10,411	15,432	-	395,839
Operations center	5,250,893	133,183	-	-	5,384,076
Vehicle maintenance facility	358,074	-	-	-	358,074
Buildings	75,000	-	-	-	75,000
Vehicles and other work equipment	7,415,971	314,494	-	(294,321)	7,436,144
Office equipment and furniture	3,431,684	308,735	18,895	(684,399)	3,074,915
Fiber Optic	544,761	-	438	-	545,199
Total Utility plant being depreciated	<u>276,246,182</u>	<u>3,056,763</u>	<u>5,697,862</u>	<u>(1,228,420)</u>	<u>283,772,387</u>
Less accumulated depreciation for:					
Electric distribution system	(18,724,861)	(1,451,446)	2,854	909	(20,172,544)
Gas distribution system	(19,801,056)	(1,620,724)	2,471	62,909	(21,356,400)
Water distribution system	(15,800,123)	(1,206,137)	1,682	7,672	(16,996,906)
Water reservoirs and dams	(4,506,421)	(190,757)	886	-	(4,696,292)
Recreational facilities	(317,146)	(24,248)	1	-	(341,393)
Disposal plants and sanitary sewer	(18,255,948)	(1,590,843)	2,202	-	(19,844,589)
Finance building	(35,725)	(11,530)	(2,474)	-	(49,729)
Operations center	(2,196,770)	(105,424)	(1)	-	(2,302,195)
Vehicle maintenance facility	(232,191)	(10,845)	1	-	(243,035)
Buildings	(75,000)	-	-	-	(75,000)
Vehicles and other work equipment	(5,303,835)	(533,191)	(92,672)	271,663	(5,658,035)
Office equipment and furniture	(2,038,807)	(350,161)	83,493	651,756	(1,653,719)
Fiber Optic	(146,555)	(24,200)	2	-	(170,753)
Total accumulated depreciation	<u>(87,434,438)</u>	<u>(7,119,506)</u>	<u>(1,555)</u>	<u>994,909</u>	<u>(93,560,590)</u>
Utility plant, net	<u>\$ 197,843,607</u>				<u>\$ 195,061,948</u>

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 3 - Utility Plant (continued)

As of December 31, 2010

	December 31, 2009	Additions	Classification Transfers	Disposals	December 31, 2010
Utility plant not being depreciated:					
Land	\$ 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>

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

At December 31, 2011 and 2010, the Commission had outstanding contractual commitments of \$172,181 and \$286,010, 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, 2011 and 2010

Note 4 - Cash, Cash Equivalents and Investments

At December 31, 2011, the carrying value of deposits included in cash and cash equivalents was \$26,100,510 and the bank balance was \$26,245,759. 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. 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, 2011 and 2010 consist of the following:

		2011		2010
Cash	\$	26,100,510	\$	20,800,305

As of December 31, 2011, the Commission had the following investments and maturities:

Investment Type		Fair Value		Less than 6 Months		6 - 12 Months
SC Local Government Investment Pool	\$	7,339,131	\$	7,339,131	\$	-

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

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

Reconciliation of Investments to Balance Sheet:

		2011		2010
Short-term Investments				
Unrestricted	\$	3,021,006	\$	3,012,028
Restricted		4,318,125		4,305,292
Customer Deposits Invested		-		830,352
Total Short-term Investments	\$	7,339,131	\$	8,147,672

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

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 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

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.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

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

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 2011 the Commission did not have any investments in Certificate of Deposits. In 2010, the Commission had deposited more than 5% of its investments in Certificates of Deposits, which are collaterally secured, at one financial institution. These investments represent 0% and 10.19% of the Commission's total investments for 2011 and 2010, respectively.

Note 5 - Inventories

Inventories at December 31, 2011 and 2010 consist of the following:

	2011	2010
Materials and supplies:		
Electric	\$ 1,246,761	\$ 1,307,054
Gas	551,666	539,341
Water and sewer	259,575	270,560
Other	11,224	10,830
Gasoline	20,001	32,938
	\$ 2,089,227	\$ 2,160,723

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 21 years. At the end of 2011, after a review by independent engineers, the landfill postclosure liability was increased to \$361,200, an increase of \$2,100, and will be amortized over the remaining postclosure period. For the years ended December 31, 2011 and 2010, 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.

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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 7 - Long-Term Debt (continued)

At December 31, 2011 and 2010, the amount of defeased bonds principal outstanding and unpaid by the Trustee was \$24,445,000 and \$26,150,000, respectively.

Long-term debt at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
South Carolina Water Quality Revolving Fund loan to finance the South Tyger Consolidation Project; interest 2.25% at December 31, 2011 and 3.5% at December 31, 2010; quarterly installments through February 1, 2020.	\$ 871,618	\$ 961,237
\$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.	24,020,000	24,185,000
South Carolina Water Quality Revolving Fund loan to finance the Water Treatment Plant Upgrade Project; interest 2.25% at December 31, 2011 and 2.5% at December 31, 2010; quarterly installments through August 1, 2034.	7,794,744	8,035,717
South Carolina Water Quality Revolving fund loan to finance the Water Transmission and Distribution System Improvements Project, interest 2.25% at December 31, 2011 and 3.0% at December 31, 2010; quarterly installments through February 1, 2034.	6,544,492	6,720,422
\$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.	4,888,603	5,103,597
South Carolina Water Quality Revolving Fund loan to finance the upgrading and expanding of the Maple Creek Waste Water Treatment Plant Project; interest 2.25% at December 31, 2011 and 3.5% at December 31, 2010; quarterly installments through March 1, 2029.	12,122,823	12,642,953

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 7 - Long-Term Debt (continued)

	2011	2010
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 2.25% at December 31, 2011 and 2.29% at December 31, 2010; 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%.	\$ 5,033,413	\$ 3,430,879
\$24,230,000 Series 2009 Combined Utility System Refunding Revenue Bond used to refund Series 1997 Combined Utility System Revenue Bonds; interest at 4.03%; principal payable annually starting at September 1, 2009 and interest payable semi-annually through September, 1, 2025.	22,795,000	23,990,000
\$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.	5,865,000	6,115,000
	89,935,693	91,184,805
Current portion of long-term debt.	(3,279,154)	(2,936,623)
Bond premium, net of accumulated amortization of \$324,670 in 2011 and \$290,956 in 2010.	686,742	720,456
	\$ 87,343,281	\$ 88,968,638

Future maturities of long-term debt area as follows:

	Principal	Interest	Total
2012	\$ 3,279,154	\$ 3,308,911	\$ 6,588,065
2013	3,389,112	3,206,902	6,596,014
2014	3,502,980	3,097,001	6,599,981
2015	3,612,923	2,982,909	6,595,832
2016	3,733,972	2,864,762	6,598,734
2017-2021	20,385,147	12,396,185	32,781,332
2022-2026	23,127,349	8,758,121	31,885,470
2027-2031	21,521,638	4,263,963	25,785,601
2032-2036	6,435,533	431,866	6,867,399
2037-2041	947,885	53,547	1,001,432
	\$ 89,935,693	\$ 41,364,167	\$ 131,299,860

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 7 - Long-Term Debt (continued)

Changes in Long-Term Debt:

December 31, 2011

	Beginning Balance	New Issuance	Payments	Ending Balance	Current Portion
1999 State Revolving Loan	\$ 961,237	\$ -	\$ (89,619)	\$ 871,618	\$ 97,261
2002 Combined Utility System Bonds	24,185,000	-	(165,000)	24,020,000	175,000
2004 State Revolving Loan	8,035,717	-	(240,973)	7,794,744	265,556
2005 State Revolving Loan	6,720,422	-	(175,930)	6,544,492	229,362
2007 State Revolving Loan	12,642,953	-	(520,130)	12,122,823	582,029
2007 Combined Utility System Bonds	5,103,597	-	(214,994)	4,888,603	223,637
2009 State Revolving Loan	3,430,879	1,699,606	(97,072)	5,033,413	126,309
2009 Combined Utility System Bonds	23,990,000	-	(1,195,000)	22,795,000	1,240,000
2010 Combined Utility System Bonds	6,115,000	-	(250,000)	5,865,000	340,000
Landfill Postclosure Costs	376,200	2,100	(17,100)	361,200	17,200
	<u>\$ 91,561,005</u>	<u>\$ 1,701,706</u>	<u>\$ (2,965,818)</u>	<u>\$ 90,296,893</u>	<u>\$ 3,296,354</u>

December 31, 2010

	Beginning Balance	New Issuance	Payments	Ending Balance	Current Portion
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 Bonds	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>

The Commission has pledged future total revenues, net of operating expenses, to repay substantially all outstanding debt issued in prior years. Proceeds from this debt provided financing for utility infrastructure. The debt is payable solely from the net revenues of the Commission and is payable through 2041. The total principal and interest remaining to be paid on the debt is \$131,299,860. Principal and interest paid for the years ended December 31, 2011 and 2010 were \$6,458,670 and \$4,929,994, respectively. Total revenues for the years ended December 31, 2011 and 2010 were \$70,631,635 and \$75,350,019, respectively.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

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, 2011 and 2010 was \$6,544,030 and \$6,751,423, 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 on their website at www.retirement.sc.gov, or a copy can be obtained 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, 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
January – June, 2011	6.50	9.24
July – December, 2011	6.50	9.385

Contributions by the Commission were based on the percentages of the employees' earnings listed above and amounted to \$619,093, \$604,583, and \$633,250 in 2011, 2010 and 2009, respectively. Employee contributions were based on the percentages of the employees' earnings listed above and amounted to \$423,292, \$428,357 and \$448,056 in 2011, 2010, and 2009, 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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

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:

	2011	2010
Active Employees	117	130
Retirees	14	13
Total	131	143

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.

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 60% to 80% 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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 9 - Other Post-Employment Benefits (continued)

The health plan is financed on a pay-as-you-go-basis. During the fiscal years ended December 31, 2011 and 2010, the Commission recognized expenses (net of participant contributions) of \$64,497 and \$88,150 respectively, to provide health benefits to Commission participants in post-employment status. As of December 31, 2011 and 2010, retired members in post-employment status that were eligible for benefits under the plan included 13 participants for both fiscal years.

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 Commission'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 Commission's annual OPEB cost at December 31, 2011 and 2010, respectively, the amount actually contributed to the Plan and the changes in the net OPEB obligation to the Plan:

	2011	2010
Annual Required Contribution	\$ 115,000	\$ 115,000
Interest on net OPEB obligation	26,000	24,000
Adjustment to annual required contribution	(27,000)	(25,000)
Annual OPEB cost	<u>114,000</u>	<u>114,000</u>
Contributions made during the year	<u>(69,000)</u>	<u>(65,000)</u>
Increase in Net OPEB obligation	45,000	49,000
Net OPEB obligation - beginning of year	<u>639,000</u>	<u>590,000</u>
Net OPEB obligation - end of year	<u>\$ 684,000</u>	<u>\$ 639,000</u>

The Commissions 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, 2011 and 2010 are as follows:

Year	Annual OPEB Cost	Contribution	Percent Contributed	Net OPEB Obligation
2011	\$ 114,000	\$ 69,000	60.5%	\$ 684,000
2010	114,000	65,000	57.0%	639,000
2009	348,000	53,000	15.2%	590,000

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 9 - Other Post-Employment Benefits (continued)

Funding progress:

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 Commission are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. At December 31, 2011, the plan was unfunded.

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 are 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 on an open basis. The actuarial assumptions included a 2.5% projection in salaries. The remaining amortization period at December 31, 2011, was 26 years.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

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. Through June 30, 2011, the Commission provided this insurance with the South Carolina Local Government Assurance Group. This Plan was a fully funded group health plan and used a third party administrator to process health insurance claims. Effective July 1, 2011, the Commission changed health insurance providers, with the Plan continuing to be a fully funded group health plan and administrated by a third party. The Commission's total expense for the fiscal years ending December 31, 2011 and December 31, 2010 was \$1,484,322 and \$1,510,776, respectively.

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 2011 and 2010, 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. The Commission recognized expenses of \$1,087,500 in 2011 and \$1,262,500 in 2010. At December 31, 2011 and 2010, payables due to the City of Greer were in the amounts of \$83,333 and \$0, respectively.

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.

Greer Commission of Public Works
Greer, South Carolina

Notes to the Financial Statements
December 31, 2011 and 2010

Note 12 – Contributions and capital improvement grants (continued)

The Commission receives developer contributed assets from various developers during the year of which become property of the Commission for future maintenance. The Commissions' strategy has been to require residential and commercial developers 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, 2011 and 2010 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 \$286,975 and \$227,917 and capital grants of \$824,840 and \$497,967, 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 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, 2011 and 2010, the Commission had accumulated \$2,765,803 and \$2,348,128 in unbilled PGA costs, respectively. 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 \$0.03 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 WorksSchedule of Actual and Budgeted Revenues and Expenses
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues			
Electric revenues	\$ 30,868,907	\$ 31,562,005	\$ 693,098
Gas revenues	30,839,388	26,887,771	(3,951,617)
Water and sewer service	9,758,760	10,159,407	400,647
Other operating revenues	<u>3,150,592</u>	<u>2,022,452</u>	<u>(1,128,140)</u>
Total operating revenues	<u>74,617,647</u>	<u>70,631,635</u>	<u>(3,986,012)</u>
Operating expenses			
Purchased power	25,229,137	26,509,277	(1,280,140)
Purchased gas	20,684,434	16,783,667	3,900,767
Depreciation and amortization	7,364,507	7,220,584	143,923
Other operating expenses	<u>15,356,080</u>	<u>13,986,655</u>	<u>1,369,425</u>
Total operating expenses	<u>68,634,158</u>	<u>64,500,183</u>	<u>4,133,975</u>
Net operating revenue	<u>5,983,489</u>	<u>6,131,452</u>	<u>147,963</u>
Other revenues (expenses)			
Interest expense	(3,658,235)	(3,498,538)	159,697
Interest revenue	125,000	80,117	(44,883)
Transfers to the City of Greer	(1,087,500)	(1,087,500)	-
Loss on disposal of utility plant	<u>-</u>	<u>(177,722)</u>	<u>(177,722)</u>
Total other expenses, net	<u>(4,620,735)</u>	<u>(4,683,643)</u>	<u>(62,908)</u>
Revenues over expenses before contributions	1,362,754	1,447,809	85,055
Contributions	<u>-</u>	<u>1,111,815</u>	<u>1,111,815</u>
Revenues over expenses after contributions	<u>\$ 1,362,754</u>	<u>\$ 2,559,624</u>	<u>\$ 1,196,870</u>

Greer Commission of Public Works

Schedule of Departmental Operating Revenues and Expenses
For the Year Ended December 31, 2011

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues					
Electric and gas sales -					
Residential	\$17,140,844	\$ 10,414,170	\$ -	\$ -	\$ 27,555,014
Commercial	\$4,796,069	5,387,066	-	-	10,183,135
Industrial and power	9,625,092	11,086,535	-	-	20,711,627
Water and sewer service	-	-	5,633,878	4,525,529	10,159,407
Collection penalties	91,145	140,775	116,974	116,975	465,869
Other operating revenues	473,453	253,491	402,236	427,403	1,556,583
Total Operating revenues	<u>32,126,603</u>	<u>27,282,037</u>	<u>6,153,088</u>	<u>5,069,907</u>	<u>70,631,635</u>
Operating and maintenance expenses					
Purchased power	26,509,277	-	-	-	26,509,277
Purchased gas	-	16,783,667	-	-	16,783,667
Depreciation	1,712,775	1,863,651	1,691,423	1,851,657	7,119,506
Amortization	45,485	40,431	5,054	10,108	101,078
Other operating expenses	2,979,476	4,377,176	4,001,358	2,628,645	13,986,655
Total operating expenses	<u>31,247,013</u>	<u>23,064,925</u>	<u>5,697,835</u>	<u>4,490,410</u>	<u>64,500,183</u>
Net operating departmental revenue	<u>\$ 879,590</u>	<u>\$ 4,217,112</u>	<u>\$ 455,253</u>	<u>\$ 579,497</u>	<u>\$ 6,131,452</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 9 Years (unaudited)⁽¹⁾**

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Investments in Capital Assets, Net of Related Debt	\$ 108,561,274	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	4,467,936	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	<u>5,169,075</u>	<u>4,874,744</u>	<u>4,644,739</u>	<u>6,247,638</u>	<u>9,011,915</u>	<u>5,401,779</u>	<u>4,237,532</u>	<u>4,118,206</u>	<u>2,756,050</u>
Total Restricted Assets	9,637,011	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	<u>23,374,253</u>	<u>17,244,248</u>	<u>13,263,590</u>	<u>10,160,784</u>	<u>6,427,074</u>	<u>10,247,888</u>	<u>13,931,999</u>	<u>16,558,687</u>	<u>17,115,782</u>
Total Net Assets	<u>\$ 141,572,538</u>	<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 Five Fiscal Years ⁽¹⁾

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Electric					
Substations	3	3	3	3	3
Winter Peak (MW)	67	67	58	59	53
Summer Peak (MW)	85	83	75	81	81
Overhead Distribution (miles)	195	193	193	190	190
Underground Distribution (miles)	184	184	183	176	170
Poles	11,938	11,793	10,135	9,986	9,606
Transformers	4,612	4,587	4,571	4,534	4,499
Meters	16,310	16,143	16,089	15,955	15,263
Vehicles	17	17	17	18	17
Natural Gas					
Transco Pipeline Connections	2	2	2	2	2
High-pressure Transmission Lines (miles)	46	46	46	46	46
Intermediate and Distribution Lines (miles)	712	712	710	704	683
Pressure Reducing Regulator Stations	131	139	139	139	139
Meters	20,275	20,078	19,880	19,639	19,263
Vehicles	21	21	21	19	17
Water					
Water Treatment Plants	1	1	1	1	1
Water Treatment Plant Capacity (mgd)	24	24	24	24	24
Average Daily Flow (mgd)	8	9	8	9	9
Peak Flow (mgd)	13	14	14	16	14
Ground Storage Capacity (mg)	8	8	8	8	8
Elevated Tank Storage Capacity (mg)	6	6	4	4	4
Transmission Lines (miles)	31	32	31	31	30
Distribution Lines (miles)	379	379	373	373	372
Fire Hydrants	1,423	1,476	1,459	1,446	1,398
Meters	17,899	17,717	17,607	17,438	17,221
Vehicles	10	10	10	8	8
Sewer					
Treatment Plants	1	1	1	1	1
Treatment Plant Capacity (mgd)	5	5	5	5	5
Average Daily Flow (mgd)	2	2	2	2	2
Gravity Collection Lines (miles)	214	216	215	214	213
Force Main Collection Lines (miles)	28	22	21	21	19
Lift Stations	17	17	18	18	17
Sewer Valves	52	52	52	52	52
Manholes	5,606	5,582	5,532	5,452	5,325
Vehicles	13	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>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING REVENUES:										
Electric revenues	\$ 31,562	\$ 32,136	\$ 30,495	\$ 28,886	\$ 26,686	\$ 23,868	\$ 23,052	\$ 21,187	\$ 19,389	\$ 18,495
Gas revenues	26,888	31,247	29,195	38,476	34,443	33,630	32,015	26,577	28,025	30,846
Water revenues	5,634	5,679	5,579	6,000	5,845	5,001	4,597	4,375	3,882	4,173
Sewer revenues	4,526	4,481	4,211	4,169	3,832	3,355	3,165	3,057	2,774	2,878
Other operating revenues	2,022	1,807	2,105	2,627	3,605	3,728	3,847	3,299	3,582	3,821
Total operating revenues	<u>70,632</u>	<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>
OPERATING EXPENSES:										
Purchased power	26,509	25,054	23,548	22,689	20,859	19,333	17,843	16,299	15,395	15,256
Purchased gas	16,784	20,381	20,150	28,889	27,333	27,936	26,629	21,318	22,838	25,527
Depreciation and amortization	7,221	7,472	7,079	6,288	5,867	5,377	5,233	5,061	4,455	4,220
Other operating expenses	13,986	14,598	14,716	14,805	14,040	12,811	12,096	10,738	10,744	9,816
Total operating expenses	<u>64,500</u>	<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>
Net operating revenue	<u>\$ 6,132</u>	<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>
OTHER REVENUES (EXPENSES)										
Interest expense	\$ (3,498)	\$ (3,275)	\$ (3,028)	\$ (3,105)	\$ (3,158)	\$ (3,052)	\$ (2,645)	\$ (2,421)	\$ (2,410)	\$ (2,456)
Interest revenue	80	48	156	457	913	842	730	461	724	700
Transfers to the City of Greer	(1,088)	(1,262)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Gain (loss) on disposal of utility plant	(178)	(599)	(148)	(109)	(12)	(425)	(64)	(4)	(95)	28
Total other expenses, net	<u>(4,684)</u>	<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>
Revenues over expenses before contributions	1,448	2,757	2,072	3,730	3,055	490	1,896	2,115	1,439	2,666
Contributions ⁽²⁾	<u>1,112</u>	<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>
Revenues over expenses after contributions	<u>2,560</u>	<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>
Beginning Net Assets ⁽³⁾	<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>102,254</u>	<u>87,877</u>	
Ending Net Assets	<u>\$ 141,573</u>	<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>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING REVENUES:										
Inside City	\$ 1,924	\$ 2,005	\$ 1,982	\$ 2,192	\$ 2,106	\$ 1,742	\$ 1,649	\$ 1,495	\$ 1,262	\$ 1,405
Outside City	2,070	2,018	1,965	2,075	2,023	1,729	1,673	1,662	1,521	1,528
Industrial	472	448	390	471	458	436	384	418	418	472
Fire Protection ⁽²⁾	13	13	13	13	13	13	14	14	12	14
Irrigation	222	222	202	213	209	174	143	111	99	142
Wholesale	933	973	1,026	1,037	1,036	906	734	705	570	612
Collection penalties	117	124	161	126	124	117	135	105	124	135
Other	402	430	401	435	559	611	670	636	496	555
Total operating revenues	6,153	6,233	6,140	6,562	6,528	5,728	5,402	5,146	4,502	4,863
OPERATING EXPENSES:										
Depreciation	1,692	1,691	1,699	1,457	1,370	1,197	1,172	1,297	1,002	955
Amortization	5	5	31	4	4	3	3	2	2	4
Other operating expenses	4,001	4,189	4,234	4,590	4,373	3,869	3,504	3,278	3,182	3,230
Total operating expenses	5,698	5,885	5,964	6,051	5,747	5,069	4,679	4,577	4,186	4,189
Net operating departmental revenue	\$ 455	\$ 348	\$ 176	\$ 511	\$ 781	\$ 659	\$ 723	\$ 569	\$ 316	\$ 674
WATER USAGE (thousands of gallons)										
Total water pumped	2,960,810	3,078,170	2,881,685	2,957,687	3,079,150	2,575,744	2,431,730	2,336,236	2,247,523	2,455,805
Total percentage of non-revenue water	6.41%	6.58%	6.12%	4.73%	5.25%	4.51%	6.13%	6.33%	6.27%	5.98%
Consumption										
Inside City	842,495	906,564	849,477	946,308	959,233	841,986	873,102	733,327	600,447	721,134
Outside City	596,328	587,988	551,435	613,953	636,797	575,549	521,379	540,906	501,545	583,994
Industrial	286,841	272,781	243,292	291,671	300,854	286,618	253,690	284,976	283,395	308,014
Irrigation	114,757	116,025	103,633	113,145	123,206	96,167	76,613	58,476	50,358	82,555
Wholesale	581,474	636,947	668,624	669,319	742,250	661,729	585,725	586,439	537,711	578,836
Other	89,749	94,666	102,955	107,919	109,932	94,400	89,596	95,530	83,184	90,706
Total consumption	2,511,644	2,614,971	2,519,416	2,742,315	2,872,272	2,556,449	2,400,105	2,299,654	2,056,640	2,365,239
Non-account water	449,166	463,199	362,269	215,372	206,878	19,295	31,625	36,582	190,883	90,566
Non-account water as a percentage of total water pumped	15.2%	15.0%	12.6%	7.3%	6.7%	0.7%	1.3%	1.6%	8.5%	3.7%
ACTIVE SERVICES (Number of Customers)										
Inside City	10,118	9,941	9,876	9,937	9,747	9,424	8,966	8,636	8,161	7,792
Outside City	6,536	6,479	6,442	6,462	6,429	6,323	6,203	6,124	6,078	6,017
Industrial	4	4	4	4	4	2	3	3	4	5
Fire Protection	42	45	44	47	48	48	48	49	44	46
Irrigation	437	422	410	407	371	363	353	336	310	289
Wholesale	1	1	1	1	1	1	1	1	1	1
Other	13	14	15	15	15	15	15	15	13	12
	17,151	16,906	16,792	16,873	16,615	16,176	15,589	15,164	14,611	14,162

(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>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING REVENUES:										
Residential	\$ 17,141	\$ 17,162	\$ 16,321	\$ 15,468	\$ 15,186	\$ 13,296	\$ 13,019	\$ 12,161	\$ 10,955	\$ 10,605
Small commercial	3,341	3,492	3,171	3,072	2,430	1,778	1,835	1,808	1,710	1,680
Time of use	297	210	208	227	237	212	323	365	368	398
Large Commercial	9,625	10,211	9,702	9,087	8,833	7,747	7,875	7,023	6,361	5,812
Rental and Street lighting	1,158	1,061	1,093	1,032	901	835	803	759	714	661
Collection penalties	91	95	129	152	149	141	163	127	149	162
Other	473	294	333	301	273	1,204	280	121	410	430
Total operating revenues	<u>32,126</u>	<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>
OPERATING EXPENSES:										
Purchased Power	26,509	25,054	23,548	22,688	20,859	19,333	17,843	16,299	15,395	14,730
Depreciation	1,713	1,854	1,609	1,481	1,408	1,317	1,279	1,198	1,067	989
Amortization	45	43	4	6	6	5	5	4	4	7
Other operating expenses	2,979	3,244	3,219	2,966	2,859	2,668	2,531	2,160	2,283	2,068
Total operating expenses	<u>31,246</u>	<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>
Net operating departmental revenue	<u>\$ 880</u>	<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>
PURCHASED POWER - (Megawatt Hours)										
Purchased from PMPA ⁽²⁾	352,790	363,458	335,001	340,029	328,918	290,598	272,704	256,798	234,344	257,648
Purchased from SEPA ⁽³⁾	13,584	11,272	12,516	14,041	13,901	13,402	27,645	21,937	25,085	13,203
Total purchased	<u>366,374</u>	<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>
CONSUMPTION - (Megawatt Hours)										
Residential	177,315	183,153	162,016	163,775	161,825	148,537	141,312	133,278	121,108	120,634
Small commercial	13,689	14,418	13,432	14,133	14,235	14,872	17,729	17,142	16,252	16,733
Time of use	3,998	2,746	2,924	3,299	3,639	3,473	5,190	6,004	5,957	6,068
Large Commercial	147,363	141,101	135,962	136,619	128,748	114,483	105,835	97,696	88,789	82,301
Rental and Street lighting	2,233	2,156	2,029	2,095	6,037	5,431	5,656	5,541	4,846	5,168
Other	11,740	12,029	11,463	11,226	11,825	10,733	9,377	9,809	10,224	10,050
Total consumption	<u>356,338</u>	<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>
Line losses and megawatt hours unaccounted for	<u>10,036</u>	<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>
Percentage of line losses and megawatt hours unaccounted for to purchased power	<u>2.7%</u>	<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>
ACTIVE SERVICES (Number of Customers)										
Residential	13,764	13,588	13,454	13,461	12,869	12,439	11,932	11,392	10,927	10,527
Small commercial	1,211	1,195	1,214	1,245	1,192	1,154	1,140	1,185	1,155	1,147
Time of use	6	6	6	8	8	8	8	10	10	10
Large Commercial	744	704	710	715	684	659	641	490	439	405
Rental and Street lighting	2,043	2,035	2,053	2,061	2,054	2,030	2,018	2,039	2,023	2,031
Other	47	46	47	47	44	36	33	32	29	29
	<u>17,815</u>	<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>

(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>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING REVENUES:										
Inside City	\$ 2,803	\$ 2,740	\$ 2,636	\$ 2,596	\$ 2,377	\$ 2,108	\$ 1,967	\$ 1,932	\$ 1,749	\$ 1,942
Outside City	1,186	1,210	1,176	1,164	1,088	904	884	884	811	742
Sewer services, no water	1	1	2	2	6	1	1	2	1	1
Enoree Basin, inside City	397	334	258	254	233	203	184	150	119	109
Enoree Basin Industrial	139	196	138	153	132	139	129	112	94	84
Collection penalties	117	124	161	81	80	75	87	68	80	87
Other	427	362	505	912	742	738	774	428	449	397
Total operating revenues	<u>5,070</u>	<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>
OPERATING EXPENSES:										
Depreciation	1,852	1,827	1,837	1,529	1,402	1,317	1,289	1,130	1,053	1,022
Amortization	10	10	8	29	29	26	23	23	20	34
Other operating expenses	2,629	2,649	2,750	2,792	2,767	2,469	2,357	1,881	1,844	2,091
Total operating expenses	<u>4,491</u>	<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>
Net operating departmental revenue	<u>\$ 579</u>	<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>
WASTEWATER TREATMENT										
Wastewater Plant Flows (thousands of gallons)										
Maple Creek Wastewater Treatment Facility	704,461	698,577	813,750	711,348	700,632	695,780	753,930	811,821	915,467	745,965
Wastewater Treated - (Thousands of Gallons)										
Inside City Customers	489,914	495,291	497,271	527,247	534,089	514,022	489,089	483,843	453,672	494,677
Outside City Customers	198,549	187,202	164,026	170,541	156,128	167,570	174,399	174,659	191,990	182,073
Customers with sewer services, no water	1	1	2	1	1	1	1	5	5	9
Other	286	291	276	813	1,659	879	647	633	563	363
Retail	688,750	682,785	661,575	698,602	691,877	682,472	664,136	659,140	646,230	677,122
Unaccounted for wastewater	<u>15,711</u>	<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>
Percentage of unaccounted for wastewater to total wastewater treated	<u>2.2%</u>	<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>
ANNUAL RAINFALL (inches) ⁽²⁾	45.96	42.09	52.83	38.02	31.08	41.80	53.14	47.68	63.14	47.85
ACTIVE SERVICES (Number of Customers)										
Inside City	6,287	6,206	6,195	6,255	6,186	6,081	5,941	5,822	5,692	5,659
Outside City	1,119	1,119	1,114	1,119	1,128	1,112	1,090	1,121	1,126	1,117
Sewer services, no water	4	4	5	5	5	4	4	5	5	5
Enoree Basin, inside City	3,541	3,452	3,395	3,397	3,281	3,069	2,721	2,455	2,164	1,843
Enoree Basin Industrial	162	161	119	118	108	101	86	81	45	38
Other ⁽³⁾	1	1	2	2	2	2	2	2	2	2
	<u>11,114</u>	<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>

(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

(3) Other customers 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>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING REVENUES:										
Residential	\$ 10,364	\$ 12,946	\$ 11,937	\$ 13,841	\$ 11,138	\$ 10,963	\$ 11,185	\$ 9,525	\$ 8,246	\$ 8,081
Commercial	4,952	6,429	6,004	7,283	5,572	5,135	6,152	5,028	5,023	4,415
Large Commercial/Industrial	50	118	105	430	728	673	448	372	394	394
Interruptible	11,087	11,228	10,656	16,115	16,346	16,076	13,410	11,585	11,218	11,431
Off-system	-	-	-	-	-	-	-	-	2,633	6,196
Schools	435	526	494	807	659	783	820	594	511	329
Collection penalties	141	149	193	284	278	263	304	236	278	303
Other	253	229	222	335	498	579	631	70	877	1,091
Total operating revenues	<u>27,282</u>	<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>
OPERATING EXPENSES:										
Purchased Gas	16,784	20,381	20,150	28,889	27,333	27,937	26,629	21,318	22,838	25,527
Depreciation	1,864	2,003	1,855	1,757	1,621	1,489	1,440	1,388	1,289	1,176
Amortization	40	39	35	26	27	23	22	19	18	33
Other operating expenses	4,377	4,516	4,512	4,457	4,040	3,803	3,704	3,420	3,435	2,953
Total operating expenses	<u>23,065</u>	<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>
Net operating departmental revenue	<u>\$ 4,217</u>	<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>
PURCHASED GAS (MCF)	<u>3,449,843</u>	<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>
CONSUMPTION - (MCF)										
Residential	853,869	936,733	792,434	808,764	717,641	686,047	751,792	774,589	730,665	699,224
Commercial	444,267	491,385	418,847	402,109	340,434	339,158	404,718	420,026	421,165	376,618
Large Commercial/Industrial	4,393	5,981	7,613	7,965	58,452	35,778	37,205	37,821	11,565	24,775
Interruptible	1,921,301	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
Off-system	-	-	-	-	-	-	-	-	426,548	1,955,684
Schools	39,074	41,362	36,962	50,865	52,335	50,791	60,162	51,924	48,944	33,825
Other	2,950	2,738	2,329	2,393	1,733	2,112	2,350	2,447	2,633	2,474
Total consumption	<u>3,265,854</u>	<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>
Line-loss and unaccounted for gas	<u>183,989</u>	<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>
Percentage of line losses and MCF unaccounted for to purchased gas.	<u>5.3%</u>	<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>
ACTIVE SERVICES (Number of Customers)										
Residential	17,358	17,141	16,902	16,871	16,334	15,996	15,268	14,696	14,012	13,475
Commercial	1,448	1,433	1,457	1,485	1,460	1,430	1,421	1,407	1,349	1,355
Large Commercial/Industrial	6	7	9	9	13	7	7	7	10	12
Interruptible	10	10	10	10	8	11	10	11	11	11
Off-system	-	-	-	-	-	-	-	-	2	31
Schools	24	24	26	26	25	26	26	26	25	23
Other	15	14	15	14	12	11	9	8	7	10
	<u>18,861</u>	<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>

(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>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>Revenues</i>										
Revenues from Operations	\$ 70,632	75,350	\$ 71,585	\$ 80,158	\$ 74,411	\$ 69,582	\$ 66,676	\$ 58,495	\$ 57,652	\$ 60,213
Non-operating Revenues	80	48	156	457	901	417	666	461	629	728
Capacity fees ⁽¹⁾	287	228	340	631	730	839	974	927	792	789
Total Revenues	<u>70,999</u>	<u>75,626</u>	<u>72,081</u>	<u>81,246</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>
<i>Expenses</i>										
Total Expenses	68,177	71,380	68,670	75,885	72,258	69,509	65,447	55,527	55,842	57,275
Depreciation and Amortization Expense	(7,221)	(7,472)	(7,079)	(6,288)	(5,867)	(5,377)	(5,293)	(4,751)	(4,455)	(4,220)
Bond Interest Expense	(3,499)	(3,275)	(3,028)	(3,104)	(3,159)	(3,052)	(2,645)	(2,421)	(2,410)	(2,456)
Gain/Loss on sale of assets	(178)	(600)	(149)	(109)	(12)	(425)	(64)	(4)	(95)	28
Total Expenses	<u>57,279</u>	<u>60,033</u>	<u>58,414</u>	<u>66,384</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>
Net revenues available for debt service	<u>\$ 13,720</u>	<u>15,593</u>	<u>\$ 13,667</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>
Maximum annual debt service ⁽²⁾	<u>\$ 6,600</u>	<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>
Maximum annual debt service coverage	<u>\$ 208%</u>	<u>232%</u>	<u>\$ 230%</u>	<u>\$ 255%</u>	<u>\$ 253%</u>	<u>\$ 226%</u>	<u>\$ 257%</u>	<u>\$ 294%</u>	<u>\$ 271%</u>	<u>\$ 276%</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>
2011	\$ 89,935,693	3,525	0.63%
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%

Greer Commission of Public Works
Customer Statistics
Largest System Customers - Fiscal Year 2011

<u>Name</u>	<u>Consumption</u>	<u>Percent of System Gross Consumption</u>
<i>Water System (thousands of gallons)</i>		
Blue Ridge Water Company (<i>Wholesale</i>)	581,474	23.14%
BMW of North American, LLC	216,271	8.61%
Mitsubishi Polyester Film, LLC	108,457	4.32%
Greer Commission of Public Works	88,311	3.51%
Cliffstar Corporation	43,235	1.72%
Greenville - Spartanburg International Airport	40,731	1.62%
Greer Memorial Hospital	35,116	1.40%
Honeywell International Incorporated	20,788	0.83%
West Chase Apartments	10,885	0.43%
Crescent Apartments	9,801	0.39%
<i>Sewer System (thousands of gallons)</i>		
Mitsubishi Polyester Film, LLC	125,393	5.16%
BMW of North America, LLC	122,689	5.05%
Greer Memorial Hospital	78,028	3.21%
Greenville - Spartanburg International Airport	50,411	2.08%
West Chase Apartments	20,618	0.85%
Exide Battery Corporation	19,187	0.79%
Crescent Apartments	18,864	0.78%
Cliffstar Corporation	18,636	0.77%
Greenville County School District	17,672	0.73%
Honeywell International	16,934	0.70%
<i>Electric System (megawatt hours)</i>		
Greer Memorial Hospital	18,064	5.07%
Greer Commission of Public Works	10,132	2.84%
Greenville County School District	12,156	3.41%
Village Hospital	6,041	1.70%
Wal-mart Stores Incorporated	4,344	1.22%
Ingles	3,493	0.98%
Cliffstar Corporation	3,048	0.86%
Advanced Composite Materials	2,949	0.83%
Lowe's	2,893	0.81%
Precorp, SC	2,173	0.61%
<i>Natural Gas System (mcf)</i>		
BMW of North America, LLC	118,606	30.51%
Mitsubishi Polyester Film, LLC	71,255	18.33%
Carotell Paper Board Corporation	37,190	9.57%
Springfield, LLC	11,513	2.96%
Sloan Construction	4,768	1.23%
Cliffstar Corporation	4,268	1.10%
Ashmore Brothers	3,195	0.82%
Karastan Bigelow, Division of Mohawk Industries	2,891	0.74%
Greenville County School District	2,564	0.66%
Blackledge Emulsions	2,363	0.61%

Greer Commission of Public Works

Number of Employees by Identifiable Activity

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Water System										
Water Production	9	9	9	10	10	9	8	7	7	6
Water Distribution	7	7	8	8	8	9	9	6	7	6
Lake Wardens	3	3	3	3	3	3	3	3	3	3
Total Water System	19	19	20	21	21	21	20	16	17	15
Electric Distribution System	18	19	19	19	18	19	17	17	17	15
Natural Gas Distribution System	23	23	23	21	22	21	22	23	23	20
Sewer System										
Collection	7	9	9	8	9	7	7	6	4	4
Treatment	6	7	7	7	7	7	6	6	6	5
Total Sewer System	13	16	16	15	16	14	13	12	10	9
Shared Support										
General Administration	3	3	3	3	3	4	5	5	5	5
Customer Service	12	12	12	13	13	13	13	13	13	13
Billing	2	3	3	4	4	4	4	4	4	4
Finance and Accounting	4	4	4	4	4	3	4	4	4	4
Meter Reading	3	3	3	3	3	3	3	3	3	4
Engineering	4	4	4	3	5	6	5	6	7	7
Warehouse and Facilities Maintenance	4	4	5	5	5	5	5	4	5	5
Human Resources	4	4	4	4	4	4	4	4	4	4
Operations	4	4	4	4	4	4	4	4	4	5
Information Systems	8	8	8	8	6	6	6	6	6	6
Locators	3	2	4	4	4	3	3	3	3	3
Vehicle Maintenance	2	2	2	2	2	2	2	2	2	2
Total Shared Support	53	53	56	57	57	57	58	58	60	62
Total Employees	126	130	134	133	134	132	130	126	127	121

Greer Commission of Public Works

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

	<u>2011</u>	<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>
Population ^{1,2}	25,515	26,040	25,105	23,395	22,451	22,451	21,421	20,486	19,674	18,970
Mean Household Income ⁴	\$ 52,660	41,864	\$ 40,764	\$ 41,864	\$ 42,183	\$ 42,183	\$ 42,183	\$ 42,183	\$ 42,183	\$ 36,895
Personal Income ⁶	\$ 563,703	456,898	\$ 475,614	\$ 480,674	\$ 526,656	\$ 526,656	\$ 502,494	\$ 399,416	\$ 383,584	\$ 369,858
Per Capita Personal Income ⁴	\$ 22,093	17,546	\$ 18,945	\$ 20,546	\$ 23,458	\$ 23,458	\$ 23,458	\$ 19,497	\$ 19,497	\$ 19,497
Median Age ⁴	33.9	34.5	35.2	35.7	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	13.2	12.8
Unemployment Rates ^{2,3,4}	9.5%	9.3%	9.6%	4.3%	5.0%	5.6%	5.4%	4.4%	4.5%	4.8%

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)

Greer Commission of Public Works

**Comparative Employment Statistics
Last 10 Fiscal Years**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
GREENVILLE, SC MSA										
Civilian Labor Force ⁽²⁾	311,465	312,098	311,222	314,960	311,617	309,141	300,871	296,170	289,537	288,740
Employment	287,499	283,682	279,345	290,184	296,286	293,324	284,162	278,562	273,371	273,030
Unemployment	23,966	28,416	31,877	24,776	15,331	15,817	16,709	17,608	16,166	15,710
Percent Unemployed	7.7%	9.1%	10.2%	7.9%	4.9%	5.1%	5.6%	5.9%	5.6%	5.4%
SPARTANBURG, SC MSA										
Civilian Labor Force ⁽²⁾	134,293	135,186	136,258	136,444	135,371	133,805	132,025	132,589	129,773	128,810
Employment	121,752	120,750	119,833	123,860	127,865	125,909	122,020	122,909	121,232	120,236
Unemployment	12,541	14,436	16,425	12,584	7,506	7,896	10,005	9,680	8,541	8,574
Percent Unemployed	9.3%	10.7%	12.1%	9.2%	5.5%	5.9%	7.6%	7.3%	6.6%	6.7%
COMBINED GREENVILLE-SPARTANBURG, SC MSA										
Civilian Labor Force ⁽²⁾	445,758	447,284	447,480	451,404	446,988	442,946	432,896	428,759	419,310	417,550
Employment	409,251	404,432	399,178	414,044	424,151	419,233	406,182	401,471	394,603	393,266
Unemployment	36,507	42,852	48,302	37,360	22,837	23,713	26,714	27,288	24,707	24,284
Percent Unemployed	8.2%	9.6%	10.8%	8.3%	5.1%	5.4%	6.2%	6.4%	5.9%	5.8%
(1) Combined MSA represents a combination of the Greenville, SC Metropolitan Statistical Areas (MSA) and the Spartanburg, SC MSA										
Civilian Labor Force ⁽²⁾	2,159,404	2,151,032	2,134,742	2,164,628	2,130,821	2,128,354	2,086,415	2,041,924	2,002,434	1,963,513
Employment	1,951,325	1,920,924	1,879,175	1,963,426	2,013,116	1,998,637	1,946,757	1,900,337	1,867,335	1,839,690
Unemployment	208,079	230,108	255,567	201,202	117,705	129,717	139,658	141,587	135,099	123,823
Percent Unemployed	9.6%	10.7%	12.0%	9.3%	5.5%	6.1%	6.7%	6.9%	6.7%	6.3%

(1) Source: U.S. Department of Labor and includes information on relevant Metropolitan Statistical Areas (MSA)

(2) The labor force in this table is adjusted to the Current Population Survey Benchmark and represents employment and unemployment by place of residence.

Total employment also includes proprietors, nonagricultural self-employed persons, unpaid family workers and domestic workers.

Greer Commission of Public Works

**Principal Employers in Greenville-Spartanburg Combined MSA ⁽¹⁾
Fiscal Year Ended December 31, 2011**

Employer	Product or Service	2011		
		Rank	Number of Employees	Percent of Combined MSA ⁽¹⁾ Employment
Michelin North America	Radial truck tires, Headquarters, R&D	1	8,358	1.88%
Greenville Hospital System	Health services	2	7,792	1.75%
School District of Greenville County	Public Education	3	7,207	1.62%
Spartanburg Regional Health Services	Health services	4	5,544	1.24%
BMW of North America, LLC	Automobiles	5	5,500	1.23%
SC Budget and Control Board	State Government	6	4,878	1.09%
Milliken and Company	Textile manufacturing and R&D	7	3,900	0.87%
General Electric	Gas turbines, Engineering	8	3,100	0.70%
Cryovac Division - Sealed Air Corporation	Plastic packaging material	9	2,520	0.57%
Fluor Corporation	Engineering, Construction	10	2,400	0.54%

(1) Combined MSA represents a combination of the Greenville, SC Metropolitan Statistical Areas (MSA) and the Spartanburg, SC MSA
Source: Greer Development Corporation, Greenville Area Development Corporation, South Carolina Appalachian Regional Council on Governments



**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, 2011 and 2010 and have issued our report thereon dated April 16, 2012. 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

Management of the Commission is responsible for establishing and maintaining effective 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, Behaert + Holland, L.L.P.

Greenville, South Carolina
April 16, 2012