GREER COMMISSION OF PUBLIC WORKS

Greer, South Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Years ended December 31, 2012 and 2011

Issued by Finance Department

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FOCUSING OUR ENERGY ON YOU.

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

Nick W. Stegall
General Manager

Date: April 16, 2013

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

INTRODUCTION

The Comprehensive Annual Financial Report ("CAFR") of Greer Commission of Public Works (the "Commission") for the fiscal years ended December 31, 2012 and 2011 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 ("GFOA") and Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The Commission is in compliance with GASB Statement No. 34, entitled "Basic Financial Statements – For State and Local Governments' (hereafter referred to as GASB Statement No. 34), as amended by GASB Statement No. 37, entitled "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - An Amendment of GASB Statements No. 21 and No. 34", GASB Statement No. 41, entitled "Budgetary Comparison Schedules - Perspective Differences -- An Amendment of GASB Statement No. 34", GASB Statement No. 46, entitled "Net Assets Restricted by Enabling Legislation - An Amendment of GASB Statement No. 34", and GASB Statement No. 61, entitled "The Financial Reporting Entity - Omnibus -- An Amendment of GASB Statements No. 14 and 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 CAFR 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 the Management's Discussion and Analysis, the report of independent auditor, the basic financial statements, the 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 LLP, 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 auditor 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 report of independent auditor.

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") 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 the 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 17,443 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 11,348 customers is accomplished through approximately 236 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 196 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 18,066 customers.

Natural 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 43 miles of high-pressure lines and approximately 744 miles of intermediate and distribution lines, along with 131 pressure-reducing and regulating stations. These distribution lines serve 19,177 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 280,000 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, 7.5%, as compared to the state of South Carolina's overall unemployment rate of 8.4%. 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 ("GSP Airport"), and the availability of undeveloped land is resulting in the continued development of several industrial and business parks. During 2012, the SC State Ports Authority announced the development of an Inland Port, to be located in Greer, South Carolina, along the Verne Smith Parkway. The Inland Port will be developed within miles of the Greenville – Spartanburg International Airport and Interstate 85. This facility will be able to reach approximately 6.5 million consumers in a 100-mile radius, reaching the areas from Asheville to Columbia, and Atlanta to Charlotte. Additionally, the GSP Airport owns approximately 1,500 acres of land that is being prepared to be developed into industrial, distribution, retail, office, hospitality, and other properties. During November 2012, the GSP Airport Commission adopted a land-use plan to pave the way for the additional developments on its property. The Inland Port will utilize water, sewer, electric, and natural gas services provided by the Commission.

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 including BMW Manufacturing, Honeywell, Mitsubishi Polyester Film, Michelin North America, and Coats & Clark. BMW Manufacturing is in the process of completing a physical plant expansion of $900 million and hiring over 1,000 employees over the next couple of years.

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 2013 until 2017. 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 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 – 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

Victor Hill Road Substation, $3,500,000 – Project will serve the rapidly growing areas of east Greer along Highway 101 and the Verne Smith Corridor. This region is slated to develop exponentially over the next couple years with industrial developments already planned in this area

Electric System Upgrade, $1,200,000 – Project is an on-going project that addresses load issues, line size, and reliability issues with our current electrical system. This is a system wide upgrade that is being systematically performed based on the long-range utility plan developed for the electric system.

Relevant Financial Policies

The Commission operates under established policies for financing, rate setting, and cash management. These policies serve as parameters for developing annual operating budgets, as well as the 5-year CIP. 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 management of 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 continued a temporary hiring freeze and when attrition occurs, each position has been reviewed for the need of necessary replacements. Department managers were also required to closely scrutinize all expenditures, particularly related to training and travel expenses.

AWARDS

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its CAFR for the fiscal year ended December 31, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. 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 CAFR 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 ("RP_3") 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: 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. This award is valid for a period of three years.

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	Charles E. Reynolds
General Manager	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, 2011

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

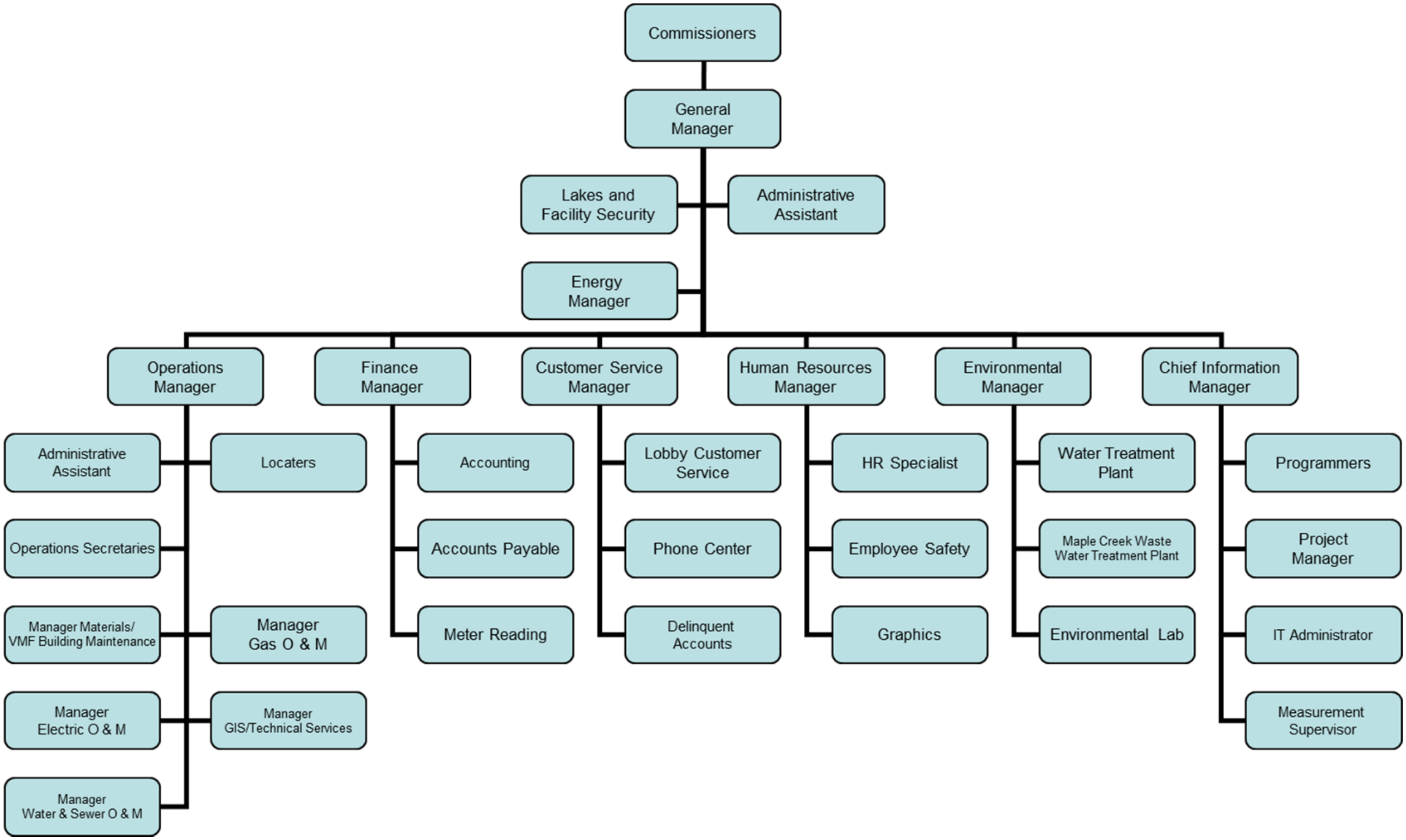
Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

GREER COMMISSION OF PUBLIC WORKS
ORGANIZATIONAL CHART



GREER COMMISSION OF PUBLIC WORKS
LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2012

Commissioners	Year Service Began	Position	Term Expires December 31,
Eugene G. Gibson	1982	Chairman	2013
Jeffrey M. Howell	1998	Commissioner	2015
Perry J. Williams	2009	Commissioner	2017

Operating Officers	Year First Employed	Position
Nick W. Stegall	2009	General Manager
Charles E. Reynolds	2001	Finance Manager
Randall C. Olson	2003	Operations Manager
Tony E. Farr	1985	Electric Manager
Robert F. Rhodes	1978	Gas Manager
Thomas K. Holliday	2001	Human Resources Manager
Brian M. Forrester	1991	Information Technology Manager
P. Blake Barbare	2000	Materials Manager
Wendell O. Woodward	1971	Environmental Manager
Bradley M. Nelson	2006	Water Treatment Plant Manager
Kevin J. Reardon	2003	Water/Sewer Operations Manager
Charles E. Barnes	1979	Chief Lake Warden
Fredia Snow	1999	Customer Service Manager
H. David Hancock	1971	Maple Creek Waste Water Treatment Plant Manager

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying statements of net position, statements of revenues, expenses and changes in net position, and cash flows of Greer Commission of Public Works (the "Commission"), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of December 31, 2012 and 2011, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 11 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 16, 2013 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting.

Cherry Bekaert LLP

Greenville, South Carolina
April 16, 2013

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, 2012 and 2011. 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 2012. 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 2012:

- The Commission's net position decreased by $849,498, or 0.60 percent, for 2012 compared to $2,559,624, or 1.84 percent, in 2011.
- During the year, the Commission's operating revenues decreased to $67,498,514, which represents a 4.44 percent decrease from the prior year. Operating revenues decreased to $70,631,635, or by 6.26 percent, in 2011.
- Total operating expenses increased to $65,151,026, which represents a 1.01 percent decrease from the prior year. Total expenses decreased to $64,500,183, or by 4.45 percent, in 2011.
- Purchased power expenses increased to $28,425,829, up from $26,509,277 last year. This 7.23 percent increase is reflected in the total expenses shown above. Purchased power increased from $25,053,531, or by 5.81 percent, to $26,509,277 in 2011.
- Purchased gas expenses decreased to $12,987,997, reduced from $16,783,667 last year. This 22.62 percent decrease is reflected in the total expenses shown above. Purchased gas decreased from $20,380,760, or by 17.65 percent, to $16,783,667 in 2011.
- Capital contributions to the Commission decreased by $77,003, which represents a 6.93 percent decrease from the prior year. Capital contributions increased by $385,931, or 53.17 percent, in 2011.
- Transfers to the City of Greer decreased by $87,500, or 8.05 percent, from the prior year. Transfers to the City of Greer decreased during 2011 by $175,000, or 13.86 percent.
- Debt service coverage for 2012 was 176 percent of the bond ordinance requirement, which is 120 percent debt service coverage, a decrease from 2011 of 15.38 percent. Debt service coverage for 2011 was 208 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commission's annual statement consists of the 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 basic 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 the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Position 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 Position. 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 basic financial statements were prepared by the Commission's staff from the detailed books and records of the Commission. The basic 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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Commission's activities in a way that will help answer this question. These two statements report the net position of the Commission and changes in them. One can think of the Commission's net position, 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 position is 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 POSITION

A summary of the Commission's Statements of Net Position is presented in Table A-1. Net position decreased $849,498 to $140,723,040 in fiscal year 2012, down from $141,572,538 in fiscal year 2011. While the Statements of Net Position shows the change in financial position of net assets, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes. As can be seen in Table A-2, the loss before capital contributions of $1,034,812 during 2012 and capital contributions of $1,111,815 during 2011 were the two sources of the changes in net assets.

TABLE A-1
Statement of Net Position

	FY 2011	Total Dollar Change	Total Percent Change	FY 2012
Current and Other Assets	$ 45,701,132	$ (1,438,603)	-3.15%	$ 44,262,529
Capital Assets	195,061,948	(3,082,621)	-1.58%	191,979,327
Total Assets	240,763,080	(4,521,224)	-1.88%	236,241,856
Long-term Debt Outstanding	87,343,281	(4,097,715)	-4.69%	83,245,566
Other Liabilities	11,847,261	425,989	3.60%	12,273,250
Total Liabilities	99,190,542	(3,671,726)	-3.70%	95,518,816
Net Investment in Capital Assets	108,561,274	200,551	0.18%	108,761,825
Restricted	9,637,011	(465,570)	-4.83%	9,171,441
Unrestricted	23,374,253	(584,479)	-2.50%	22,789,774
Total Net Position	$ 141,572,538	$ (849,498)	-0.60%	$ 140,723,040

	FY 2010	Total Dollar Change	Total Percent Change	FY 2011
Current and Other Assets	$ 42,865,766	$ 2,835,366	6.61%	$ 45,701,132
Capital Assets	197,843,607	(2,781,659)	-1.41%	195,061,948
Total Assets	240,709,373	53,707	0.02%	240,763,080
Long-term Debt Outstanding	88,968,638	(1,625,357)	-1.83%	87,343,281
Other Liabilities	12,727,821	(880,560)	-6.92%	11,847,261
Total Liabilities	101,696,459	(2,505,917)	-2.46%	99,190,542
Net Investment in Capital Assets	111,941,096	(3,379,822)	-3.02%	108,561,274
Restricted	9,827,570	(190,559)	-1.94%	9,637,011
Unrestricted	17,244,248	6,130,005	35.55%	23,374,253
Total Net Position	$ 139,012,914	$ 2,559,624	1.84%	$ 141,572,538

Income (Loss) Before Capital Contributions and City Transfer

A closer examination of the individual categories affecting the source of changes in net position reveals that the Commission's total revenues decreased by $3,149,144 to $67,562,608 in fiscal year 2012 from $70,711,752 in fiscal year 2011 due to the effect of decreases in gas revenues. The decrease in the gas revenues of 18.43% can be attributed to the lower market prices of the natural gas commodity, which in turns reduces the price per therm to the customer. The electric revenues increased by 2.19% due to a rate increase of 4.00% to the customer rates, effective January 1, 2012. The water revenue increase of 8.50% can be attributed to the customer consumption increase of 8.49% and a rate increase of 5.00% to the customer rates, effective January 1, 2012. The sewer revenue increase of 0.97% can be attributed to sewer customer count increasing by 2.11%. The increase in the water consumption was also affected by lower precipitation amounts of 38.86 inches, a decrease of 7.10 inches from the 2011 results, representing a decrease 15.45%.

A closer examination of the individual categories affecting the source of changes in net position 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%.

Other operating revenues increased by $610,134 during 2012. Other operating revenues increased by $215,170 during 2011. The increase is attributable to several factors, including an increase in the collection of reconnect fees, sales of gas taps, sales of sewer tap fees, sales of inventoried materials, and recovery of bad debts.

During 2012, non-operating revenues decreased by $16,023. This decrease can be attributed to the decreased earnings on investments. Earnings on investments decreased 20.00%. 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 2012, expenses increased by $182,975 to $69,446,918, reduced from $69,263,943 in fiscal year 2011, due to the net effect of an increase in expenses related to purchased power, depreciation and amortization, and other operating expenses, and the decrease in expenses related to purchased gas and non-operating expenses. Purchased power costs increased by $1,916,552, or 7.23%. 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 ("SEPA") allocation which provides pooled hydroelectric power at reduced costs. The Commission's allocation of power supply included 3.58% of hydroelectric power at reduced costs. The Commission also received $212,917 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 $3,795,670, or 22.62%, as a result of decreased customer consumption from 2011 of 1.59%, and a decline in average cost of the natural gas commodity. The average cost of the natural gas commodity to the Commission was $3.27 and $4.37, respectively for 2012 and 2011, a decrease of 25.17%. Other operating expenses increased by $1,111,200 during 2012. Other operating expenses decreased by $611,668 during 2011. The changes are attributable to several factors, including salaries and benefits, water and wastewater treatment chemicals, and operation and maintenance of equipment and plant.

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 an increase in 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 SEPA, 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 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%.

Non-operating expenses decreased by $467,868, or 9.82%, to $4,295,892 during 2012. 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 decreased by $295,521, or 8.45%, to $3,203,017 due to the changes in the interest rates of the associated State Revolving Fund loans. The transfers to the City of Greer decreased by $87,500, or 8.05%, to $1,000,000. During 2012, the losses realized on the disposal of assets declined by $84,847, or 47.74%.

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%.

As a result of these factors, the Commission experienced net expenses exceeding net revenues of $1,884,310 in 2012 and net revenues over expenses of $1,447,809 during 2011, before capital contributions and an adjustment for changes in accounting estimates related to capital asset depreciation.

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

	FY 2011	Total Dollar Change	Total Percent Change	FY 2012
Electric Revenues	$ 31,562,005	$ 689,763	2.19%	$ 32,251,768
Gas Revenues	26,887,771	(4,955,355)	-18.43%	21,932,416
Water Revenues	5,633,878	478,615	8.50%	6,112,493
Sewer Revenues	4,525,529	43,713	0.97%	4,569,242
Operating Revenues	2,022,452	610,143	30.17%	2,632,595
Non-operating Revenues	80,117	(16,023)	-20.00%	64,094
Total Revenues	70,711,752	(3,149,144)	-4.45%	67,562,608
Purchased Power	26,509,277	1,916,552	7.23%	28,425,829
Purchased Gas	16,783,667	(3,795,670)	-22.62%	12,987,997
Depreciation and Amortization Expense	7,220,584	601,393	8.33%	7,821,977
Depreciation - Change in Accounting Estimates	-	817,368	100.00%	817,368
Other Operating Expense	13,986,655	1,111,200	7.94%	15,097,855
Non-operating Expense	4,763,760	(467,868)	-9.82%	4,295,892
Total Expense	69,263,943	182,975	0.26%	69,446,918
Revenues (Expenses) Before Capital Contributions	1,447,809	(3,332,119)	-230.15%	(1,884,310)
Capital Contributions	1,111,815	(77,003)	-6.93%	1,034,812
Change in Net Position	2,559,624	(3,409,122)	-133.19%	(849,498)
Beginning Net Position	139,012,914	2,559,624	1.84%	141,572,538
Ending Net Position	$ 141,572,538	$ (849,498)	-0.60%	$ 140,723,040

	FY 2010	Total Dollar Change	Total Percent Change	FY 2011
Electric Revenues	$ 32,136,404	$ (574,399)	-1.79%	$ 31,562,005
Gas Revenues	31,246,903	(4,359,132)	-13.95%	26,887,771
Water Revenues	5,678,676	(44,798)	-0.79%	5,633,878
Sewer Revenues	4,480,754	44,775	1.00%	4,525,529
Operating Revenues	1,807,282	215,170	11.91%	2,022,452
Non-operating Revenues	48,328	31,789	65.78%	80,117
Total Revenues	75,398,347	(4,686,595)	-6.22%	70,711,752
Purchased Power	25,053,531	1,455,746	5.81%	26,509,277
Purchased Gas	20,380,760	(3,597,093)	-17.65%	16,783,667
Depreciation and Amortization Expense	7,472,040	(251,456)	-3.37%	7,220,584
Other Operating Expense	14,598,323	(611,668)	-4.19%	13,986,655
Non-operating Expense	5,137,101	(373,341)	-7.27%	4,763,760
Total Expense	72,641,755	(3,377,812)	-4.65%	69,263,943
Revenues (Expenses) Before Capital Contributions	2,756,592	(1,308,783)	-47.48%	1,447,809
Capital Contributions	725,884	385,931	53.17%	1,111,815
Change in Net Position	3,482,476	(922,852)	-26.50%	2,559,624
Beginning Net Position	135,530,438	3,482,476	2.57%	139,012,914
Ending Net Position	$ 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 2012, the Commission received $1,034,812 in capital contributions. This was a $77,003 decrease from Fiscal year 2011 capital contributions of $1,111,815. Capital Contribution for 2012 included the following receipts:

- $153,032 received from the Greenville Hospital System to offset capital costs related to the building of the Greer Memorial Hospital's lighting infrastructure
- $40,325 from the Harper Corporation to offset the capital costs related to the building of the Greenville Hospital System's MD360 facilities lighting infrastructure
- $12,978 received from the Spartanburg Regional Hospital System to offset capital costs related to the building of the Village Hospital's electrical infrastructure
- $129,121 received from various sources to offset capital costs related to lighting infrastructure
- $182,310 received from a SC Energy Office Grant to help offset the costs associated with the retrofitting of energy efficient motors at the Water Treatment Plant
- $10,000 received from the City of Greer to offset the capital costs related to the building infrastructure located at the Hwy 101 elevated storage tank
- $20,000 received from the St. James Homeowner's Association to offset the cost of obtaining a sewer easement
- $55,696 received from BMW North America to offset the capital infrastructure costs of a natural gas 4" pipeline
- $37,759 received from Phoenix Mechanical, Inc. to offset capital costs related to the natural gas pipeline for the new BMW body shops

During 2011, the Commission received $1,111,815 in capital contributions. This was an increase of $385,931 from $725,884 received during fiscal year 2010.

Change in Accounting Estimates

During 2012, after a review of the estimate life associated with waste water lift stations, the Commission determined that the useful life of this asset was to be 20 years. Prior to this finding, the useful life was estimated to be 50 years for this type of asset. As a result of this change, the Commission's capital asset records were adjusted to reflect this change in useful life, which resulted in additional depreciation expense of $817,368.

Transfers to the City

During the fiscal year 2012, the Commission made transfers to the City of Greer's General Fund in the amount of $1,000,000. During fiscal year 2011, the Commission made transfers to the City of Greer's General Fund in the amount of $1,087,500.

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 2012.

- $18,406 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
- $539,751 in costs associated with constructing a Compressed Natural Gas Fast-fill Station at the Commission
- $391,713 to provide improvements and upgrades to the existing Electric system
- $113,017 to provide for extensions to the Sewer collection system for D&D Ford along Highway 29
- $96,669 in engineering and construction costs associated with the North Highway 101 Substation
- $60,388 to provide improvements and upgrades to the Maple Creek Waste Water Treatment Plant
- $566,461 to provide for upgrades to the Highway 101 pump station that serves several commercial and industrial customers
- $223,732 in costs associated Inflow and Infiltration upgrades at various locations, including Memorial Drive Extension, King Acres, and Wards Creek Outfall sewer
- $555,246 to provide for replacement of motor vehicles and heavy equipment
- $308,744 to provide for replacement of computers and related equipment
- $157,438 to provide for necessary upgrades and replacement equipment at the Water Treatment Plant
- $13,761 to provide for renovations at the Lake Cunningham Park
- $138,977 to provide for a new roof to the Operations complex
- $195,138 to provide for new pavement in the employee and Operations parking lots
- $167,564 to provide for the design and construction of a replacement truck shed to store the Commission's temperature sensitive equipment
- $304,343 to provide for equipment necessary to provide and maintain the utilities to our customers
- $421,583 to provide for new and upgrades to meters and associated equipment need for obtaining the customer usages

At the end of 2012, the Commission has invested $293,466,704 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 2011	Total Dollar Change	Total Percent Change	FY 2012
Land	$ 2,279,603	$ 34,346	1.51%	$ 2,313,949
Buildings	6,212,989	525,818	8.46%	6,738,807
Machinery, Equipment and Vehicles	7,436,144	457,760	6.16%	7,893,904
Electric distribution system	42,706,206	3,366,301	7.88%	46,072,507
Water distribution system	69,177,839	315,289	0.46%	69,493,128
Water reservoirs and dams	12,819,950	-	0.00%	12,819,950
Recreational facilities	634,235	54,454	8.59%	688,689
Gas distribution system	57,036,063	520,705	0.91%	57,556,768
Disposal plants and sanitary sewer	84,128,847	235,365	0.28%	84,364,212
Office equipment and software	3,074,915	298,320	9.70%	3,373,235
Fiber Optic	545,199	5,001	0.92%	550,200
Construction in Progress	2,570,548	(969,193)	-37.70%	1,601,355
Subtotal	**288,622,538**	**4,844,166**	1.68%	**293,466,704**
Less Accumulated Depreciation	93,560,590	7,926,787	8.47%	101,487,377
Net property plant equipment	**$ 195,061,948**	**$ (3,082,621)**	-1.58%	**$ 191,979,327**

	FY 2010	Total Dollar Change	Total Percent Change	FY 2011
Land	$ 2,222,421	$ 57,182	2.57%	$ 2,279,603
Buildings	6,053,963	159,026	2.63%	6,212,989
Machinery, Equipment and Vehicles	7,415,971	20,173	0.27%	7,436,144
Electric distribution system	41,714,080	992,126	2.38%	42,706,206
Water distribution system	63,294,838	5,883,001	9.29%	69,177,839
Water reservoirs and dams	12,813,044	6,906	0.05%	12,819,950
Recreational facilities	552,545	81,690	14.78%	634,235
Gas distribution system	56,629,567	406,496	0.72%	57,036,063
Disposal plants and sanitary sewer	83,795,729	333,118	0.40%	84,128,847
Office equipment and software	3,431,684	(356,769)	-10.40%	3,074,915
Fiber Optic	544,761	438	0.08%	545,199
Construction in Progress	6,809,442	(4,238,894)	-62.25%	2,570,548
Subtotal	**285,278,045**	**3,344,493**	1.17%	**288,622,538**
Less Accumulated Depreciation	87,434,438	6,126,152	7.01%	93,560,590
Net property plant equipment	**$ 197,843,607**	**$ (2,781,659)**	-1.41%	**$ 195,061,948**

In 2011, the Commission's capital assets increased in the net amount of $3,344,493, of which $7,614,741 was for expansion and improvement to utility plant and the remainder for other operating assets.

LONG TERM DEBT

At the end of 2012, the Commission had $85,882,182 in aggregate long-term debt, down from $89,935,693 at the end of Fiscal year 2011, a decrease of $4,053,511, or 4.51%. In 2011, 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 changes resulted from scheduled principal payments made on the existing debt and the retirement of the 1999 South Carolina State Revolving Fund Loan ("SRF") (see Note 7 in the Notes to the Financial Statements).

Bond Ratings All outstanding Combined Utility System Revenue Bonds ("Revenue Bonds") carry an A2, A+ and A+ ratings from Moody's, Standard & Poor's, and Fitch Ratings, respectively. During 2012, the Commission received affirmations of each of its ratings. 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 Commission 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 176%, 208%, and 232%, for the years 2012, 2011 and 2010, 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 2017.

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 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, the $13,235,000 SRF Loan completed in fiscal year 2007, and the $5,375,417 SRF completed in fiscal year 2009.

On December 2, 2010, the Commission issued $6,115,000 of 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 Revenue Bonds carry an interest rate of 3.07%, with annual payment of principal and interest. At December 31, 2012, the funds remaining from this issuance totaled $3,317,707.

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.

During 2012, the South Carolina Budget and Control Board modified their SRF Debt Service Reserve policies in regards to the amount of required debt service reserved required for each outstanding SRF loan. As a result of the changes, the Commission, upon request and approval, was required to only fund 50.00% of the annual debt service reserve requirements with the Trustee. The Commission elected to utilize the refunded debt service reserve funds to fully retire the 1999 SRF Loan note. This resolution saved the Commission approximately $97,000 in future debt service.

TABLE A-4
Debt Coverage Ratio

	FY 2010	FY 2011	Total Percent Change	FY 2012	Total Percent Change
Revenues					
Revenues from Operations	$ 75,350,019	$ 70,631,635	-6.26%	$ 67,498,514	-4.44%
Non-operating Revenue	48,328	80,117	65.78%	64,094	-20.00%
Capacity fees	227,917	286,975	25.91%	371,498	29.45%
Total Revenues	**75,626,264**	**70,998,727**	-6.12%	**67,934,106**	-4.32%
Expenses					
Total Expenses	71,379,255	68,176,443	-4.49%	68,446,918	0.40%
Depreciation and Amortization Expense	(7,472,040)	(7,220,584)	-3.37%	(7,821,977)	8.33%
Depreciation - Change in Accounting Estimates	-	-	0.00%	(817,368)	100.00%
Bond Interest Expense	(3,275,011)	(3,498,538)	6.83%	(3,203,017)	-8.45%
Gain/Loss on sale of assets	(599,590)	(177,722)	-70.36%	(92,875)	-47.74%
Total Expenses	**$ 60,032,614**	**$ 57,279,599**	-4.59%	**$ 56,511,681**	-1.34%
Income Available for Debt Service	**$ 15,593,650**	**$ 13,719,128**	-12.02%	**$ 11,422,425**	-16.74%
Maximum Annual Debt Service (ADS)	**$ 6,707,964**	**$ 6,599,981**		**$ 6,486,179**	
Maximum ADS Coverage	**232%**	**208%**	-10.58%	**176%**	-15.28%

*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 3.71% in outstanding debt, with the average cost of capital being 3.68% and 3.67%, for the years 2011 and 2010, respectively.

TABLE A-5
Cost of Capital

	FY 2010		FY 2011		FY 2012	
	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate
Series 2002 Revenue Bonds	$ 24,185,000	5.36%	$ 24,020,000	5.36%	$ 23,845,000	5.36%
1999 South Carolina SRF Loan	961,237	3.50%	871,618	2.25%	-	0.00%
2004 South Carolina SRF Loan	8,035,717	2.50%	7,794,744	2.25%	7,529,188	2.25%
2005 South Carolina SRF Loan	6,720,422	3.00%	6,544,492	2.25%	6,315,130	2.25%
Series 2007 Revenue Bonds	5,103,597	4.02%	4,888,603	4.02%	4,664,966	4.02%
2007 South Carolina SRF Loan	12,642,953	3.50%	12,122,823	2.25%	11,540,794	2.25%
Series 2009 Refunding Bonds	23,990,000	4.03%	22,795,000	4.03%	21,555,000	4.03%
2009 South Carolina SRF Loan	3,430,879	2.29%	5,033,413	2.25%	4,907,104	2.25%
Series 2010 Revenue Bonds	6,115,000	3.07%	5,865,000	3.07%	5,525,000	3.07%
	$ 91,184,805	3.67%	$ 89,935,693	3.68%	$ 85,882,182	3.71%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission considered a variety of factors in developing the fiscal year 2013 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 Bond Ordinance or any other contract or agreement with the Bondholders.

The fiscal year 2013 budget provides for rate increases in all the utilities. Controllable operating costs were held very much in check for this budget year. For 2013, the Commission has decided to maximize the efficiency of our current staff while adding no new positions. 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 remain at $1,000,000 for fiscal year 2013.

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

STATEMENTS OF NET POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents:		
Operating	$ 16,411,723	$ 16,659,863
Restricted	8,158,820	9,440,647
Total funds	24,570,543	26,100,510
Receivables:		
Customers, less allowance for doubtful accounts of $204,437 in 2012 and $233,213 in 2011	7,072,223	6,942,257
Short-term investments:		
Unrestricted	3,029,543	3,021,006
Restricted	4,330,328	4,318,125
Inventories	2,131,856	2,089,227
Customer deposits	939,496	933,957
Total current assets	42,073,989	43,405,082
Non-current assets:		
Utility plant	293,466,704	288,622,538
Less accumulated depreciation	(101,487,377)	(93,560,590)
Net utility plant	191,979,327	195,061,948
Debt issuance cost, net of accumulated amortization $741,624 in 2012 and $591,044 in 2011	2,038,274	2,188,854
Other assets	150,266	107,196
Total non-current assets	194,167,867	197,357,998
Total assets	$ 236,241,856	$ 240,763,080
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,886,142	$ 4,600,562
Construction contract retainage payable	44,978	54,761
Accrued interest	941,073	964,900
Other accrued expenses	1,019,917	968,727
Customer deposits	939,496	933,957
Current portion of landfill post-closure liability	23,000	17,200
Current portion of long-term debt	3,289,644	3,279,154
Total current liabilities	11,144,250	10,819,261
Landfill post-closure liability	414,000	344,000
Other post-employment liability	715,000	684,000
Long-term debt, net of unamortized premium, and current portion of long-term debt	83,245,566	87,343,281
Total non-current liabilities	84,374,566	88,371,281
Total liablilities	$ 95,518,816	$ 99,190,542
NET POSITION		
Net investment in capital assets	$ 108,761,825	$ 108,561,274
Restricted for:		
Debt service	3,565,121	4,467,936
Capital projects	5,606,320	5,169,075
Unrestricted	22,789,774	23,374,253
Total net position	$ 140,723,040	$ 141,572,538

See accompanying notes to the financial statements.

GREER COMMISSION OF PUBLIC WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating revenues		
Electric revenues	$ 32,251,768	$ 31,562,005
Gas revenues	21,932,416	26,887,771
Water revenues	6,112,493	5,633,878
Sewer revenues	4,569,242	4,525,529
Other operating revenues	2,632,595	2,022,452
Total operating revenues	67,498,514	70,631,635
Operating expenses		
Purchased power	28,425,829	26,509,277
Purchased gas	12,987,997	16,783,667
Depreciation and amortization	7,821,977	7,220,584
Depreciation - change in accounting estimate	817,368	-
Other operating expenses	15,097,855	13,986,655
Total operating expenses	65,151,026	64,500,183
Net operating revenue	2,347,488	6,131,452
Other revenues (expenses)		
Interest expense	(3,203,017)	(3,498,538)
Interest revenue	64,094	80,117
Transfers to the City of Greer	(1,000,000)	(1,087,500)
Loss on disposal of utility plant	(92,875)	(177,722)
Total other expenses, net	(4,231,798)	(4,683,643)
Revenues over expenses before contributions	(1,884,310)	1,447,809
Contributions	1,034,812	1,111,815
Revenues over expenses after contributions	(849,498)	2,559,624
Net position at beginning of the year	141,572,538	139,012,914
Net position at end of the year	$ 140,723,040	$ 141,572,538

See accompanying notes to the financial statements.

GREER COMMISSION OF PUBLIC WORKS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activites:		
Cash received from customers	$ 64,530,925	$ 71,016,356
Cash paid to suppliers	(50,697,833)	(53,118,399)
Cash paid to employees	(6,060,534)	(5,949,472)
Other operating revenue	2,632,595	2,022,452
Net cash provided by operating activities	10,405,153	13,970,937
Cash flows from noncapital financing activities:		
Payments to City of Greer	(1,000,000)	(1,087,500)
Net cash used in noncapital financing activities	(1,000,000)	(1,087,500)
Cash flows from capital and related financing activites:		
Increase in utility plants	(4,802,459)	(3,973,369)
Capital contributions	1,034,812	1,111,815
Proceeds from sale of utility plant	75,067	42,241
Proceeds from issuance of long-term debt	-	1,699,606
Repayment of debt	(4,053,511)	(2,948,718)
Interest paid on long-term debt	(3,226,844)	(3,509,952)
Net cash used in capital and related financing activities	(10,972,935)	(7,578,377)
Cash flows from investing activites:		
Purchase of investments	(26,279)	(85,461)
Interest received on investments	64,094	80,606
Net cash provided by (used in) investing activities	37,815	(4,855)
Net increase (decrease) in cash and cash equivalents	(1,529,967)	5,300,205
Cash and cash equivalents at beginning of year	26,100,510	20,800,305
Cash and cash equivalents at end of year	$ 24,570,543	$ 26,100,510

See accompanying notes to the financial statements.

GREER COMMISSION OF PUBLIC WORKS
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Net operating revenue	$ 2,347,488	$ 7,845,365
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation	7,705,111	7,375,853
Depreciation - change in accounting estimate	817,368	-
Amortization of bond discount, premiums and issuance costs of bond amortization	116,866	96,187
Changes in assets and liabilities:		
Customer receivables, net	(129,966)	(152,726)
Inventories	(857,753)	(194,388)
Other assets	(43,070)	48,029
Accounts payable	285,580	(73,197)
Other accrued expenses	51,190	(13,854)
Other post-employment liabilities	31,000	49,000
Landfill post-closure liability	75,800	(17,100)
Customer deposits	5,539	98,685
Net cash provided by operating activities	$ 10,405,153	$ 15,061,854
Non-cash items:		
Inventory transferred into capital assets	$ 815,124	$ 340,352
Loss on sale of assets	$ 92,875	$ 599,590
Non-cash capital contributions	$ -	$ 149,085
Capitalized interest related to long-term debt	$ 87,741	$ 119,887

Note 1—Organization and significant accounting policies

Organization - Greer 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 five 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 Governmental Accounting Standards Board ("GASB").

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

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

Note 1—Organization and significant accounting policies (continued)

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 use 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, 2012 and 2011 was $87,741 and $119,887, respectively. Minimum capitalization costs are $1,000.

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

	Years		Years
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	Fiber Optic	10
Disposal plants and sanitary sewer	50	Vehicles and other work equipment	6.8
Lift Stations	20	Office equipment and furniture	6.8

Depreciation expense for the years ended December 31, 2012 and 2011 was $7,705,111 and $7,119,506, respectively. Additional depreciation expense of $817,368 was recorded for the year ended December 31, 2012, related to a change in accounting estimates, which is described in more detail below.

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.

Change in Accounting Estimates - The Commissions capital assets are depreciated on a straight-line basis using the estimated useful lives of each asset type. Prior to 2012, the Commission had determined that the useful life of a Sewer Lift Station would be 50 years. During 2012, the Commission determined that Sewer Lift Stations were assets that should have a useful life of 20 years. The Commission's capital asset records were adjusted accordingly, with an adjustment for the change in estimated life and the amount recorded as an adjustment to operating expenses at December 31, 2012 is $817,368.

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).

Note 1—Organization and significant accounting policies (continued)

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, 2012 and 2011 were $3,191,435 and $3,321,896, respectively.

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

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

Contributions - The Commission receives contributions in aid of construction from customers in the form of capacity fees for water and sewer expansions, from developer contributions, as well as from federal, state, and local grants principally for utility plant (See Note 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 2012 and 2011, 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. 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.

Note 1—Organization and significant accounting policies (continued)

Cumulative changes in the market value of hedge contracts are recorded at the time the contracts are closed. At December 31, 2012 and 2011, the Commission had a total of 32 contracts and 31 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 $3,796,910 and $4,053,950 at an average cost of $3.57 and $4.41 per dekatherm of natural gas at December 31, 2012 and 2011, 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. 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. Adoption of this Statement had no material effect on the Commission's financial statements.

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 had no material effect on the Commission's financial statements.

The GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this Statement is to establish accounting and financial reporting standards to reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial periods beginning after December 15, 2012, although early adoption of this Standard is permitted. The impact to the Commission upon adoption of this standard is currently being evaluated and may have a material effect on the financial statements of the Commission.

The GASB issued Statement No. 66, "Technical Corrections – 2012: An Amendment of GASB Statements No. 10 and 62." The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The requirements of this Statement are effective for financial periods beginning after December 15, 2012, although early adoption of this Standard is permitted. Adoption of this Statement is not expected to have any impact on the Commission's financial statements.

Note 1—Organization and significant accounting policies (continued)

The GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27." The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The requirements of this statement are effective for financial periods beginning after June 15, 2014, although early adoption of this Standard is permitted. The impact to the Commission upon adoption of this standard is currently being evaluated.

Net Position - Equity is classified into net positions and is displayed in three components:

- Net investment in capital assets - 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 - 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 - 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 15.05% and 14.92% in 2012 and 2011, 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 2012 and 2011, the Commission purchased approximately $27,702,047 and $25,765,436, respectively, from PMPA under the two agreements discussed above. On December 31, 2012 and 2011, amounts due to PMPA of $2,320,200 and $2,164,196, respectively, were included in accounts payable.

Note 3—Utility plant

The following is a summary of changes in utility plant:

As of December 31, 2012

	December 31, 2011	Additions	Classification Transfers	Disposals	December 31, 2012
Utility plant not being depreciated:					
Land	$ 2,279,603	$ 30,208	$ 4,338	$ (200)	$ 2,313,949
Construction in progress	2,570,548	1,559,036	(2,528,229)	-	1,601,355
	4,850,151	1,589,244	(2,523,891)	(200)	3,915,304
Utility plant being depreciated:					
Electric distribution system	42,706,206	971,610	2,396,711	(2,020)	46,072,507
Gas distribution system	57,036,063	659,959	-	(139,254)	57,556,768
Water distribution system	69,177,839	453,836	(144)	(138,403)	69,493,128
Water reservoirs and dams	12,819,950	2,125	(2,125)	-	12,819,950
Recreational facilities	634,235	52,329	2,125	-	688,689
Disposal plants and sanitary sewer	84,128,847	336,332	(12,597)	(88,370)	84,364,212
Finance building	395,839	51,913	(300)	-	447,452
Operations center	5,384,076	381,902	92,303	-	5,858,281
Vehicle maintenance facility	358,074	-	-	-	358,074
Buildings	75,000	-	-	-	75,000
Vehicles and other work equipment	7,436,144	840,890	(36,144)	(346,986)	7,893,904
Office equipment and furniture	3,074,915	323,533	28,786	(53,999)	3,373,235
Fiber Optic	545,199	-	5,001	-	550,200
Total Utility plant being depreciated	283,772,387	4,074,429	2,473,616	(769,032)	289,551,400
Less accumulated depreciation for:					
Electric distribution system	(20,172,544)	(1,535,629)	(3,090)	932	(21,710,331)
Gas distribution system	(21,356,400)	(1,641,126)	19,532	50,994	(22,927,000)
Water distribution system	(16,996,906)	(1,376,323)	(115)	107,189	(18,266,155)
Water reservoirs and dams	(4,696,292)	(176,216)	207,864	-	(4,664,644)
Recreational facilities	(341,393)	(18,021)	128,281	-	(231,133)
Disposal plants and sanitary sewer	(19,844,589)	(2,570,412)	398,388	23,494	(21,993,119)
Finance building	(49,729)	(11,942)	(940)	-	(62,611)
Operations center	(2,302,195)	(137,289)	(406,100)	-	(2,845,584)
Vehicle maintenance facility	(243,035)	(9,185)	41,769	-	(210,451)
Buildings	(75,000)	-	-	-	(75,000)
Vehicles and other work equipment	(5,658,035)	(570,783)	(27,521)	334,346	(5,921,993)
Office equipment and furniture	(1,653,719)	(451,724)	(313,695)	44,716	(2,374,422)
Fiber Optic	(170,753)	(23,829)	(10,352)	-	(204,934)
Total accumulated depreciation	(93,560,590)	(8,522,479)	34,021	561,671	(101,487,377)
Utility plant, net	$ 195,061,948				$ 191,979,327

Note 3—Utility plant (continued)

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
	9,031,863	1,726,892	(5,693,421)	(215,183)	4,850,151
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	276,246,182	3,056,763	5,697,862	(1,228,420)	283,772,387
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	(87,434,438)	(7,119,506)	(1,555)	994,909	(93,560,590)
Utility plant, net	$ 197,843,607				$ 195,061,948

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

At December 31, 2012 and 2011, the Commission had outstanding contractual commitments of $60,349 and $172,181, 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.

Note 4—Cash, cash equivalents and investments

At December 31, 2012, the carrying value of deposits included in cash and cash equivalents was $24,570,543 and the bank balance was $24,611,325. 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. 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, 2012 and 2011 consist of the following:

	2012	2011
Cash	$ 24,570,543	$ 26,100,510

As of December 31, 2012, the Commission had the following investments and maturities:

Investment Type	Fair Value	Less than 6 Months	6 - 12 Months
SC Local Government Investment Pool	$ 7,359,871	$ 7,359,871	$ -

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	$ -

Reconciliation of Investments to Statements of Net Position:

	2012	2011
Short-term Investments		
Unrestricted	$ 3,029,543	$ 3,021,006
Restricted	4,330,328	4,318,125
Total Short-term Investments	$ 7,359,871	$ 7,339,131

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.

Note 4—Cash, cash equivalents and investments (continued)

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.

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 2012 and 2011, the Commission did not have any investments in Certificate of Deposits.

Note 5—Inventories

Inventories at December 31, 2012 and 2011 consist of the following:

	2012	2011
Materials and supplies:		
Electric	$ 1,255,073	$ 1,246,761
Gas	631,925	551,666
Water and sewer	212,979	259,575
Other	12,546	11,224
Gasoline	19,333	20,001
	$ 2,131,856	$ 2,089,227

Note 6—Post-closure 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 post-closure maintenance for a period of thirty years after closure. During 2003, the Commission recorded a $435,000 landfill post-closure liability for its South Tyger Monofill landfill. Under the EPA rulings, this amount is to be amortized over the remaining life the post-closure period, which is 20 years. At the end of 2012, after a review by independent engineers, the landfill post-closure liability was increased to $437,000, an increase of $75,800, and will be amortized over the remaining post-closure period. For the years ended December 31, 2012 and 2011, amortization in the amount of $23,000 and $17,100, respectively, was recorded against related expenses. Actual cost for post-closure care may vary due to inflation, developments in technology, or changes in laws and regulations.

Note 7—Long-term debt

Long-term debt at December 31, 2012 and 2011 consists of the following:

	2012	2011
South Carolina Water Quality Revolving Fund loan to finance the South Tyger Consolidation Project; interest at 2.25%; quarterly installments through February 1, 2020.	$ -	$ 871,618
$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.	23,845,000	24,020,000
South Carolina Water Quality Revolving Fund loan to finance the Water Treatment Plant Upgrade Project; interest at 2.25%; quarterly installments through August 1, 2034.	7,529,188	7,794,744
South Carolina Water Quality Revolving fund loan to finance the Water Transmission and Distribution System Improvements Project, interest at 2.25%; quarterly installments through February 1, 2034.	6,315,130	6,544,492
$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.	4,664,966	4,888,603
South Carolina Water Quality Revolving Fund loan to finance the upgrading and expanding of the Maple Creek Waste Water Treatment Plant Project; interest at 2.25%; quarterly installments through March 1, 2029.	11,540,794	12,122,823

Note 7—Long-term debt (continued)

	2012	2011
South Carolina Water Quality Revolving fund loan to finance the Water construction of a 1.5 million gallon Elevated Water Tank and Transmission Main, interest at 2.25%; 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%.	4,907,104	5,033,413
$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.	21,555,000	22,795,000
$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.	5,525,000	5,865,000
	85,882,182	89,935,693
Current portion of long-term debt.	(3,289,644)	(3,279,154)
Bond premium, net of accumulated amortization of $358,384 in 2012 and $324,670 in 2011	653,028	686,742
	$ 83,245,566	$ 87,343,281

Future maturities of long-term debt are as follows:

	Principal	Interest	Total
2013	$ 3,289,644	$ 3,190,315	$ 6,479,959
2014	3,401,255	3,082,670	6,483,925
2015	3,508,890	2,970,887	6,479,777
2016	3,627,578	2,855,100	6,482,678
2017	3,747,353	2,734,828	6,482,181
2018-2022	20,693,763	11,710,523	32,404,286
2023-2027	23,431,271	7,931,423	31,362,694
2028-2032	21,214,908	3,299,930	24,514,838
2033-2037	2,233,931	180,324	2,414,255
2038-2041	733,589	32,211	765,800
	$ 85,882,182	$ 37,988,211	$ 123,870,393

Note 7—Long-term debt (continued)

Changes in long-term Debt:

December 31, 2012

	Beginning Balance	New Issuance	Payments	Ending Balance	Current Portion
1999 State Revolving Loan	$ 871,618	$ -	$ (871,618)	$ -	$ -
2002 Combined Utility System Bonds	24,020,000	-	(175,000)	23,845,000	180,000
2004 State Revolving Loan	7,794,744	-	(265,556)	7,529,188	271,582
2005 State Revolving Loan	6,544,492	-	(229,362)	6,315,130	234,567
2007 State Revolving Loan	12,122,823	-	(582,029)	11,540,794	595,235
2007 Combined Utility System Bonds	4,888,603	-	(223,637)	4,664,966	232,627
2009 State Revolving Loan	5,033,413	-	(126,309)	4,907,104	130,633
2009 Combined Utility System Bonds	22,795,000	-	(1,240,000)	21,555,000	1,295,000
2010 Combined Utility System Bonds	5,865,000	-	(340,000)	5,525,000	350,000
Landfill Postclosure Costs	361,200	98,800	(23,000)	437,000	23,000
	$ 90,296,893	$ 98,800	$ (4,076,511)	$ 86,319,182	$ 3,312,644

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
	$ 91,561,005	$ 1,701,706	$ (2,965,818)	$ 90,296,893	$ 3,296,354

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 $123,870,393. Principal and interest paid for the years ended December 31, 2012 and 2011 were $7,256,528 and $6,458,670, respectively. Total revenues for the years ended December 31, 2012 and 2011 were $67,498,514 and $70,631,635, respectively.

In prior years, the Commission defeased outstanding debt issues by issuing new debt and depositing the proceeds in an irrevocable trust to provide for all future debt service payments of the old debt. Thus, the defeased debt and the irrevocable trust are not a part of the financial statement. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt which is included in the accompanying financial statements as debt issuance costs and is being amortized as interest expense over the term of the new debt.

At December 31, 2012 and 2011, the amount of defeased bonds principal outstanding and unpaid by the Trustee was $22,660,000 and $24,445,000, respectively.

Note 8—Retirement plan

All employees of the Commission participate in the South Carolina Retirement System ("SCRS"), managed by the South Carolina Public Employee Benefit Authority ("PEBA"), a cost sharing multiple employer public employee retirement system. The payroll for employees covered by the SCRS for the years ended December 31, 2012 and 2011 was $6,694,640 and $6,544,030, 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 from the PEBA on their website at www.retirement.sc.gov, or a copy can be obtained by writing to the South Carolina Public Employee Benefit Authority, 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 SCRS has adjusted its mandatory contribution rates to be as follows:

Period	Employee	Employer
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 – June, 2012	6.50%	9.39%
July – December, 2012	7.00%	10.60%

Contributions by the Commission were based on the percentages of the employees' earnings listed above and amounted to $677,492, $619,093, and $604,583 in 2012, 2011, and 2010, respectively. Employee contributions were based on the percentages of the employees' earnings listed above and amounted to $451,525, $423,292 and $428,357 in 2012, 2011, and 2010, respectively.

The PEBA also provides an Optional Retirement Plan ("ORP"). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the Internal Revenue Code. The 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 SCRS, employees eligible for the state ORP may choose between the state ORP and the SCRS.

Note 9—Other post-employment benefits

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

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

	2012	2011
Active Employees	117	117
Retirees	14	14
Total	131	131

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 SCRS, 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.

The health plan is financed on a pay-as-you-go-basis. During the fiscal years ended December 31, 2012 and 2011, the Commission recognized expenses (net of participant contributions) of $72,199 and $64,497 respectively, to provide health benefits to Commission participants in post-employment status. As of December 31, 2012 and 2011, retired members in post-employment status that were eligible for benefits under the Plan included 10 and 13, respectively.

Employees of the Commission are eligible to participate into two additional programs that allow for income tax-deferral through the South Carolina Deferred Compensation Program, specifically in either a 401(k) or 457 plan. 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.

Note 9—Other post-employment benefits (continued)

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, 2012 and 2011, respectively, the amount actually contributed to the Plan and the changes in the net OPEB obligation to the Plan:

	2012	2011
Annual Required Contribution	$ 115,000	$ 115,000
Interest on net OPEB obligation	27,000	26,000
Adjustment to annual required contribution	(28,000)	(27,000)
Annual OPEB cost	114,000	114,000
Contributions made during the year	(83,000)	(69,000)
Increase in Net OPEB obligation	31,000	45,000
Net OPEB obligation - beginning of year	684,000	639,000
Net OPEB obligation - end of year	$ 715,000	$ 684,000

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, 2012, 2011, and 2010 are as follows:

Year	Annual OPEB Cost	Contribution	Percent Contributed	Net OPEB Obligation
2012	$ 114,000	$ 83,000	72.81%	$ 715,000
2011	114,000	69,000	60.53%	684,000
2010	114,000	65,000	57.02%	639,000

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	22.60%	53.60%

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.

Note 9—Other post-employment benefits (continued)

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, 2012, 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, 2012, was 25 years.

Note 10—Risk management

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

It is the policy of the Commission to provide group health insurance for all of its full-time employees and Commissioners. 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, 2012 and December 31, 2011 was $1,444,806 and $1,484,322, 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 2012 and 2011, 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 $1,000,000 in 2012 and $1,087,500 in 2011. At December 31, 2012 and 2011, payables due to the City of Greer were in the amounts of zero and $83,333, 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.

The Commission receives developer contributed assets from various developers during the year of which become property of the Commission for future maintenance. The Commissions' policy 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, 2012 and 2011 are reported in the Statement of Revenues, Expenses and Changes in Net Position as revenues, rather than as directed additions to contributed capital. Developer and consumer capacity fees of $371,498 and $286,975 and capital contributions of $663,314 and $824,840, 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, 2012 and 2011, the Commission had accumulated $2,846,150 and $2,765,803 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 $0.01 per therm of natural gas consumed.

Note 14—Contingencies

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

GREER COMMISSION OF PUBLIC WORKS

SCHEDULE 1 – SCHEDULE OF ACTUAL AND BUDGETED REVENUES AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Positive (Negative)	Variance
Operating revenues				
Electric revenues	$ 32,272,989	$ 32,251,768	$ (21,221)	-0.07%
Gas revenues	28,148,336	21,932,416	(6,215,920)	-22.08%
Water and sewer service	10,083,862	10,681,735	597,873	5.93%
Other operating revenues	3,098,383	2,632,595	(465,788)	-15.03%
Total operating revenues	73,603,570	67,498,514	(6,105,056)	-8.29%
Operating expenses				
Purchased power	27,059,497	28,425,829	(1,366,332)	-5.05%
Purchased gas	18,110,171	12,987,997	5,122,174	28.28%
Depreciation and amortization	7,608,995	7,821,977	(212,982)	-2.80%
Depreciation - change in accounting estimate	-	817,368	(817,368)	100.00%
Other operating expenses	15,463,411	15,097,855	365,556	2.36%
Total operating expenses	68,242,074	65,151,026	3,091,048	4.53%
Net operating revenue	5,361,496	2,347,488	(3,014,008)	-56.22%
Other revenues (expenses)				
Interest expense	(3,037,163)	(3,203,017)	(165,854)	5.46%
Interest revenue	85,000	64,094	(20,906)	-24.60%
Transfers to the City of Greer	(1,000,000)	(1,000,000)	-	0.00%
Loss on disposal of utility plant	-	(92,875)	(92,875)	
Total other expenses, net	(3,952,163)	(4,231,798)	(279,635)	7.08%
Revenues over expenses before contributions	1,409,333	(1,884,310)	(3,293,643)	-233.70%
Contributions	-	1,034,812	1,034,812	
Revenues over expenses after contributions	$ 1,409,333	$ (849,498)	$ (2,258,831)	-160.28%

GREER COMMISSION OF PUBLIC WORKS

SCHEDULE 2 – SCHEDULE OF DEPARTMENTAL OPERATING REVENUES AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Electric	Gas	Water	Sewer	Total
Operating revenues					
Electric and gas sales -					
Residential	$ 17,095,789	$ 8,670,400	$ -	$ -	$ 25,766,189
Commercial	5,133,726	4,689,290	-	-	9,823,016
Industrial and power	10,022,253	8,572,726	-	-	18,594,979
Water and sewer service	-	-	6,112,493	4,569,242	10,681,735
Collection penalties	94,198	146,182	121,411	121,412	483,203
Other operating revenues	485,448	301,196	454,193	908,555	2,149,392
Total Operating revenues	32,831,414	22,379,794	6,688,097	5,599,209	67,498,514
Operating and maintenance expenses					
Purchased power	28,425,829	-	-	-	28,425,829
Purchased gas	-	12,987,997	-	-	12,987,997
Depreciation	1,836,218	2,759,882	1,871,948	1,237,063	7,705,111
Depreciation - change in accounting estimate	-	-	-	817,368	817,368
Amortization	48,777	43,357	9,797	14,935	116,866
Other operating expenses	2,937,970	4,499,564	4,105,270	3,555,051	15,097,855
Total operating expenses	33,248,794	20,290,800	5,987,015	5,624,417	65,151,026
Net operating departmental revenue	$ (417,380)	$ 2,088,994	$ 701,082	$ (25,208)	$ 2,347,488

FOR THE YEAR ENDED DECEMBER 31, 2012

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 POSITION BY COMPONENT FOR THE LAST 10 YEARS (UNAUDITED)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net Investment in Capital Assets	$ 108,761,825	$ 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 for:										
Debt Service	3,565,121	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	5,606,320	5,169,075	4,874,744	4,644,739	6,247,638	9,011,915	5,401,779	4,237,532	4,118,206	2,756,050
Total Restricted	9,171,441	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	22,789,774	23,374,253	17,244,248	13,263,590	10,160,784	6,427,074	10,247,888	13,931,999	16,558,687	17,115,782
Total Net Position	$ 140,723,040	$ 141,572,538	$ 139,012,914	$ 135,530,438	$ 130,670,070	$ 123,478,327	$ 116,881,602	$ 115,149,627	$ 95,805,503	$ 90,953,609

GREER COMMISSION OF PUBLIC WORKS

CAPITAL ASSETS STATISTICS BY UTILITY

LAST SIX FISCAL YEARS(1)

	2012	2011	2010	2009	2008	2007
Electric						
Substations	4	3	3	3	3	3
Winter Peak (megawatts)	61	67	67	58	59	53
Summer Peak (megawatts)	84	85	83	75	81	81
Overhead Distribution (miles)	196	195	193	193	190	190
Underground Distribution (miles)	184	184	184	183	176	170
Poles	12,045	11,938	11,793	10,135	9,986	9,606
Transformers	4,653	4,612	4,587	4,571	4,534	4,499
Meters	16,510	16,310	16,143	16,089	15,955	15,263
Vehicles	17	17	17	17	18	17
Natural Gas						
Transco Pipeline Connections	2	2	2	2	2	2
High-pressure Transmission Lines (miles)	43	46	46	46	46	46
Intermediate and Distribution Lines (miles)	744	712	712	710	704	683
Pressure Reducing Regulator Stations	131	131	139	139	139	139
Meters	20,569	20,275	20,078	19,880	19,639	19,263
Vehicles	20	21	21	21	19	17
Water						
Water Treatment Plants	1	1	1	1	1	1
Water Treatment Plant Capacity (million gallons per day)	24	24	24	24	24	24
Average Daily Flow (million gallons per day)	10	8	9	8	9	9
Peak Flow (million gallons per day)	19	13	14	14	16	14
Ground Storage Capacity (million gallons)	8	8	8	8	8	8
Elevated Tank Storage Capacity (million gallons)	6	6	6	4	4	4
Transmission Lines (miles)	32	31	32	31	31	30
Distribution Lines (miles)	368	379	379	373	373	372
Fire Hydrants	1,438	1,423	1,476	1,459	1,446	1,398
Meters	18,126	17,899	17,717	17,607	17,438	17,221
Vehicles	9	10	10	10	8	8
Sewer						
Treatment Plants	1	1	1	1	1	1
Treatment Plant Capacity (million gallons per day)	5	5	5	5	5	5
Average Daily Flow (million gallons per day)	2	2	2	2	2	2
Gravity Collection Lines (miles)	216	214	216	215	214	213
Force Main Collection Lines (miles)	20	28	22	21	21	19
Lift Stations	17	17	17	18	18	17
Sewer Valves	52	52	52	52	52	52
Manholes	5,615	5,606	5,582	5,532	5,452	5,325
Vehicles	14	13	13	13	11	12

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

GREER COMMISSION OF PUBLIC WORKS

COMBINED SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – *LAST TEN FISCAL YEARS*[(1)]

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING REVENUES:										
Electric revenues	$ 32,252	$ 31,562	$ 32,136	$ 30,495	$ 28,886	$ 26,686	$ 23,868	$ 23,052	$ 21,187	$ 19,389
Gas revenues	21,932	26,888	31,247	29,195	38,476	34,443	33,630	32,015	26,577	28,025
Water revenues	6,112	5,634	5,679	5,579	6,000	5,845	5,001	4,597	4,375	3,882
Sewer revenues	4,569	4,526	4,481	4,211	4,169	3,832	3,355	3,165	3,057	2,774
Other operating revenues	2,633	2,022	1,807	2,105	2,627	3,605	3,728	3,847	3,299	3,582
Total operating revenues	67,498	70,632	75,350	71,585	80,158	74,411	69,582	66,676	58,495	57,652
OPERATING EXPENSES:										
Purchased power	28,426	26,509	25,054	23,548	22,689	20,859	19,333	17,843	16,299	15,395
Purchased gas	12,988	16,784	20,381	20,150	28,889	27,333	27,936	26,629	21,318	22,838
Depreciation and amortization	7,822	7,221	7,472	7,079	6,288	5,867	5,377	5,233	5,061	4,455
Depreciation - change in accounting estimate	817	-	-	-	-	-	-	-	-	-
Other operating expenses	15,098	13,986	14,598	14,716	14,805	14,040	12,811	12,096	10,738	10,744
Total operating expenses	65,151	64,500	67,505	65,493	72,671	68,099	65,457	61,801	53,416	53,432
Net operating revenue	$ 2,347	$ 6,132	$ 7,845	$ 6,092	$ 7,487	$ 6,312	$ 4,125	$ 4,875	$ 5,079	$ 4,220
OTHER REVENUES (EXPENSES)										
Interest expense	$ (3,203)	$ (3,498)	$ (3,275)	$ (3,028)	$ (3,105)	$ (3,158)	$ (3,052)	$ (2,645)	$ (2,421)	$ (2,410)
Interest revenue	64	80	48	156	457	913	842	730	461	724
Transfers to the City of Greer	(1,000)	(1,088)	(1,262)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Loss on disposal of utility plant	(93)	(178)	(599)	(148)	(109)	(12)	(425)	(64)	(4)	(95)
Total other expenses, net	(4,232)	(4,684)	(5,088)	(4,020)	(3,757)	(3,257)	(3,635)	(2,979)	(2,964)	(2,781)
Revenues over expenses before contributions	(1,885)	1,448	2,757	2,072	3,730	3,055	490	1,896	2,115	1,439
Contributions [(2)]	1,035	1,112	726	2,788	3,462	3,541	1,242	4,369	4,516	1,638
Revenues over expenses after contributions	(850)	2,560	3,483	4,860	7,192	6,596	1,732	6,265	6,631	3,077
Beginning Net Position [(3)]	141,573	139,013	135,530	130,670	123,478	116,882	115,150	108,885	102,254	87,877
Ending Net Position	$ 140,723	$ 141,573	$ 139,013	$ 135,530	$ 130,670	$ 123,478	$ 116,882	$ 115,150	$ 108,885	$ 90,954

(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 Position 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

ELECTRIC SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – *LAST TEN FISCAL YEARS*[(1)]

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING REVENUES:										
Residential	$ 17,095	$ 17,141	$ 17,162	$ 16,321	$ 15,468	$ 15,186	$ 13,296	$ 13,019	$ 12,161	$ 10,955
Small commercial	4,338	3,341	3,492	3,171	3,072	2,430	1,778	1,835	1,808	1,710
Time of use	208	297	210	208	227	237	212	323	365	368
Large Commercial	10,022	9,625	10,211	9,702	9,087	8,833	7,747	7,875	7,023	6,361
Rental and Street lighting	589	1,158	1,061	1,093	1,032	901	835	803	759	714
Collection penalties	94	91	95	129	152	149	141	163	127	149
Other	485	473	294	333	301	273	1,204	280	121	410
Total operating revenues	32,831	32,126	32,525	30,957	29,339	28,009	25,213	24,298	22,364	20,667
OPERATING EXPENSES:										
Purchased Power	28,426	26,509	25,054	23,548	22,688	20,859	19,333	17,843	16,299	15,395
Depreciation	1,836	1,713	1,854	1,609	1,481	1,408	1,317	1,279	1,198	1,067
Amortization	49	45	43	4	6	6	5	5	4	4
Other operating expenses	2,938	2,979	3,244	3,219	2,966	2,859	2,668	2,531	2,160	2,283
Total operating expenses	33,249	31,246	30,195	28,380	27,141	25,132	23,323	21,658	19,661	18,749
Net operating departmental revenue	$ (418)	$ 880	$ 2,330	$ 2,577	$ 2,198	$ 2,877	$ 1,890	$ 2,640	$ 2,703	$ 1,918
PURCHASED POWER - (Megawatt Hours)										
Purchased from PMPA [(2)]	345,028	352,790	363,458	335,001	340,029	328,918	290,598	272,704	256,798	234,344
Purchased from SEPA [(3)]	12,796	13,584	11,272	12,516	14,041	13,901	13,402	27,645	21,937	25,085
Total purchased	357,824	366,374	374,730	347,517	354,070	342,819	304,000	300,349	278,735	259,429
CONSUMPTION - (Megawatt Hours)										
Residential	167,257	177,315	183,153	162,016	163,775	161,825	148,537	141,312	133,278	121,108
Small commercial	12,917	13,689	14,418	13,432	14,133	14,235	14,872	17,729	17,142	16,252
Time of use	2,778	3,998	2,746	2,924	3,299	3,639	3,473	5,190	6,004	5,957
Large Commercial	147,079	147,363	141,101	135,962	136,619	128,748	114,483	105,835	97,696	88,789
Rental and Street lighting	2,330	2,233	2,156	2,029	2,095	6,037	5,431	5,656	5,541	4,846
Other	11,555	11,740	12,029	11,463	11,226	11,825	10,733	9,377	9,809	10,224
Total consumption	343,916	356,338	355,603	327,826	331,147	326,309	297,529	285,099	269,470	247,176
Line losses and megawatt hours unaccounted for	13,908	10,036	19,127	19,691	22,923	16,510	6,471	15,250	9,265	12,253
Percentage of line losses and megawatt hours unaccounted for to purchased power	3.9%	2.7%	5.1%	5.7%	6.5%	4.8%	2.1%	5.1%	3.3%	4.7%
ACTIVE SERVICES (Number of Customers)										
Residential	14,003	13,764	13,588	13,454	13,461	12,869	12,439	11,932	11,392	10,927
Small commercial	1,215	1,211	1,195	1,214	1,245	1,192	1,154	1,140	1,185	1,155
Time of use	6	6	6	6	8	8	8	8	10	10
Large Commercial	757	744	704	710	715	684	659	641	490	439
Rental and Street lighting	2,039	2,043	2,035	2,053	2,061	2,054	2,030	2,018	2,039	2,023
Other	46	47	46	47	47	44	36	33	32	29
	18,066	17,815	17,574	17,484	17,537	16,851	16,326	15,772	15,148	14,583

(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

GAS SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – *LAST TEN FISCAL YEARS*(1)

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING REVENUES:										
Residential	$ 8,670	$ 10,364	$ 12,946	$ 11,937	$ 13,841	$ 11,138	$ 10,963	$ 11,185	$ 9,525	$ 8,246
Commercial	4,317	4,952	6,429	6,004	7,283	5,572	5,135	6,152	5,028	5,023
Large Commercial/Industrial	43	50	118	105	430	728	673	448	372	394
Interruptible	8,529	11,087	11,228	10,656	16,115	16,346	16,076	13,410	11,585	11,218
Off-system	-	-	-	-	-	-	-	-	-	2,633
Schools	374	435	526	494	807	659	783	820	594	511
Collection penalties	146	141	149	193	284	278	263	304	236	278
Other	301	253	229	222	335	498	579	631	70	877
Total operating revenues	22,380	27,282	31,625	29,611	39,095	35,219	34,472	32,950	27,410	29,180
OPERATING EXPENSES:										
Purchased Gas	12,988	16,784	20,381	20,150	28,889	27,333	27,937	26,629	21,318	22,838
Depreciation	2,760	1,864	2,003	1,855	1,757	1,621	1,489	1,440	1,388	1,289
Amortization	43	40	39	35	26	27	23	22	19	18
Other operating expenses	4,500	4,377	4,516	4,512	4,457	4,040	3,803	3,704	3,420	3,435
Total operating expenses	20,291	23,065	26,939	26,552	35,129	33,021	33,252	31,795	26,145	27,580
Net operating departmental revenue	$ 2,089	$ 4,217	$ 4,686	$ 3,059	$ 3,966	$ 2,198	$ 1,220	$ 1,155	$ 1,265	$ 1,600
PURCHASED GAS (MCF)	3,238,936	3,449,843	3,604,580	3,118,965	2,984,096	3,261,032	3,182,122	2,932,260	3,267,353	3,582,844
CONSUMPTION - (MCF)										
Residential	686,981	853,869	936,733	792,434	808,764	717,641	686,047	751,792	774,589	730,665
Commercial	377,058	444,267	491,385	418,847	402,109	340,434	339,158	404,718	420,026	421,165
Large Commercial/Industrial	3,899	4,393	5,981	7,613	7,965	58,452	35,778	37,205	37,821	11,565
Interruptible	2,110,089	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
Off-system	-	-	-	-	-	-	-	-	-	426,548
Schools	34,303	39,074	41,362	36,962	50,865	52,335	50,791	60,162	51,924	48,944
Other	1,725	2,950	2,738	2,329	2,393	1,733	2,112	2,350	2,447	2,633
Total consumption	3,214,055	3,265,854	3,343,357	2,958,087	2,735,703	3,079,511	2,964,747	2,751,117	3,078,903	3,451,645
Line-loss and unaccounted for gas	24,881	183,989	261,223	160,878	248,393	181,521	217,375	181,143	188,450	131,199
Percentage of line losses and MCF unaccounted for to purchased gas.	0.8%	5.3%	7.2%	5.2%	8.3%	5.6%	6.8%	6.2%	5.8%	3.7%
ACTIVE SERVICES (Number of Customers)										
Residential	17,649	17,358	17,141	16,902	16,871	16,334	15,996	15,268	14,696	14,012
Commercial	1,472	1,448	1,433	1,457	1,485	1,460	1,430	1,421	1,407	1,349
Large Commercial/Industrial	6	6	7	9	9	13	7	7	7	10
Interruptible	10	10	10	10	10	8	11	10	11	11
Off-system	-	-	-	-	-	-	-	-	-	2
Schools	24	24	24	26	26	25	26	26	26	25
Other	16	15	14	15	14	12	11	9	8	7
	19,177	18,861	18,629	18,419	18,415	17,852	17,481	16,741	16,155	15,416

(1) Information is compiled from internally generated statistical reports

GREER COMMISSION OF PUBLIC WORKS

WATER SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – *LAST TEN FISCAL YEARS*[(1)]

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING REVENUES:										
Inside City	$ 2,284	$ 1,924	$ 2,005	$ 1,982	$ 2,192	$ 2,106	$ 1,742	$ 1,649	$ 1,495	$ 1,262
Outside City	2,100	2,070	2,018	1,965	2,075	2,023	1,729	1,673	1,662	1,521
Industrial	306	472	448	390	471	458	436	384	418	418
Fire Protection [(2)]	14	13	13	13	13	13	13	14	14	12
Irrigation	220	222	222	202	213	209	174	143	111	99
Wholesale	1,189	933	973	1,026	1,037	1,036	906	734	705	570
Collection penalties	121	117	124	161	126	124	117	135	105	124
Other	454	402	430	401	435	559	611	670	636	496
Total operating revenues	6,688	6,153	6,233	6,140	6,562	6,528	5,728	5,402	5,146	4,502
OPERATING EXPENSES:										
Depreciation	1,872	1,692	1,691	1,699	1,457	1,370	1,197	1,172	1,297	1,002
Amortization	10	5	5	31	4	4	3	3	2	2
Other operating expenses	4,105	4,001	4,189	4,234	4,590	4,373	3,869	3,504	3,278	3,182
Total operating expenses	5,987	5,698	5,885	5,964	6,051	5,747	5,069	4,679	4,577	4,186
Net operating departmental revenue	$ 701	$ 455	$ 348	$ 176	$ 511	$ 781	$ 659	$ 723	$ 569	$ 316
WATER USAGE (thousands of gallons)										
Total water pumped	2,853,470	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
Total percentage of non-revenue water	6.41%	6.41%	6.58%	6.12%	4.73%	5.25%	4.51%	6.13%	6.33%	6.27%
Consumption										
Inside City	839,571	842,495	906,564	849,477	946,308	959,233	841,986	873,102	733,327	600,447
Outside City	562,175	596,328	587,988	551,435	613,953	636,797	575,549	521,379	540,906	501,545
Industrial	345,685	286,841	272,781	243,292	291,671	300,854	286,618	253,690	284,976	283,395
Irrigation	105,455	114,757	116,025	103,633	113,145	123,206	96,167	76,613	58,476	50,358
Wholesale	744,748	581,474	636,947	668,624	669,319	742,250	661,729	585,725	586,439	537,711
Other	127,180	89,749	94,666	102,955	107,919	109,932	94,400	89,596	95,530	83,184
Total consumption	2,724,814	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
Non-account water	128,656	449,166	463,199	362,269	215,372	206,878	19,295	31,625	36,582	190,883
Non-account water as a percentage of total water pumped	4.51%	15.17%	15.05%	12.57%	7.28%	6.72%	0.75%	1.30%	1.57%	8.49%
ACTIVE SERVICES (Number of Customers)										
Inside City	10,328	10,118	9,941	9,876	9,937	9,747	9,424	8,966	8,636	8,161
Outside City	6,612	6,536	6,479	6,442	6,462	6,429	6,323	6,203	6,124	6,078
Industrial	4	4	4	4	4	4	2	3	3	4
Fire Protection	40	42	45	44	47	48	48	48	49	44
Irrigation	445	437	422	410	407	371	363	353	336	310
Wholesale	1	1	1	1	1	1	1	1	1	1
Other	13	13	14	15	15	15	15	15	15	13
	17,443	17,151	16,906	16,792	16,873	16,615	16,176	15,589	15,164	14,611

(1) Information is compiled from internally generated statistical reports

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

GREER COMMISSION OF PUBLIC WORKS

SEWER SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – *LAST TEN FISCAL YEARS*(1)

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING REVENUES:										
Inside City	$ 2,898	$ 2,803	$ 2,740	$ 2,636	$ 2,596	$ 2,377	$ 2,108	$ 1,967	$ 1,932	$ 1,749
Outside City	1,117	1,186	1,210	1,176	1,164	1,088	904	884	884	811
Sewer services, no water	1	1	1	2	2	6	1	1	2	1
Enoree Basin, inside City	411	397	334	258	254	233	203	184	150	119
Enoree Basin Industrial	142	139	196	138	153	132	139	129	112	94
Collection penalties	121	117	124	161	81	80	75	87	68	80
Other	909	427	362	505	912	742	738	774	428	449
Total operating revenues	5,599	5,070	4,967	4,876	5,162	4,658	4,168	4,026	3,576	3,303
OPERATING EXPENSES:										
Depreciation	1,252	1,852	1,827	1,837	1,529	1,402	1,317	1,289	1,130	1,053
Depreciation - change in accounting estimate	817	-	-	-	-	-	-	-	-	-
Amortization	-	10	10	8	29	29	26	23	23	20
Other operating expenses	3,555	2,629	2,649	2,750	2,792	2,767	2,469	2,357	1,881	1,844
Total operating expenses	5,624	4,491	4,486	4,595	4,350	4,198	3,812	3,669	3,034	2,917
Net operating departmental revenue	$ (25)	$ 579	$ 481	$ 281	$ 812	$ 460	$ 356	$ 357	$ 542	$ 386
WASTEWATER TREATMENT										
Wastewater Plant Flows (thousands of gallons)										
Maple Creek Wastewater Treatment Facility	691,079	704,461	698,577	813,750	711,348	700,632	695,780	753,930	811,821	915,467
Wastewater Treated - (Thousands of Gallons)										
Inside City Customers	481,235	489,914	495,291	497,271	527,247	534,089	514,022	489,089	483,843	453,672
Outside City Customers	198,105	198,549	187,202	164,026	170,541	156,128	167,570	174,399	174,659	191,990
Customers with sewer services, no water	1	1	1	2	1	1	1	1	5	5
Other	290	286	291	276	813	1,659	879	647	633	563
Retail	679,631	688,750	682,785	661,575	698,602	691,877	682,472	664,136	659,140	646,230
Unaccounted for wastewater	11,448	15,711	15,792	152,175	12,746	8,755	13,308	89,794	152,681	269,237
Percentage of unaccounted for wastewater to total wastewater treated	1.7%	2.2%	2.3%	18.7%	1.8%	1.2%	1.9%	11.9%	18.8%	29.4%
ANNUAL RAINFALL (inches) (2)	38.86	45.96	42.09	52.83	38.02	31.08	41.80	53.14	47.68	63.14
ACTIVE SERVICES (Number of Customers)										
Inside City	6,358	6,287	6,206	6,195	6,255	6,186	6,081	5,941	5,822	5,692
Outside City	1,140	1,119	1,119	1,114	1,119	1,128	1,112	1,090	1,121	1,126
Sewer services, no water	3	4	4	5	5	5	4	4	5	5
Enoree Basin, Inside City	3,684	3,541	3,452	3,395	3,397	3,281	3,069	2,721	2,455	2,164
Enoree Basin Industrial	162	162	161	119	118	108	101	86	81	45
Other(3)	1	1	1	2	2	2	2	2	2	2
	11,348	11,114	10,943	10,830	10,896	10,710	10,369	9,844	9,486	9,034

(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

DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS(1)

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Revenues from Operations	$ 67,499	$ 70,632	$ 75,350	$ 71,585	$ 80,158	$ 74,411	$ 69,582	$ 66,676	$ 58,495	$ 57,652
Non-operating Revenues	64	80	48	156	457	901	417	666	461	629
Capacity fees (1)	371	287	228	340	631	730	839	974	927	792
Total Revenues	67,934	70,999	75,626	72,081	81,246	76,042	70,838	68,316	59,883	59,073
Expenses										
Total Expenses	68,447	68,177	71,380	68,670	75,885	72,258	69,509	65,447	55,527	55,842
Depreciation and Amortization Expense	(7,822)	(7,221)	(7,472)	(7,079)	(6,288)	(5,867)	(5,377)	(5,293)	(4,751)	(4,455)
Depreciation - Change in Accouting Estimate	(817)	-	-	-	-	-	-	-	-	-
Bond Interest Expense	(3,203)	(3,499)	(3,275)	(3,028)	(3,104)	(3,159)	(3,052)	(2,645)	(2,421)	(2,410)
Gain/Loss on sale of assets	(93)	(178)	(600)	(149)	(109)	(12)	(425)	(64)	(4)	(95)
Total Expenses	56,512	57,279	60,033	58,414	66,384	63,220	60,655	57,445	48,351	48,882
Net revenues available for debt service	$ 11,422	$ 13,720	$ 15,593	$ 13,667	$ 14,862	$ 12,822	$ 10,183	$ 10,871	$ 11,532	$ 10,191
Maximum annual debt service (2)	$ 6,486	$ 6,600	$ 6,708	$ 5,938	$ 5,818	$ 5,072	$ 4,513	$ 4,234	$ 3,917	$ 3,767
Maximum annual debt service coverage	176%	208%	232%	230%	255%	253%	226%	257%	294%	271%

(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[1]

Fiscal Year	Revenue Bonds	Per Capita	As Share of Personal Income
2012	$ 85,882,182	3,291	0.47%
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%

GREER COMMISSION OF PUBLIC WORKS

CUSTOMER STATISTICS

LARGEST SYSTEM CUSTOMERS – FISCAL YEAR 2012

Name	Consumption	Percent of System Gross Consumption	Revenues	Percent of System Gross Revenues
Water System (thousands of gallons)				
Blue Ridge Water Company *(Wholesale)*	744,748	29.63%	$ 1,189,099	18.62%
BMW of North America, LLC	267,622	10.65%	422,732	6.62%
Greer Commission of Public Works	127,382	5.07%	182,170	2.85%
Mitsubishi Polyester Film, LLC	117,906	4.69%	191,299	3.00%
Cliffstar Corporation	46,611	1.85%	66,418	1.04%
Greer Memorial Hospital	30,720	1.22%	46,118	0.72%
Greenville - Spartanburg International Airport	28,259	1.12%	74,125	1.16%
Honeywell International Incorporated	22,388	0.89%	52,617	0.82%
Greenville County School District	13,213	0.53%	19,729	0.31%
West Chase Apartments	12,806	0.51%	31,757	0.50%
Sewer System (thousands of gallons)				
Mitsubishi Polyester Film, LLC	134,013	55.49%	$ 1,256,208	27.99%
BMW of North America, LLC	120,177	49.76%	905,277	20.17%
Greer Memorial Hospital	75,295	31.17%	969,547	21.60%
Greenville - Spartanburg International Airport	40,168	16.63%	383,341	8.54%
Greenville County School District	24,399	10.10%	316,196	7.04%
West Chase Apartments	22,074	9.14%	250,323	5.58%
Honeywell International	20,672	8.56%	248,445	5.54%
Cliffstar Corporation	20,289	8.40%	244,333	5.44%
Exide Battery Corporation	17,752	7.35%	205,598	4.58%
Preserve at West View Apartments	16,879	6.99%	213,726	4.76%
Electric System (megawatt hours)				
Greer Memorial Hospital	17,634	5.13%	$ 1,256,208	3.79%
Greer Commission of Public Works	16,077	4.67%	905,277	2.73%
Greenville County School District	10,473	3.05%	969,547	2.92%
Village Hospital	5,016	1.46%	383,341	1.16%
Wal-mart Stores Incorporated	4,232	1.23%	316,196	0.95%
Ingles	3,518	1.02%	250,323	0.75%
Advanced Composite Materials	3,452	1.00%	248,445	0.75%
Huntington Foam, LLC	3,223	0.94%	244,333	0.74%
Cliffstar Corporation	2,866	0.83%	205,598	0.62%
Lowes	2,815	0.82%	213,726	0.64%
Natural Gas System (mcf)				
BMW of North America, LLC	122,827	36.83%	$ 2,480,551	11.34%
Mitsubishi Polyester Film, LLC	73,129	21.93%	2,660,161	12.16%
Carotell Paper Board Corporation	36,945	11.08%	1,488,380	6.80%
Springfield, LLC	12,761	3.83%	554,688	2.54%
Cliffstar Corporation	4,094	1.23%	353,706	1.62%
Sloan Construction	3,353	1.01%	137,917	0.63%
Greenville County School District	2,616	0.78%	280,551	1.28%
Ashmore Brothers	2,503	0.75%	124,334	0.57%
Blacklidge Emulsions	2,078	0.62%	179,592	0.82%
Greer Memorial Hospital	1,866	0.56%	198,437	0.91%

GREER COMMISSION OF PUBLIC WORKS
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water System										
Water Production	9	9	9	9	10	10	9	8	7	7
Water Distribution	7	7	7	8	8	8	9	9	6	7
Lake Wardens	3	3	3	3	3	3	3	3	3	3
Total Water System	**19**	**19**	**19**	**20**	**21**	**21**	**21**	**20**	**16**	**17**
Electric Distribution System	**18**	**18**	**19**	**19**	**19**	**18**	**19**	**17**	**17**	**17**
Natural Gas Distribution System	**22**	**23**	**23**	**23**	**21**	**22**	**21**	**22**	**23**	**23**
Sewer System										
Collection	6	7	9	9	8	9	7	7	6	4
Treatment	9	6	7	7	7	7	7	6	6	6
Total Sewer System	**15**	**13**	**16**	**16**	**15**	**16**	**14**	**13**	**12**	**10**
Shared Support										
General Administration	3	3	3	3	3	3	4	5	5	5
Customer Service	12	12	12	12	13	13	13	13	13	13
Billing	2	2	3	3	4	4	4	4	4	4
Finance and Accounting	4	4	4	4	4	4	3	4	4	4
Meter Reading	3	3	3	3	3	3	3	3	3	3
Engineering	4	4	4	4	3	5	6	5	6	7
Warehouse and Facilities Maintenance	4	4	4	5	5	5	5	5	4	5
Human Resources	4	4	4	4	4	4	4	4	4	4
Operations	4	4	4	4	4	4	4	4	4	4
Information Systems	7	8	8	8	8	6	6	6	6	6
Locators	2	3	2	4	4	4	3	3	3	3
Vehicle Maintenance	2	2	2	2	2	2	2	2	2	2
Total Shared Support	**51**	**53**	**53**	**56**	**57**	**57**	**57**	**58**	**58**	**60**
Total Employees	**125**	**126**	**130**	**134**	**133**	**134**	**132**	**130**	**126**	**127**

GREER COMMISSION OF PUBLIC WORKS

DEMOGRAPHICS AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Population [1, 2]	26,098	25,515	26,040	25,105	23,395	22,451	22,451	21,421	20,486	19,674
Mean Household Income [4]	$ 66,940	$ 52,660	$ 41,864	$ 40,764	$ 41,864	$ 42,183	$ 42,183	$ 42,183	$ 42,183	$ 42,183
Personal Income [6]	$ 706,917	$ 563,703	$ 456,898	$ 475,614	$ 480,674	$ 526,656	$ 526,656	$ 502,494	$ 399,416	$ 383,584
Per Capita Personal Income [4]	$ 27,087	$ 22,093	$ 17,546	$ 18,945	$ 20,546	$ 23,458	$ 23,458	$ 23,458	$ 19,497	$ 19,497
Median Age [4]	34.1	33.9	34.5	35.2	35.7	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	13.2
Unemployment Rates [2, 3, 4]	7.0%	9.5%	9.3%	9.6%	4.3%	5.0%	5.6%	5.4%	4.4%	4.5%

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)

Cherry Bekaert LLP
CPAs & Advisors

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
Greer Commission of Public Works

We have audited the accompanying financial statements of Greer Commission of Public Works (the "Commission"), as of and for the years ended December 31, 2012 and 2011 and have issued our report thereon dated April 16, 2013. 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.

Cherry Bekaert LLP

Greenville, South Carolina
April 16, 2013