

GREER COMMISSION OF PUBLIC WORKS

Greer, South Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Years ended December 31, 2013 and 2012

Issued by Finance Department



GREER COMMISSION OF PUBLIC WORKS

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FOCUSING OUR ENERGY ON YOU.

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

Jeffrey M. Tuttle
General Manager

Date: April 23, 2014

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, 2013 and 2012 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 accuracy of the data, 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 to protect the Commission’s assets from loss, theft, or misuse and to compile 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 (“MD&A”), 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 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, 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 1957, 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 its current capacity level of 24 MGD. 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 17,413 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 2.31 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 designed the facility to accommodate up to 10.0 MGD capacity. The 2009 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 latest upgrade also provided an energy generation plant that provides back-up power for the facility, as well as peaking capacity to our energy provider. The generating unit can provide significant load-side generation credits from our energy provider. Sewer collection and treatment for the Commission's 11,559 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. Until 1985, the Commission purchased most of its electric power requirements from Duke Energy Company to supplement power from Federally-owned facilities through the Southeastern Power Administration (“SEPA”). In 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 199 miles of overhead distribution facilities and approximately 188 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 18,291 customers.

Natural Gas Unit

The Natural Gas Unit was established in 1957 and provides for distribution of natural gas to residents of the City and surrounding areas. The Commission owns and operates two gate stations to receive natural gas from the Transcontinental Gas Pipeline Corporation (“Transco”) pipeline in the cities of Crescent and Landrum, South Carolina, from which point gas is transported to the City by means of an eight-inch and twelve-inch high-pressure transmission lines, respectively. The Commission operates and maintains approximately 43 miles of high-pressure transmission lines and approximately 751 miles of intermediate and distribution lines, along with 145 pressure-reducing and regulating stations. These distribution lines serve 19,551 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. For the past two decades, Greer has continued to be one of the fastest growing cities in South Carolina.

The City of Greer currently covers approximately 27 square miles, making Greer one of the largest land area cities in South Carolina. With a population exceeding 280,000 within a 20 minute drive of the historic downtown business district and approximately 1.5 million residents in its Upstate area, the area offers unemployment rates that continue to be lower, 5.3%, as compared to the state of South Carolina’s overall unemployment rate of 6.3%. The Greer community has emerged as one of the highest income markets in the Greenville – Spartanburg metropolitan region.

Continued development of several industrial and business parks is fueled by easy access to Interstate 85, the Greenville – Spartanburg International Airport (“GSP Airport”), and the availability of undeveloped land. During 2013, the SC State Ports Authority developed an Inland Port, located in Greer, South Carolina, along the Verne Smith Parkway. The Inland Port was built in close proximity to the GSP Airport, several rail lines, and Interstate 85, giving it the ability to reach approximately 6.5 million consumers in a 100-mile radius, reaching the areas from Asheville to Columbia, and Atlanta to Charlotte, and the Port of Charleston. 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’s water, sewer, electric, and natural gas services are 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, having already invested in excess of \$6 billion into the Greer area, is in the process of completing a physical plant expansion of \$900 million, adding production of the all-new BMW X4 and completing construction of an additional 1.6 million square feet of production and logistics space. BMW expects the addition of these new jobs will grow the plant employment capacity to nearly 8,000 jobs on-site by the end of 2014.

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 2014 until 2018. In addition to meeting the growth demands within its area, 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 \$34.9 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, \$5,000,000 – The 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 – The 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, \$1,000,000 – The project will provide for the necessary improvements to the current sewer pump station in order to accommodate growth and capacity needs.

Bent Creek Pump Station Replacement, \$5,000,000 – The project will provide for the necessary replacement and relocation of the current pump station to strategically accommodate the growth and capacity needs of the service area.

Natural Gas System

South Carolina Highway 414 Transmission Lateral, \$3,120,000 – The project will provide the northwestern side of our gas system with high pressure (450 psi) natural gas to meet the current and anticipated residential and commercial growth to this area.

Electric System

Victor Hill Road Substation, \$3,500,000 – The project will serve the rapidly growing areas of east Greer along Highway 101 and the Verne Smith Corridor. Within the next several years, significant industrial development is planned for this area.

Electric System Upgrade, \$1,200,000 – The project addresses on-going issues regarding load, line size, and reliability 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 net revenues equal to a minimum of 225% of the annual principal and interest requirement.

Management continues to scrutinize expenses and looks for ways to enhance efficiencies.

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, 2012. 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 just awarded the Platinum Reliable Public Power Provider ("RP3") designation to the Commission for 2014 thru 2017. 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,



Jeffrey M. Tuttle
General Manager



Charles E. Reynolds
Finance Manager



Government Finance Officers Association

**Certificate of
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for Excellence
in Financial
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Presented to

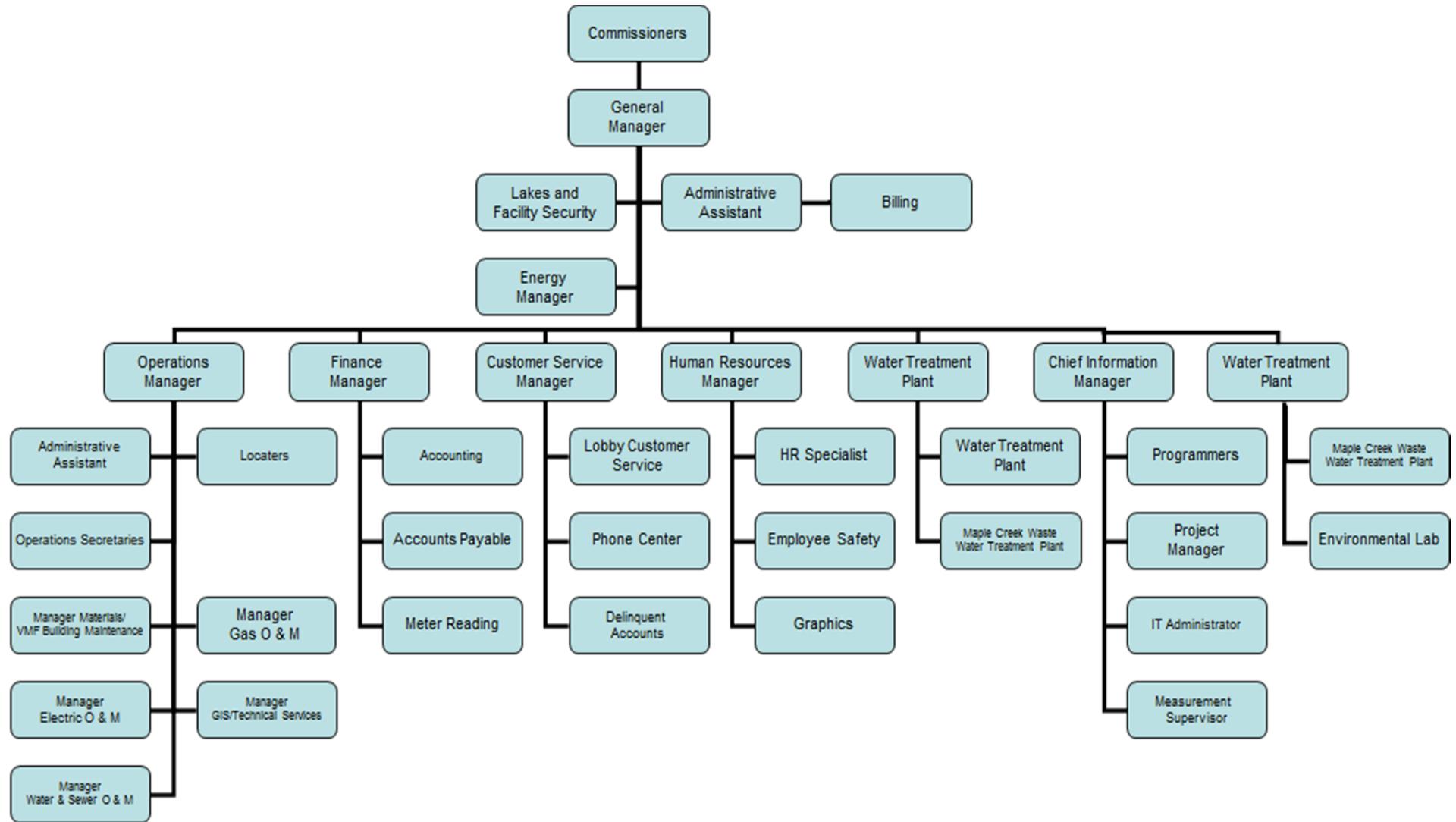
**Greer Commission
of Public Works, South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

**GREER COMMISSION OF PUBLIC WORKS
ORGANIZATIONAL CHART**



GREER COMMISSION OF PUBLIC WORKS
LIST OF PRINCIPAL OFFICIALS AND MANAGERS

DECEMBER 31, 2013

<u>Commissioners</u>	<u>Year Service Began</u>	<u>Position</u>	<u>Term Expires December 31,</u>
Eugene G. Gibson	1982	Commissioner	2019
Jeffrey M. Howell	1998	Chairman	2015
Perry J. Williams	2009	Commissioner	2017

<u>Managers</u>	<u>Year First Employed</u>	<u>Position</u>
Jeffrey M. Tuttle	2014	General Manager
Randall C. Olson	2003	Operations Manager
Charles E. Reynolds	2001	Finance 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
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	2012	Maple Creek Waste Water Treatment Plant Manager

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 of Greer Commission of Public Works (the "Commission") as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, cash flows, and notes to the financial statements for the years then ended, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

Opinion

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, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the Commission implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during 2013. Our opinion is not modified with respect to this matter.

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, schedule of actual and budgeted revenues and expenses, schedule of departmental operating revenues and expenses, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of actual and budgeted revenues and expenses and schedule of departmental operating revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of actual and budgeted revenues and expenses and schedule of departmental operating revenues and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Greenville, South Carolina
April 23, 2014

GREER COMMISSION OF PUBLIC WORKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012. 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 2013. 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 2013:

- The Commission's net position increased by \$2,965,935, or 2.13%, for 2013 as compared to a decrease of \$737,494, or 0.53%, in 2012.
- During the year, the Commission's operating revenues increased to \$74,650,207, which represents a 10.60% increase from the prior year. Operating revenues decreased to \$67,498,514, or 4.44%, in 2012.
- Total operating expenses increased to \$68,729,729, which represents a 5.67% increase from the prior year. Total expenses increased to \$65,039,022, or 1.01%, in 2012.
- Purchased power expenses increased to \$30,329,243, up from \$28,425,829 last year. This 6.70% increase is reflected in the total expenses shown above. Purchased power increased from \$26,509,277, or by 7.23%, to \$28,425,829 in 2012.
- Purchased gas expenses increased to \$15,140,312, increased from \$12,987,997 last year. This 16.57% increase is reflected in the total expenses shown above. Purchased gas decreased from \$16,783,667, or by 22.62%, to \$12,987,997 in 2012.
- Capital contributions to the Commission increased by \$3,633, which represents a 0.35% increase from the prior year. Capital contributions decreased by \$77,003, or 6.93%, in 2012.
- Transfers to the City of Greer remained at \$1,000,000 for 2013. Transfers to the City of Greer decreased in 2012 by \$87,500, or 8.05%.
- Debt service coverage for 2013 was 196% versus the bond ordinance requirement, which is 120% debt service coverage, and was 11.52% greater than 2012. Debt service coverage for 2012 was 176%.

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.

GREER COMMISSION OF PUBLIC WORKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013 AND 2012

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 increased \$2,965,935 to \$142,132,912 in fiscal year 2013, up from \$139,166,977 in fiscal year 2012. 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 gain before capital contributions of \$1,927,490 during 2013 and the loss before capital contributions of \$1,772,306 during 2012 were the two sources of the changes in net assets.

**GREER COMMISSION OF PUBLIC WORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2013 AND 2012

**TABLE A-1
Statement of Net Position**

	FY 2012 (Restated)	Total Dollar Change	Total Percent Change	FY 2013
Current and other assets	\$ 42,224,255	\$ 3,786,018	8.97%	\$ 46,010,273
Capital assets	191,979,327	(22,607)	-0.01%	191,956,720
Total assets	<u>\$ 234,203,582</u>	<u>\$ 3,763,411</u>	<u>1.61%</u>	<u>\$ 237,966,993</u>
Deferred outflows of resources	<u>\$ 482,210</u>	<u>\$ (38,577)</u>	<u>-8.00%</u>	<u>\$ 443,633</u>
Long-term debt outstanding	\$ 83,245,566	\$ 31,441	0.04%	\$ 83,277,007
Other liabilities	12,273,249	727,458	5.93%	13,000,707
Total liabilities	<u>95,518,815</u>	<u>758,899</u>	<u>0.79%</u>	<u>96,277,714</u>
Net investment in				
Capital assets	108,761,825	16,448	0.02%	108,778,273
Restricted	9,171,441	(721,680)	-7.87%	8,449,761
Unrestricted	21,233,711	3,671,167	17.29%	24,904,878
Total net position	<u>\$ 139,166,977</u>	<u>\$ 2,965,935</u>	<u>2.13%</u>	<u>\$ 142,132,912</u>
	FY 2011 (Restated)	Total Dollar Change	Total Percent Change	FY 2012 (Restated)
Current and other assets	\$ 43,512,278	\$ (1,288,023)	-2.96%	\$ 42,224,255
Capital assets	195,061,948	(3,082,621)	-1.58%	191,979,327
Total assets	<u>\$ 238,574,226</u>	<u>\$ (4,370,644)</u>	<u>-1.83%</u>	<u>\$ 234,203,582</u>
Deferred outflows of resources	<u>\$ 520,787</u>	<u>\$ (38,577)</u>	<u>-7.41%</u>	<u>\$ 482,210</u>
Long-term debt outstanding	\$ 87,343,281	\$ (4,097,715)	-4.69%	\$ 83,245,566
Other liabilities	11,847,261	425,988	3.60%	12,273,249
Total liabilities	<u>99,190,542</u>	<u>(3,671,727)</u>	<u>-3.70%</u>	<u>95,518,815</u>
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	21,706,186	(472,475)	-2.18%	21,233,711
Total net position	<u>\$ 139,904,471</u>	<u>\$ (737,494)</u>	<u>-0.53%</u>	<u>\$ 139,166,977</u>

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 increased by \$7,138,837 to \$74,701,445 in fiscal year 2013 from \$67,562,608 in fiscal year 2012 due to the effect of increases to both electric and gas revenues. The increase in the electric and gas revenues of 8.03% and 20.99%, respectively, can be attributed to several factors, including the weather, increased consumption, and price of the natural gas commodity. During the summer of 2013, the

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Upstate region of South Carolina experienced much warmer temperatures than during 2012, while much cooler temperatures during the winter months. These weather variances contributed to an increase in electric consumption 0.50% and gas consumption of 4.87%. The price of the natural gas commodity increased by 17.43% per dT to an average cost of \$3.84 per dT, up from a 2012 average of \$3.27 per dT. During 2013, the Upstate region of South Carolina also experienced the fourth highest rainfall totals of record. The total rainfall recorded in Greer was 69.56 inches, an increase of 30.70 inches from 2012, or 79.00%, with the record set in 1901 with 77.84 inches. This abundance of rainfall led to a decrease in water revenues of 5.20% and decreased consumption of 14.32%. The sewer revenues increased 5.58%, and consumption decreased 6.81%.

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 turn 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%.

Other operating revenues increased by \$22,638 during 2013. Other operating revenues increased by \$638,119 during 2012. 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 2013, non-operating revenues decreased by \$12,856. This decrease can be attributed to the decreased earnings on investments. Earnings on investments decreased 20.06%. 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 2013, expenses increased by \$3,439,041 to \$72,773,955, increased from \$69,334,914 in fiscal year 2012, due to the net effect of an increase in expenses related to purchased power, purchased gas, depreciation and amortization, and other operating expenses, and the decrease in expenses related to non-operating expenses. Purchased power costs increased by \$1,903,414, or 6.70%. 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 5.20% of hydroelectric power at reduced costs. The Commission also received \$329,185 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 increased by \$2,152,315, or 16.57%, as a result of increased customer consumption from 2012 of 4.87%, and an increase in the average costs of the natural gas commodity. The average cost of the natural gas commodity to the Commission was \$3.84 and \$3.27, respectively for 2013 and 2012, an increase of 17.43%. Other operating expenses increased by \$352,644, with the increases attributable to increases in salaries and benefits, water and wastewater treatment chemicals, and the operations and maintenance of equipment.

During 2012, expenses increased by \$167,185 to \$69,334,914, increased from \$69,167,729 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

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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. The changes are attributable to several factors, including salaries and benefits, water and wastewater treatment chemicals, and operation and maintenance of equipment and plant.

Non-operating expenses decreased by \$251,666, or 5.86%, to \$4,044,226 during 2013. Debt service decreased by \$298,450, or 9.32%, to \$2,904,567 due to the early retirement of long-term debt in payable to the State Revolving Fund in December 2012.

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%.

As a result of these factors, the Commission experienced net revenues over expenses of \$1,927,490 in 2013 and net expenses exceeding net revenues of \$1,772,306 in 2012, 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 2012 (Restated)	Total Dollar Change	Total Percent Change	FY 2013
Electric revenues	\$ 32,223,792	\$ 2,587,890	8.03%	\$ 34,811,682
Gas revenues	21,932,416	4,603,947	20.99%	26,536,363
Water revenues	6,112,493	(317,904)	-5.20%	5,794,589
Sewer revenues	4,569,242	255,122	5.58%	4,824,364
Operating revenues	2,660,571	22,638	0.85%	2,683,209
Non-operating revenues	64,094	(12,856)	-20.06%	51,238
Total revenues	67,562,608	7,138,837	10.57%	74,701,445
Purchased power	28,425,829	1,903,414	6.70%	30,329,243
Purchased gas	12,987,997	2,152,315	16.57%	15,140,312
Depreciation and amortization expense	7,709,973	99,702	1.29%	7,809,675
Depreciation - change in Accounting Estimates	817,368	(817,368)	100.00%	-
Other operating expense	15,097,855	352,644	2.34%	15,450,499
Non-operating expense	4,295,892	(251,666)	-5.86%	4,044,226
Total expense	69,334,914	3,439,041	4.96%	72,773,955
Revenues (expenses) before Capital contributions	(1,772,306)	3,699,796	208.76%	1,927,490
Capital contributions	1,034,812	3,633	0.35%	1,038,445
Change in net position	(737,494)	3,703,429	502.16%	2,965,935
Beginning net position	139,904,471	(737,494)	-0.53%	139,166,977
Ending net position	<u>\$ 139,166,977</u>	<u>\$ 2,965,935</u>	<u>2.13%</u>	<u>\$ 142,132,912</u>

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	FY 2011 (Restated)	Total Dollar Change	Total Percent Change	FY 2012 (Restated)
Electric revenues	\$ 31,562,005	\$ 661,787	2.10%	\$ 32,223,792
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	638,119	31.55%	2,660,571
Non-operating revenues	80,117	(16,023)	-20.00%	64,094
Total revenues	<u>70,711,752</u>	<u>(3,149,144)</u>	<u>-4.45%</u>	<u>67,562,608</u>
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	7,124,370	585,603	8.22%	7,709,973
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	<u>69,167,729</u>	<u>167,185</u>	<u>0.24%</u>	<u>69,334,914</u>
Revenues (expenses) before capital contributions	<u>1,544,023</u>	<u>(3,316,329)</u>	<u>-214.78%</u>	<u>(1,772,306)</u>
Capital contributions	<u>1,111,815</u>	<u>(77,003)</u>	<u>-6.93%</u>	<u>1,034,812</u>
Change in net position	2,655,838	(3,393,332)	-127.77%	(737,494)
Beginning net position	139,012,914	891,557	0.64%	139,904,471
Change in accounting principle	(1,764,281)	1,764,281	100.00%	-
Beginning net position, restated	<u>137,248,633</u>	<u>2,655,838</u>	<u>1.94%</u>	<u>139,904,471</u>
Ending net position	<u>\$ 139,904,471</u>	<u>\$ (737,494)</u>	<u>-0.53%</u>	<u>\$ 139,166,977</u>

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 2013, the Commission received \$1,038,445 in capital contributions. This was a \$3,633 increase from Fiscal year 2012 capital contributions of \$1,034,812. Capital Contribution for 2013 included the following receipts:

- \$152,825 received from the Greenville Hospital System to offset capital costs related to the building of the Greer Memorial Hospital's lighting infrastructure
- \$102,960 received from various sources to offset capital costs related to lighting infrastructure
- \$222,757 received from various developer contributed properties that consists of water and sewer infrastructure
- \$14,700 received from the QuikTrip Corporation to offset the capital costs related to a natural gas distribution line
- \$12,250 from Suber Road Properties, LLC to offset the capital costs related to lighting infrastructure
- \$15,400 received from Greystone Cottages developer to offset the capital costs related to lighting infrastructure
- \$100,000 received from the South Carolina Budget and Control Board to help offset the costs of improvement to the Highway 101 pump station that serve several industrial customers

During 2012, the Commission received \$1,034,812 in capital contributions. This was an decrease of \$77,003 from \$1,111,815 received during fiscal year 2011.

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Change in Accounting Estimates

During 2012, after a review of the estimated 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.

Change in Accounting Principle

During 2013, the Commission adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of Statement No. 65 relevant to the Commission related to changes in the accounting and reporting of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenditures as opposed to being deferred and amortized over the maturity period of the debt. With the change being applied retroactively, the full amount of bond issuance costs, unamortized at January 1, 2011, was \$1,764,281 and was charged to net position.

Transfers to the City

During fiscal years 2013 and 2012, the Commission made transfers to the City of Greer's General Fund in the amount of \$1,000,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of some of the major capital improvements completed and added to the system during fiscal year 2013.

- \$140,325 in costs associated with constructing a Compressed Natural Gas Fast-fill Station at the Commission
- \$461,572 to provide improvements and upgrades to the existing Electric system
- \$664,367 to provide for utility infrastructure for the South Carolina Ports Authority
- \$51,334 to provide improvements and upgrades to the Maple Creek Waste Water Treatment Plant
- \$96,425 to provide for upgrades to the Highway 101 pump station that serves several commercial and industrial customers
- \$3,313,369 in costs associated with Inflow and Infiltration upgrades at various locations, including Memorial Drive Extension, King Acres, and Wards Creek Outfall sewer
- \$144,588 in costs associated with Inflow and Infiltration upgrades at the City of Greer's Maintenance Complex
- \$303,503 to provide for replacement of motor vehicles and heavy equipment
- \$350,607 to provide for replacement of computers and related equipment
- \$197,846 to provide for necessary upgrades and replacement equipment at the Water Treatment Plant
- \$36,670 to provide for costs associated with the completion of the plans and specifications for the drainage system at the 1.5 MG Pleasant Grove Elevated Water Storage Tank
- \$163,944 to provide for equipment necessary to provide and maintain the utilities to our customers
- \$399,556 to provide for new and upgrades to meters and associated equipment need for obtaining the customer usages

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At the end of 2013, the Commission has invested \$299,383,059 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 2012 (Restated)	Total Dollar Change	Total Percent Change	FY 2013
Land	\$ 2,313,949	\$ 35,642	1.54%	\$ 2,349,591
Construction in progress	1,601,355	1,544,176	96.43%	3,145,531
Electric distribution system	46,072,507	373,751	0.81%	46,446,258
Gas distribution system	57,556,768	2,063,886	3.59%	59,620,654
Water distribution system	69,493,128	(228,431)	-0.33%	69,264,697
Water reservoirs and dams	12,819,950	(11,834)	-0.09%	12,808,116
Recreational facilities	688,689	-	0.00%	688,689
Disposal plants and sanitary sewer	84,364,212	1,615,720	1.92%	85,979,932
Buildings	6,738,807	49,467	0.73%	6,788,274
Machinery, equipment and vehicles	7,893,904	428,679	5.43%	8,322,583
Office equipment and software	3,373,235	45,299	1.34%	3,418,534
Fiber optic	550,200	-	0.00%	550,200
Subtotal	293,466,704	5,916,355	2.02%	299,383,059
Less accumulated depreciation	101,487,377	5,938,962	5.85%	107,426,339
Net property plant equipment	\$ 191,979,327	\$ (22,607)	-0.01%	\$ 191,956,720

	FY 2011 (Restated)	Total Dollar Change	Total Percent Change	FY 2012 (Restated)
Land	\$ 2,279,603	\$ 34,346	1.51%	\$ 2,313,949
Construction in progress	2,570,548	(969,193)	-37.70%	1,601,355
Electric distribution system	42,706,206	3,366,301	7.88%	46,072,507
Gas distribution system	57,036,063	520,705	0.91%	57,556,768
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
Disposal plants and sanitary sewer	84,128,847	235,365	0.28%	84,364,212
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
Office equipment and software	3,074,915	298,320	9.70%	3,373,235
Fiber optic	545,199	5,001	0.92%	550,200
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

In 2012, the Commission's capital assets increased in the net amount of \$4,844,166, of which \$3,522,921 was for expansion and improvement to utility plant and the remainder for other operating assets.

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LONG-TERM DEBT

At the end of 2013, the Commission had \$86,059,528 in aggregate long-term debt, increased from \$85,882,182 at the end of Fiscal year 2012, an increase of \$177,346, or 0.21%. In 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%. The changes resulted from scheduled principal payments made on the existing debt and new debt issuance from the South Carolina Public Service Authority (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 2013 and 2012, the Commission received affirmations of each of its ratings.

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 196%, 176%, and 208%, for the years 2013, 2012, and 2011, respectively. The debt service coverage for the Commission continues a 10 year trend of strong financial management.

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 2018.

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 \$9,211,590 State Revolving Fund ("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.

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.

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**TABLE A-4
Debt Coverage Ratio**

	FY 2011 (Restated)	FY 2012 (Restated)	Total Percent Change	FY 2013	Total Percent Change
Revenues					
Revenues from operations	\$ 70,631,635	\$ 67,498,514	-4.44%	\$ 74,650,207	10.60%
Non-operating revenue	80,117	64,094	-20.00%	51,238	-20.06%
Capacity fees	286,975	371,498	29.45%	331,643	-10.73%
Total Revenues	70,998,727	67,934,106	-4.32%	75,033,088	10.45%
Expenses					
Total expenses	68,080,229	68,334,914	0.37%	71,773,955	5.03%
Depreciation and amortization expense	(7,124,370)	(7,709,973)	8.22%	(7,809,675)	1.29%
Depreciation - change in Accounting estimates	-	(817,368)	-100.00%	-	100.00%
Bond interest expense	(3,498,538)	(3,203,017)	-8.45%	(2,904,567)	-9.32%
Gain/Loss on sale of assets	(177,722)	(92,875)	-47.74%	(139,659)	50.37%
Total expenses	\$ 57,279,599	\$ 56,511,681	-1.34%	\$ 60,920,054	7.80%
Income available for debt service	\$ 13,719,128	\$ 11,422,425	-16.74%	\$ 14,113,034	23.56%
Maximum annual debt service (ADS)	\$ 6,599,981	\$ 6,486,179		\$ 7,186,179	
Maximum ADS coverage	208%	176%	-15.28%	196%	11.52%

*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 3.57% in outstanding debt, with the average cost of capital being 3.71% and 3.36%, for the years 2012 and 2011, respectively.

**TABLE A-5
Cost of Capital**

	FY 2011 (Restated)		FY 2012 (Restated)		FY 2013	
	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate
Series 2002 revenue bonds	\$ 24,020,000	5.36%	\$ 23,845,000	5.36%	\$ 23,665,000	5.36%
1999 South Carolina SRF loan	871,618	2.25%	-	2.25%	-	0.00%
2004 South Carolina SRF loan	7,794,744	2.25%	7,529,188	2.25%	7,257,606	2.25%
2005 South Carolina SRF loan	6,544,492	2.25%	6,315,130	2.25%	6,080,563	2.25%
Series 2007 revenue bonds	4,888,603	4.02%	4,664,966	4.02%	4,432,339	4.02%
2007 South Carolina SRF loan	12,122,823	2.25%	11,540,794	2.25%	10,945,559	2.25%
Series 2009 refunding bonds	22,795,000	4.03%	21,555,000	4.03%	20,260,000	4.03%
2009 South Carolina SRF loan	5,033,413	2.25%	4,907,104	2.25%	4,743,461	2.25%
Series 2010 revenue bonds	5,865,000	3.07%	5,525,000	3.07%	5,175,000	3.07%
2013 SC Public Service Authority loan	-	0.00%	-	0.00%	3,500,000	0.00%
	\$ 89,935,693	3.36%	\$ 85,882,182	3.71%	\$ 86,059,528	3.57%

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission considered a variety of factors in developing the fiscal year 2014 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 2014 budget provides for approved rate increases in its electric, water and sewer utilities. Controllable operating costs were held very much in check for this budget year. For 2014 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 2014.

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

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	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
ASSETS		
Current assets:		
Cash and cash equivalents:		
Operating	\$ 19,140,806	\$ 16,411,723
Restricted	7,611,009	8,158,820
Total funds	<u>26,751,815</u>	<u>24,570,543</u>
Receivables:		
Customers, less allowance for doubtful accounts of \$251,189 in 2013 and \$204,437 in 2012	8,569,615	7,072,223
Short-term investments:		
Unrestricted	3,035,713	3,029,543
Restricted	4,339,147	4,330,328
Inventories	2,211,759	2,131,856
Customer deposits	977,872	939,496
Total current assets	<u>45,885,921</u>	<u>42,073,989</u>
Non-current assets:		
Utility plant	299,383,059	293,466,704
Less accumulated depreciation	<u>(107,426,339)</u>	<u>(101,487,377)</u>
Net utility plant	191,956,720	191,979,327
Other assets	124,352	150,266
Total non-current assets	<u>192,081,072</u>	<u>192,129,593</u>
Total assets	<u>\$ 237,966,993</u>	<u>\$ 234,203,582</u>
Deferred outflows of resources		
Bond defeasance loss	\$ 443,633	482,210
Total deferred outflows of resources	<u>\$ 443,633</u>	<u>\$ 482,210</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 5,412,163	\$ 4,886,141
Construction contract retainage payable	123,562	44,978
Accrued interest	885,705	941,073
Other accrued expenses	1,017,570	1,019,917
Customer deposits	977,872	939,496
Current portion of landfill post-closure liability	23,000	23,000
Current portion of long-term debt	3,401,835	3,289,644
Total current liabilities	<u>11,841,707</u>	<u>11,144,249</u>
Landfill post-closure liability	391,000	414,000
Other post-employment liability	768,000	715,000
Long-term debt, net of unamortized premium, and current portion of long-term debt	<u>83,277,007</u>	<u>83,245,566</u>
Total non-current liabilities	<u>84,436,007</u>	<u>84,374,566</u>
Total liabilities	<u>\$ 96,277,714</u>	<u>\$ 95,518,815</u>
NET POSITION		
Net investment in capital assets	\$ 108,778,273	\$ 108,761,825
Restricted for:		
Debt service	2,505,422	3,565,121
Capital projects	5,944,339	5,606,320
Unrestricted	24,904,878	21,233,711
Total net position	<u>\$ 142,132,912</u>	<u>\$ 139,166,977</u>

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, 2013 AND 2012

	2013	2012 (Restated)
Operating revenues		
Electric revenues	\$ 34,811,682	\$ 32,223,792
Gas revenues	26,536,363	21,932,416
Water revenues	5,794,589	6,112,493
Sewer revenues	4,824,364	4,569,242
Other operating revenues	2,683,209	2,660,571
Total operating revenues	<u>74,650,207</u>	<u>67,498,514</u>
Operating expenses		
Purchased power	30,329,243	28,425,829
Purchased gas	15,140,312	12,987,997
Depreciation and amortization	7,809,675	7,709,973
Depreciation - change in accounting estimate	-	817,368
Other operating expenses	15,450,499	15,097,855
Total operating expenses	<u>68,729,729</u>	<u>65,039,022</u>
Net operating revenue	<u>5,920,478</u>	<u>2,459,492</u>
Other revenues (expenses)		
Interest expense	(2,904,567)	(3,203,017)
Interest revenue	51,238	64,094
Transfers to the City of Greer	(1,000,000)	(1,000,000)
Loss on disposal of utility plant	(139,659)	(92,875)
Total other expenses, net	<u>(3,992,988)</u>	<u>(4,231,798)</u>
Revenues over expenses before contributions	1,927,490	(1,772,306)
Contributions	1,038,445	1,034,812
Revenues over expenses after contributions	<u>2,965,935</u>	<u>(737,494)</u>
Net position at beginning of the year	139,166,977	141,572,538
Change in accounting principle	-	(1,668,067)
Net position at beginning of the year, restated	<u>139,166,977</u>	<u>139,904,471</u>
Net position at end of the year	<u>\$ 142,132,912</u>	<u>\$ 139,166,977</u>

See accompanying notes to the financial statements.

GREER COMMISSION OF PUBLIC WORKS
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012 (Restated)
Cash flows from operating activities:		
Cash received from customers	\$ 69,100,794	\$ 64,530,925
Cash paid to suppliers	(54,471,251)	(50,697,833)
Cash paid to employees	(6,044,107)	(6,060,534)
Other operating revenue	2,683,209	2,632,595
Net cash provided by operating activities	<u>11,268,645</u>	<u>10,405,153</u>
Cash flows from noncapital financing activities:		
Payments to City of Greer	(1,000,000)	(1,000,000)
Net cash used in noncapital financing activities	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Cash flows from capital and related financing activities:		
Increase in utility plants	(6,262,502)	(4,802,459)
Capital contributions	815,688	1,034,812
Proceeds from sale of utility plant	144,157	75,067
Proceeds from issuance of long-term debt	3,500,000	-
Repayment of debt	(3,322,654)	(4,053,511)
Interest paid on long-term debt	(2,959,935)	(3,226,844)
Net cash used in capital and related financing activities	<u>(8,085,246)</u>	<u>(10,972,935)</u>
Cash flows from investing activities:		
Purchase of investments	(53,365)	(26,279)
Interest received on investments	51,238	64,094
Net cash provided by (used in) investing activities	<u>(2,127)</u>	<u>37,815</u>
Net increase (decrease) in cash and cash equivalents	2,181,272	(1,529,967)
Cash and cash equivalents at beginning of year	<u>24,570,543</u>	<u>26,100,510</u>
Cash and cash equivalents at end of year	<u>\$ 26,751,815</u>	<u>\$ 24,570,543</u>

See accompanying notes to the financial statements.

GREER COMMISSION OF PUBLIC WORKS
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012 (Restated)
Reconciliation of operating income to net cash provided by operating activities:		
Net operating revenue	\$ 5,920,478	\$ 2,347,488
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation	7,804,812	7,705,111
Depreciation - change in accounting estimate	-	817,368
Amortization of bond discount, premiums and issuance costs of bond amortization	4,863	116,866
Changes in assets and liabilities:		
Customer receivables, net	(1,497,392)	(129,966)
Inventories	(1,582,081)	(857,753)
Other assets	25,914	(43,070)
Accounts payable	526,022	285,580
Other accrued expenses	(2,347)	51,190
Other post-employment liabilities	53,000	31,000
Landfill post-closure liability	(23,000)	75,800
Customer deposits	38,376	5,539
Net cash provided by operating activities	<u>\$ 11,268,645</u>	<u>\$ 10,405,153</u>
Non-cash items:		
Inventory transferred into capital assets	<u>\$ 1,502,178</u>	<u>\$ 815,124</u>
Loss on disposal of assets	<u>\$ 139,659</u>	<u>\$ 92,875</u>
Non-cash capital contributions	<u>\$ 222,757</u>	<u>\$ -</u>
Capitalized interest related to long-term debt	<u>\$ 197,370</u>	<u>\$ 87,741</u>

See accompanying notes to the financial statements.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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 95% 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. In June 2013, the Commission began participating as a cooperative buyer from Municipal Gas Acquisition and Supply Corporation ("MuniGas") enabling the Commission to leverage the buying power of a Joint Gas Purchase Contract.

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.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 was \$197,370 and \$87,741, respectively. Minimum capitalization costs are \$1,000.

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

	<u>Years</u>		<u>Years</u>
Electric distribution system	25	Finance building	50
Gas distribution system	33	Operations center	50
Water system	50	Vehicle maintenance facility	33
Compressed Natural Gas Station	15	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, 2013 and 2012 was \$7,804,812 and \$7,705,111, 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.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 1—Organization and significant accounting policies (continued)

Change in Accounting Principle – The Commission adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (“Statement No. 65”). The provisions of Statement No. 65 relevant to the Commission related to changes in the accounting and reports of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenditures as opposed to being capitalized and amortized over the maturity period of the debt. Statement No. 65 also requires that deferred charges (credits) resulting from the refunding of debt be presented as a deferred outflow (inflow) of resources and not as assets or liabilities. With the change being applied retroactively, the provisions of Statement No. 65 were effective for periods beginning after December 15, 2012. As of December 31, 2012, the net position and revenues over expenses after contributions have been adjusted as accordingly:

	Revenues Over Expenses After Contributions	Net Position
January 1, 2012 as previously reported	\$ (849,498)	\$ 141,572,538
Change in accounting principle	112,004	(1,668,067)
January 1, 2012, restated	<u>\$ (737,494)</u>	<u>\$ 139,904,471</u>

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

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

Inventories - Materials and supplies inventories are stated at the lower of cost, determined by the average cost method, or market, and consist 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, 2013 and 2012 were \$3,920,067 and \$3,191,435, 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.

Bond Premium and Discounts - Bond premiums and discounts are recorded and amortized over the life of the respective bonds using a method that approximates the effective interest 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.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 1—Organization and significant accounting policies (continued)

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 2013 and 2012, 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.

Cumulative changes in the market value of hedge contracts are recorded at the time the contracts are closed. At December 31, 2013 and 2012, the Commission had a total of 32 contracts outstanding for both years, 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 \$3,278,650 and \$3,796,910 at an average cost of \$4.06 and \$3.57 per dekatherm of natural gas at December 31, 2013 and 2012, 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.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 1—Organization and significant accounting policies (continued)

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.”

Pronouncements - The GASB issued Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial periods beginning after December 15, 2011. The requirements of this Statement were implement in 2012.

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, and the effects on these financial statements are discussed above in the *Changes in Accounting Principles* section.

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

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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.

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 15.12% and 15.05% in 2013 and 2012, 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 2013 and 2012, the Commission purchased approximately \$29,533,379 and \$27,702,047, respectively, from PMPA under the two agreements discussed above. On December 31, 2013 and 2012, amounts due to PMPA of \$2,507,726 and \$2,320,200, respectively, were included in accounts payable.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 3—Utility plant

The following is a summary of changes in utility plant:

As of December 31, 2013

	<u>December 31,</u> <u>2012</u>	<u>Additions</u>	<u>Classification</u> <u>Transfers</u>	<u>Disposals</u>	<u>December 31,</u> <u>2013</u>
Utility plant not being depreciated:					
Land	\$ 2,313,949	\$ 30,714	\$ 4,928	\$ -	\$ 2,349,591
Construction in progress	1,601,355	2,986,579	(1,442,403)	-	3,145,531
	<u>3,915,304</u>	<u>3,017,293</u>	<u>(1,437,475)</u>	<u>-</u>	<u>5,495,122</u>
Utility plant being depreciated:					
Electric distribution system	46,072,507	899,207	14,950	(540,406)	46,446,258
Gas distribution system	57,556,768	1,561,087	551,863	(49,064)	59,620,654
Water distribution system	69,493,128	487,360	(28,246)	(687,545)	69,264,697
Water reservoirs and dams	12,819,950	1,313	(6,241)	(6,906)	12,808,116
Recreational facilities	688,689	-	-	-	688,689
Disposal plants and sanitary sewer	84,364,212	1,044,985	628,810	(58,075)	85,979,932
Finance building	447,452	26,256	138,976	(14,827)	597,857
Operations center	5,858,281	-	-	(100,938)	5,757,343
Vehicle maintenance facility	358,074	-	-	-	358,074
Buildings	75,000	-	-	-	75,000
Vehicles and other work equipment	7,893,904	763,261	91,072	(425,654)	8,322,583
Office equipment and furniture	3,373,235	320,172	1,313	(276,186)	3,418,534
Fiber Optic	550,200	-	-	-	550,200
Total Utility plant being depreciated	<u>289,551,400</u>	<u>5,103,641</u>	<u>1,392,497</u>	<u>(2,159,601)</u>	<u>293,887,937</u>
Less accumulated depreciation for:					
Electric distribution system	(21,710,331)	(1,564,880)	(2,936)	540,020	(22,738,127)
Gas distribution system	(22,927,000)	(1,710,202)	(12,406)	16,810	(24,632,798)
Water distribution system	(18,266,155)	(1,371,841)	(3,131)	603,028	(19,038,099)
Water reservoirs and dams	(4,664,644)	(176,078)	(64)	202	(4,840,584)
Recreational facilities	(231,133)	(18,365)	-	-	(249,498)
Disposal plants and sanitary sewer	(21,993,119)	(1,763,556)	(291)	58,074	(23,698,892)
Finance building	(62,611)	(16,526)	(788)	7,210	(72,715)
Operations center	(2,845,584)	(139,292)	(730)	48,951	(2,936,655)
Vehicle maintenance facility	(210,451)	(9,185)	-	-	(219,636)
Buildings	(75,000)	-	-	-	(75,000)
Vehicles and other work equipment	(5,921,993)	(609,383)	(7,405)	403,531	(6,135,250)
Office equipment and furniture	(2,374,422)	(401,847)	(32,985)	248,759	(2,560,495)
Fiber Optic	(204,934)	(23,657)	1	-	(228,590)
Total accumulated depreciation	<u>(101,487,377)</u>	<u>(7,804,812)</u>	<u>(60,735)</u>	<u>1,926,585</u>	<u>(107,426,339)</u>
Utility plant, net	<u>\$ 191,979,327</u>				<u>\$ 191,956,720</u>

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 3—Utility plant (continued)

As of December 31, 2012

	<u>December 31,</u> <u>2011</u>	<u>Additions</u>	<u>Classification</u> <u>Transfers</u>	<u>Disposals</u>	<u>December 31,</u> <u>2012</u>
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
	<u>4,850,151</u>	<u>1,589,244</u>	<u>(2,523,891)</u>	<u>(200)</u>	<u>3,915,304</u>
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	<u>283,772,387</u>	<u>4,074,429</u>	<u>2,473,616</u>	<u>(769,032)</u>	<u>289,551,400</u>
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	<u>(93,560,590)</u>	<u>(8,522,479)</u>	<u>34,021</u>	<u>561,671</u>	<u>(101,487,377)</u>
Utility plant, net	<u>\$ 195,061,948</u>				<u>\$ 191,979,327</u>

At December 31, 2013 and 2012, the Commission had outstanding contractual commitments of \$425,455 and \$60,349, respectively, related to additions to the utility plant. Such construction will be financed from debt proceeds, cash flows from operations, and available cash and investments.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 4—Cash, cash equivalents and investments

At December 31, 2013, the carrying value of deposits included in cash and cash equivalents was \$26,751,815 and the bank balance was \$26,909,677. 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. 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.

Cash and cash equivalents at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 26,751,815	\$ 24,570,543

As of December 31, 2013, the Commission had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 - 12 Months</u>
SC Local Government Investment Pool	\$ 7,374,860	\$ 7,374,860	\$ -

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 - 12 Months</u>
SC Local Government Investment Pool	\$ 7,359,871	\$ 7,359,871	\$ -

Reconciliation of Investments to Statements of Net Position:

	<u>2013</u>	<u>2012</u>
Short-term Investments		
Unrestricted	\$ 3,035,713	\$ 3,029,543
Restricted	4,339,147	4,330,328
Total Short-term Investments	<u>\$ 7,374,860</u>	<u>\$ 7,359,871</u>

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.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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 2013 and 2012, the Commission did not have any investments in Certificate of Deposits.

Note 5—Inventories

Inventories at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Materials and supplies:		
Electric	\$ 1,281,425	\$ 1,255,073
Gas	607,393	631,925
Water and sewer	286,267	212,979
Other	11,884	12,546
Gasoline	24,790	19,333
	<u>\$ 2,211,759</u>	<u>\$ 2,131,856</u>

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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 19 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, 2013 and 2012, amortization in the amount of \$23,000, 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, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
\$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.	\$ 23,665,000	\$ 23,845,000
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.	7,257,606	7,529,188
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.	6,080,563	6,315,130
\$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.	4,432,339	4,664,966
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.	10,945,559	11,540,794
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%.	4,743,461	4,907,104

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 7—Long-term debt (continued)

	<u>2013</u>	<u>2012</u>
\$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.	20,260,000	21,555,000
\$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.	5,175,000	5,525,000
South Carolina Public Service Authority junior lien loan to finance the acquisition and installation of an electrical substation; interest at 0.00% in years 1 thru 5, and interest reset each year to the current rate of interest on 10-year U.S. Treasury Notes in years 6 thru 10; principal and interest payable annually starting September 1, 2018 thru September 1, 2022.	3,500,000	-
	86,059,528	85,882,182
Current portion of long-term debt	(3,401,835)	(3,289,644)
Bond premium, net of accumulated amortization of \$392,098 in 2013 and \$358,384 in 2012	619,314	653,028
	<u>\$ 83,277,007</u>	<u>\$ 83,245,566</u>

Future maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,401,835	\$ 3,082,091	\$ 6,483,926
2015	3,509,490	2,970,287	6,479,777
2016	3,628,200	2,854,479	6,482,679
2017	3,747,997	2,734,185	6,482,182
2018	3,868,913	2,609,652	6,478,565
2019-2023	24,894,947	11,010,489	35,905,436
2024-2028	23,371,567	7,050,592	30,422,159
2029-2033	17,706,423	2,318,260	20,024,683
2034-2038	1,471,821	129,038	1,600,859
2039-2040	458,335	12,925	471,260
	<u>\$ 86,059,528</u>	<u>\$ 34,771,998</u>	<u>\$ 120,831,526</u>

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 7—Long-term debt (continued)

Changes in long-term Debt:

December 31, 2013

	Beginning Balance	New Issuance	Payments	Ending Balance	Current Portion
2002 Combined Utility System Bonds	\$ 23,845,000	\$ -	\$ (180,000)	\$ 23,665,000	\$ 190,000
2004 State Revolving Loan	7,529,188	-	(271,582)	7,257,606	277,744
2005 State Revolving Loan	6,315,130	-	(234,567)	6,080,563	239,889
2007 State Revolving Loan	11,540,794	-	(595,235)	10,945,559	608,742
2007 Combined Utility System Bonds	4,664,966	-	(232,627)	4,432,339	241,979
2009 State Revolving Loan	4,907,104	-	(163,643)	4,743,461	133,481
2009 Combined Utility System Bonds	21,555,000	-	(1,295,000)	20,260,000	1,345,000
2010 Combined Utility System Bonds	5,525,000	-	(350,000)	5,175,000	365,000
2013 SC Public Service Authority	-	3,500,000	-	3,500,000	-
Landfill postclosure costs	437,000	-	(23,000)	414,000	23,000
	<u>\$ 86,319,182</u>	<u>\$ 3,500,000</u>	<u>\$ (3,345,654)</u>	<u>\$ 86,473,528</u>	<u>\$ 3,424,835</u>

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
	<u>\$ 90,296,893</u>	<u>\$ 98,800</u>	<u>\$ (4,076,511)</u>	<u>\$ 86,319,182</u>	<u>\$ 3,312,644</u>

The Commission has pledged future total revenues, net of operating expenses, to repay substantially all outstanding debt issued in prior years. Proceeds from this debt provided financing for utility infrastructure. The debt is payable solely from the net revenues of the Commission and is payable through 2040. The total principal and interest remaining to be paid on the debt is \$120,831,526. Principal and interest paid for the years ended December 31, 2013 and 2012 were \$6,250,221 and \$7,256,528, respectively. Total revenues for the years ended December 31, 2013 and 2012 were \$74,650,207 and \$67,498,514, 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 deferred outflow of resources and is being amortized as interest expense over the term of the new debt.

At December 31, 2013 and 2012, the amount of defeased bonds principal outstanding and unpaid by the Trustee was \$20,780,000 and \$22,660,000, respectively.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 was \$6,643,781 and \$6,694,640, 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:

<u>Period</u>	<u>Employee</u>	<u>Employer</u>
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 – June 2013	7.00%	10.60%
July – December, 2013	7.50%	10.60%

Contributions by the Commission were based on the percentages of the employees’ earnings listed above and amounted to \$678,056, \$677,492, and \$619,093 in 2013, 2012, and 2011, respectively. Employee contributions were based on the percentages of the employees’ earnings listed above and amounted to \$478,170, \$451,525 and \$423,292 in 2013, 2012, and 2011, 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 follows GASB No. 45, *Accounting and Financial Reporting by Employers for Post-Retirement Benefits Other Than Pensions* (“GASB 45”). 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.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 9—Other post-employment benefits (continued)

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 retirement. 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:

	<u>2013</u>	<u>2012</u>
Active Employees	122	119
Retirees	14	12
Total	<u>136</u>	<u>131</u>

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 met 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, 2013 and 2012, the Commission recognized expenses (net of participant contributions) of \$63,648 and \$72,199 respectively, to provide health benefits to Commission participants in post-employment status. As of December 31, 2013 and 2012, retired members in post-employment status that were eligible for benefits under the Plan included 17 and 10, 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.

GREER COMMISSION OF PUBLIC WORKS
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, respectively, the amount actually contributed to the Plan and the changes in the net OPEB obligation to the Plan:

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 104,000	\$ 115,000
Interest on net OPEB obligation	29,000	27,000
Adjustment to annual required contribution	(30,000)	(28,000)
Annual OPEB cost	103,000	114,000
Contributions made during the year	(50,000)	(83,000)
Increase in net OPEB obligation	53,000	31,000
Net OPEB obligation - beginning of year	715,000	684,000
Net OPEB obligation - end of year	<u>\$ 768,000</u>	<u>\$ 715,000</u>

The Commissions annual OPEB cost, contributions, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation of the years ended December 31, 2013, 2012, and 2011 are as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 103,000	\$ 50,000	48.54%	\$ 768,000
2012	114,000	83,000	72.81%	715,000
2011	114,000	69,000	60.53%	684,000

Funding progress:

	<u>January 1, 2013</u>	<u>January 1, 2010</u>
Actuarial valuation date		
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL) – projects unit credit	1,402,000	1,528,000
Unfunded AAL (UAAL)	1,402,000	1,528,000
Normal cost	45,000	51,000
Funded ratio	0%	0%
Covered payroll	\$ 6,643,781	\$ 6,751,423
UAAL as a percent of covered payroll	21.10%	22.63%

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.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013, 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, 2013 actuarial valuation. The actuarial present value of benefits allocated to the valuation year is the normal costs. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. Actuarial gains (losses), as they occur, reduce (increase) the unfunded actuarial accrued liability. Unfunded actuarial accrued liabilities (“UAAL”) were amortized by level percent of payroll contributions. The UAAL was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent of payroll (assumed to increase at 2.0%) required to fully amortize the UAAL over a 30-year period. Projections of health benefits are based on the plan as understood by the Commission and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Commission and its employees to that point. Actuarial assumptions include annual healthcare cost trend rates of 7.5%, reduced by decrements of 0.5% to an ultimate rate of 5.0%. Dental costs are assumed to increase at 5.0% per year. The remaining amortization period at December 31, 2013, was 24 years. Significant methods and assumption were as follows:

Actuarial Methods and Assumptions

Investment rate of return	4.00%
Actuarial cost method	Projected Unit Cost Method
Annual amortization Inflation rate	2.50%
Amortization period	Level as a percentage of salary
Salary growth	2.50%

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.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 10—Risk management (continued)

It is the policy of the Commission to provide group health insurance for all of its full-time employees and Commissioners. These health insurance policies are administered by a third party. The Commission's total expense for the fiscal years ending December 31, 2013 and December 31, 2012 was \$1,405,351 and \$1,444,806, 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 2013 and 2012, 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 both 2013 and 2012.

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 Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, contributions for the years ended December 31, 2013 and 2012 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 \$331,643 and \$371,498 and capital contributions of \$706,802 and \$663,314, respectively, are included in contributions.

GREER COMMISSION OF PUBLIC WORKS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, the Commission had accumulated zero and \$2,846,150 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 zero 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, 2013

	Budget	Actual	Variance Positive (Negative)	Variance
Operating revenues				
Electric revenues	\$ 35,395,997	\$ 34,811,682	\$ (584,315)	-1.65%
Gas revenues	22,576,045	26,536,363	3,960,318	17.54%
Water and sewer service	11,356,114	10,618,953	(737,161)	-6.49%
Other operating revenues	2,216,536	2,683,209	466,673	21.05%
Total operating revenues	<u>71,544,692</u>	<u>74,650,207</u>	<u>3,105,515</u>	4.34%
Operating expenses				
Purchased power	29,663,348	30,329,243	(665,895)	-2.24%
Purchased gas	11,966,296	15,140,312	(3,174,016)	-26.52%
Depreciation and amortization	7,751,785	7,809,675	(57,890)	-0.75%
Other operating expenses	16,153,853	15,450,499	703,354	4.35%
Total operating expenses	<u>65,535,282</u>	<u>68,729,729</u>	<u>(3,194,447)</u>	-4.87%
Net operating revenue	<u>6,009,410</u>	<u>5,920,478</u>	<u>(88,932)</u>	-1.48%
Other revenues (expenses)				
Interest expense	(3,252,451)	(2,904,567)	347,884	-10.70%
Interest revenue	45,000	51,238	6,238	13.86%
Transfers to the City of Greer	(1,000,000)	(1,000,000)	-	0.00%
Loss on disposal of utility plant	-	(139,659)	(139,659)	
Total other expenses, net	<u>(4,207,451)</u>	<u>(3,992,988)</u>	<u>214,463</u>	-5.10%
Revenues over expenses before contributions	1,801,959	1,927,490	125,531	6.97%
Contributions	-	1,038,445	1,038,445	
Revenues over expenses after contributions	<u>\$ 1,801,959</u>	<u>\$ 2,965,935</u>	<u>\$ 1,163,976</u>	64.60%

GREER COMMISSION OF PUBLIC WORKS

SCHEDULE 2 – SCHEDULE OF DEPARTMENTAL OPERATING REVENUES AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues					
Electric and gas sales -					
Residential	\$ 18,657,474	\$ 10,807,877	\$ -	\$ -	\$ 29,465,351
Commercial	5,458,092	5,211,170	-	-	10,669,262
Industrial and power	10,696,116	10,517,316	-	-	21,213,432
Water and sewer service	-	-	5,794,589	4,824,364	10,618,953
Collection penalties	96,049	148,049	123,042	123,043	490,183
Other operating revenues	501,383	333,454	479,014	879,175	2,193,026
Total Operating revenues	<u>35,409,114</u>	<u>27,017,866</u>	<u>6,396,645</u>	<u>5,826,582</u>	<u>74,650,207</u>
Operating and maintenance expenses					
Purchased power	30,329,243	-	-	-	30,329,243
Purchased gas	-	15,140,312	-	-	15,140,312
Depreciation	1,864,853	2,010,174	1,866,256	2,063,529	7,804,812
Amortization	875	778	1,605	1,605	4,863
Other operating expenses	3,051,187	4,423,916	4,280,126	3,695,270	15,450,499
Total operating expenses	<u>35,246,158</u>	<u>21,575,180</u>	<u>6,147,987</u>	<u>5,760,404</u>	<u>68,729,729</u>
Net operating departmental revenue	<u>\$ 162,956</u>	<u>\$ 5,442,686</u>	<u>\$ 248,658</u>	<u>\$ 66,178</u>	<u>\$ 5,920,478</u>

GREER COMMISSION OF PUBLIC WORKS

STATISTICAL NARRATIVE

FOR THE YEAR ENDED DECEMBER 31, 2013

This part of the Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, says about the Commission'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

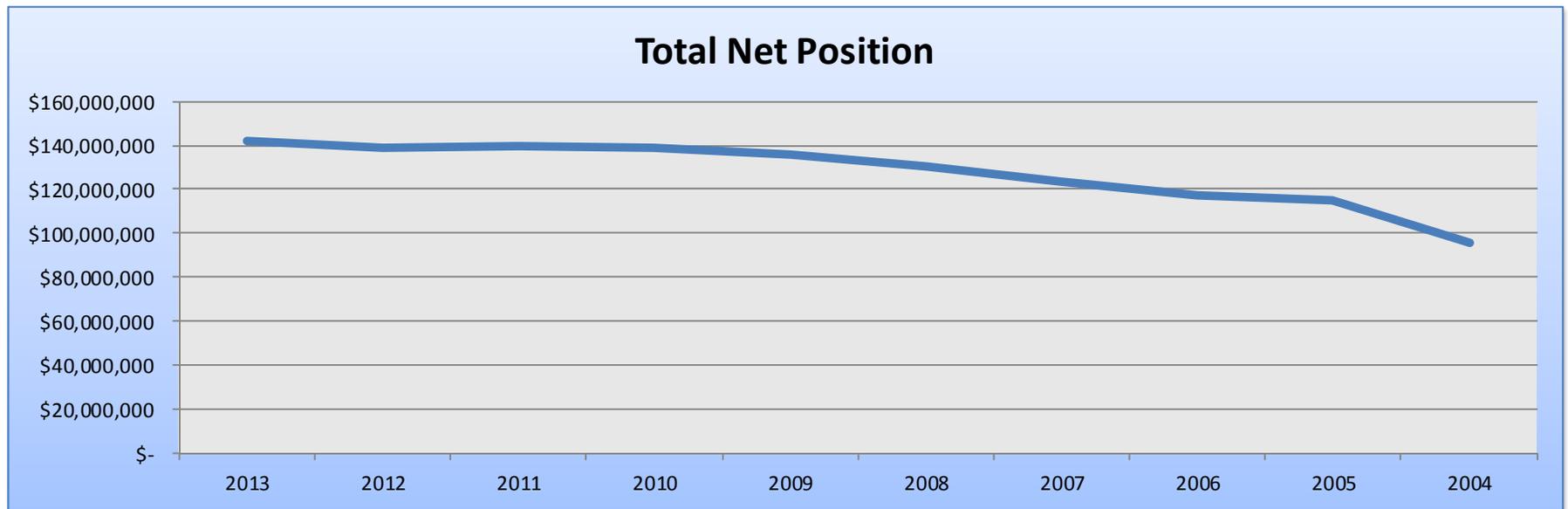
These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**GREER COMMISSION OF PUBLIC WORKS
COMBINED SYSTEM
SCHEDULE OF NET POSITION BY COMPONENT FOR THE LAST 10 YEARS (UNAUDITED)**

	2013	2012 (Restated)	2011 (Restated)	2010	2009	2008	2007	2006	2005	2004
Net investment in Capital assets	\$ 108,778,273	\$ 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
Restricted for:										
Debt service	2,505,422	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
Capital projects	5,944,339	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
Total restricted	8,449,761	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
Unrestricted	24,904,878	21,233,711	23,374,253	17,244,248	13,263,590	10,160,784	6,427,074	10,247,888	13,931,999	16,558,687
Change In accounting principles ⁽¹⁾	-	-	(1,668,067)	-	-	-	-	-	-	-
Unrestricted, restated	24,904,878	21,233,711	21,706,186	17,244,248	13,263,590	10,160,784	6,427,074	10,247,888	13,931,999	16,558,687
Total net position	<u>\$ 142,132,912</u>	<u>\$ 139,166,977</u>	<u>\$ 139,904,471</u>	<u>\$ 139,012,914</u>	<u>\$ 135,530,438</u>	<u>\$ 130,670,070</u>	<u>\$ 123,478,327</u>	<u>\$ 116,881,602</u>	<u>\$ 115,149,627</u>	<u>\$ 95,805,503</u>

(1) The Commission adopted GASB 65 in fiscal year 2011, which changed the treatment of the costs of debt issuance.



GREER COMMISSION OF PUBLIC WORKS
CAPITAL ASSETS STATISTICS BY UTILITY
LAST SIX FISCAL YEARS⁽¹⁾

	2013	2012	2011	2010	2009	2008	2007
Electric							
Substations	4	4	3	3	3	3	3
Winter peak (megawatts)	64	61	67	67	58	59	53
Summer peak (megawatts)	81	84	85	83	75	81	81
Overhead distribution (miles)	199	196	195	193	193	190	190
Underground distribution (miles)	188	184	184	184	183	176	170
Poles	12,152	12,045	11,938	11,793	10,135	9,986	9,606
Transformers	4,714	4,653	4,612	4,587	4,571	4,534	4,499
Meters	16,683	16,510	16,310	16,143	16,089	15,955	15,263
Vehicles	18	17	17	17	17	18	17
Natural Gas							
Transco pipeline connections	2	2	2	2	2	2	2
High-pressure transmission lines (miles)	43	43	46	46	46	46	46
Intermediate and distribution lines (miles)	751	744	712	712	710	704	683
Pressure reducing regulator stations	145	131	131	139	139	139	139
Meters	20,891	20,569	20,275	20,078	19,880	19,639	19,263
Vehicles	21	20	21	21	21	19	17
Water							
Water treatment plants	1	1	1	1	1	1	1
Water treatment plant capacity (million gallons per day)	24	24	24	24	24	24	24
Average daily flow (million gallons per day)	9	10	8	9	8	9	9
Peak flow (million gallons per day)	13	19	13	14	14	16	14
Ground storage capacity (million gallons)	8	8	8	8	8	8	8
Elevated tank storage capacity (million gallons)	6	6	6	6	4	4	4
Transmission lines (miles)	32	32	31	32	31	31	30
Distribution lines (miles)	371	368	379	379	373	373	372
Fire hydrants	1,455	1,438	1,423	1,476	1,459	1,446	1,398
Meters	18,302	18,126	17,899	17,717	17,607	17,438	17,221
Vehicles	12	9	10	10	10	8	8
Sewer							
Treatment plants	1	1	1	1	1	1	1
Treatment plant capacity (million gallons per day)	5	5	5	5	5	5	5
Average daily flow (million gallons per day)	2	2	2	2	2	2	2
Gravity collection lines (miles)	216	216	214	216	215	214	213
Force main collection lines (miles)	20	20	28	22	21	21	19
Lift stations	17	17	17	17	18	18	17
Sewer valves	52	52	52	52	52	52	52
Manholes	5,590	5,615	5,606	5,582	5,532	5,452	5,325
Vehicles	15	14	13	13	13	11	12

(1) Capital asset information prior to fiscal year 2007 is not readily available

**GREER COMMISSION OF PUBLIC WORKS
COMBINED SYSTEM**

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

<i>(in thousands)</i>	2012	2011								
	2013	(Restated)	(Restated)	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES:										
Electric revenues	\$ 34,812	\$ 32,224	\$ 31,562	\$ 32,136	\$ 30,495	\$ 28,886	\$ 26,686	\$ 23,868	\$ 23,052	\$ 21,187
Gas revenues	26,536	21,932	26,888	31,247	29,195	38,476	34,443	33,630	32,015	26,577
Water revenues	5,795	6,113	5,634	5,679	5,579	6,000	5,845	5,001	4,597	4,375
Sewer revenues	4,824	4,569	4,526	4,481	4,211	4,169	3,832	3,355	3,165	3,057
Other operating revenues	2,683	2,661	2,022	1,807	2,105	2,627	3,605	3,728	3,847	3,299
Total operating revenues	<u>74,650</u>	<u>67,499</u>	<u>70,632</u>	<u>75,350</u>	<u>71,585</u>	<u>80,158</u>	<u>74,411</u>	<u>69,582</u>	<u>66,676</u>	<u>58,495</u>
OPERATING EXPENSES:										
Purchased power	30,329	28,426	26,509	25,054	23,548	22,689	20,859	19,333	17,843	16,299
Purchased gas	15,140	12,988	16,784	20,381	20,150	28,889	27,333	27,936	26,629	21,318
Depreciation and amortization	7,810	7,710	7,124	7,472	7,079	6,288	5,867	5,377	5,233	5,061
Depreciation - change in accounting estimate	-	817	-	-	-	-	-	-	-	-
Other operating expenses	15,451	15,099	13,987	14,598	14,716	14,805	14,040	12,811	12,096	10,738
Total operating expenses	<u>68,730</u>	<u>65,040</u>	<u>64,404</u>	<u>67,505</u>	<u>65,493</u>	<u>72,671</u>	<u>68,099</u>	<u>65,457</u>	<u>61,801</u>	<u>53,416</u>
Net operating revenue	<u>\$ 5,920</u>	<u>\$ 2,459</u>	<u>\$ 6,228</u>	<u>\$ 7,845</u>	<u>\$ 6,092</u>	<u>\$ 7,487</u>	<u>\$ 6,312</u>	<u>\$ 4,125</u>	<u>\$ 4,875</u>	<u>\$ 5,079</u>
OTHER REVENUES (EXPENSES)										
Interest expense	\$ (2,904)	\$ (3,203)	\$ (3,498)	\$ (3,275)	\$ (3,028)	\$ (3,105)	\$ (3,158)	\$ (3,052)	\$ (2,645)	\$ (2,421)
Interest revenue	51	64	80	48	156	457	913	842	730	461
Transfers to the City of Greer	(1,000)	(1,000)	(1,088)	(1,262)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Loss on disposal of utility plant	(140)	(93)	(178)	(599)	(148)	(109)	(12)	(425)	(64)	(4)
Total other expenses, net	<u>(3,993)</u>	<u>(4,232)</u>	<u>(4,684)</u>	<u>(5,088)</u>	<u>(4,020)</u>	<u>(3,757)</u>	<u>(3,257)</u>	<u>(3,635)</u>	<u>(2,979)</u>	<u>(2,964)</u>
Revenues over expenses before contributions	1,927	(1,773)	1,544	2,757	2,072	3,730	3,055	490	1,896	2,115
Contributions	1,039	1,035	1,112	726	2,788	3,462	3,541	1,242	4,369	4,516
Revenues over expenses after contributions	<u>2,966</u>	<u>(738)</u>	<u>2,656</u>	<u>3,483</u>	<u>4,860</u>	<u>7,192</u>	<u>6,596</u>	<u>1,732</u>	<u>6,265</u>	<u>6,631</u>
Beginning net position	<u>139,167</u>	<u>139,905</u>	<u>139,013</u>	<u>135,530</u>	<u>130,670</u>	<u>123,478</u>	<u>116,882</u>	<u>115,150</u>	<u>108,885</u>	<u>102,254</u>
Change in accounting principle ⁽²⁾	-	-	(1,764)	-	-	-	-	-	-	-
Beginning net position, restated	<u>139,167</u>	<u>139,905</u>	<u>137,249</u>	<u>135,530</u>	<u>130,670</u>	<u>123,478</u>	<u>116,882</u>	<u>115,150</u>	<u>108,885</u>	<u>102,254</u>
Ending net position	<u>\$ 142,133</u>	<u>\$ 139,167</u>	<u>\$ 139,905</u>	<u>\$ 139,013</u>	<u>\$ 135,530</u>	<u>\$ 130,670</u>	<u>\$ 123,478</u>	<u>\$ 116,882</u>	<u>\$ 115,150</u>	<u>\$ 108,885</u>

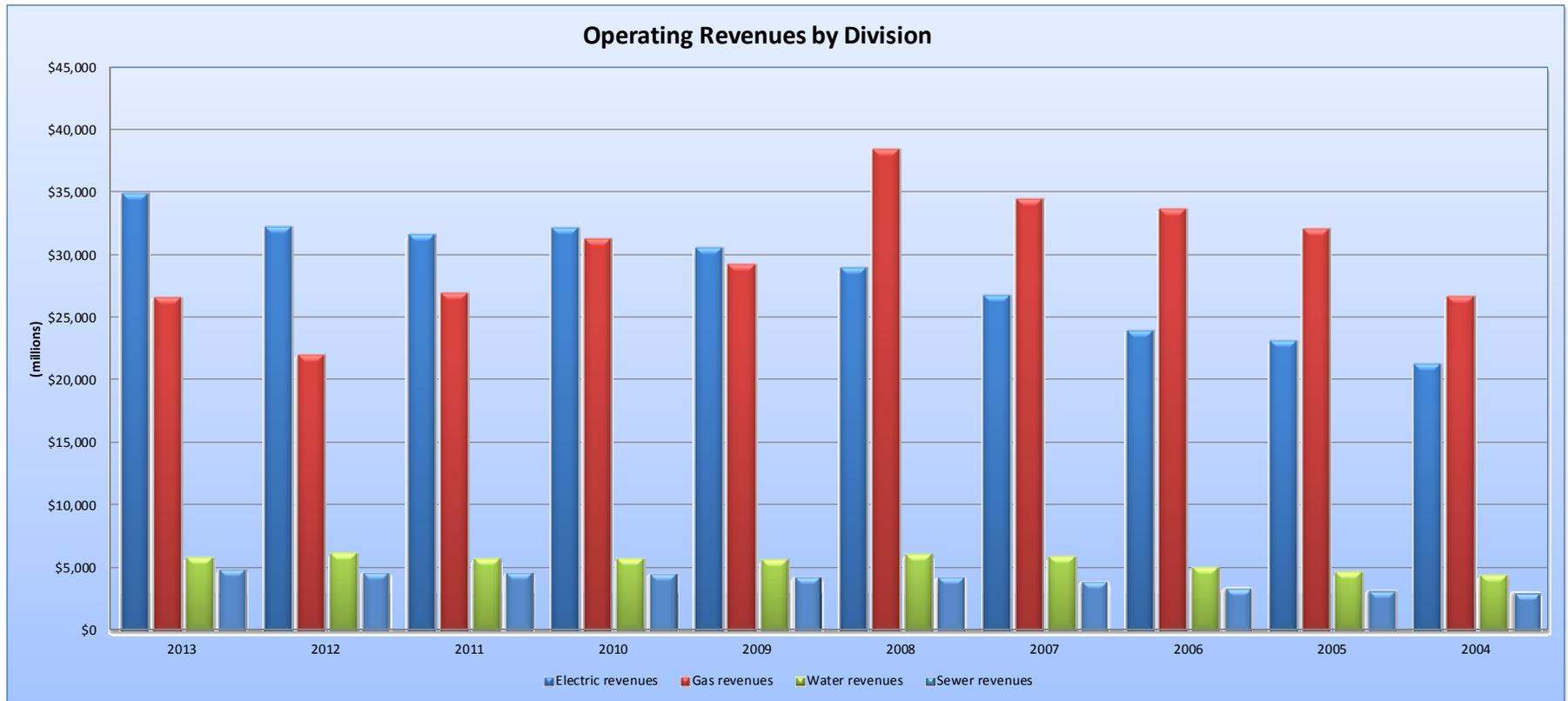
(1) Information is summarized from the audited financial statements for the years indicated.

(2) The Commission adopted GASB 65 in fiscal year 2011, which changed the treatment of the costs of debt issuance.

GREER COMMISSION OF PUBLIC WORKS

COMBINED SYSTEM

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



GREER COMMISSION OF PUBLIC WORKS

ELECTRIC SYSTEM

SCHEDULE OF REVENUE, EXPENSES AND OPERATING INDICATORS – LAST TEN FISCAL YEARS⁽¹⁾

<i>(in thousands)</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES:										
Residential	\$ 18,657	\$ 17,067	\$ 17,141	\$ 17,162	\$ 16,321	\$ 15,468	\$ 15,186	\$ 13,296	\$ 13,019	\$ 12,161
Small commercial	4,079	4,338	3,341	3,492	3,171	3,072	2,430	1,778	1,835	1,808
Time of use	217	208	297	210	208	227	237	212	323	365
Large commercial	10,696	10,022	9,625	10,211	9,702	9,087	8,833	7,747	7,875	7,023
Rental and street lighting	1,163	589	1,158	1,061	1,093	1,032	901	835	803	759
Collection penalties	96	94	91	95	129	152	149	141	163	127
Other	501	513	473	294	333	301	273	1204	280	121
Total operating revenues	35,409	32,831	32,126	32,525	30,957	29,339	28,009	25,213	24,298	22,364
OPERATING EXPENSES:										
Purchased power	30,329	28,426	26,509	25,054	23,548	22,688	20,859	19,333	17,843	16,299
Depreciation	1,865	1,836	1,713	1,854	1,609	1,481	1,408	1,317	1,279	1,198
Amortization	1	25	34	43	4	6	6	5	5	4
Other operating expenses	3,051	2,938	2,979	3,244	3,219	2,966	2,859	2,668	2,531	2,160
Total operating expenses	35,246	33,225	31,235	30,195	28,380	27,141	25,132	23,323	21,658	19,661
Net operating departmental revenue	\$ 163	\$ (394)	\$ 891	\$ 2,330	\$ 2,577	\$ 2,198	\$ 2,877	\$ 1,890	\$ 2,640	\$ 2,703
PURCHASED POWER - (megawatt hours)										
Purchased from PMPA ⁽²⁾	342,297	345,028	352,790	363,458	335,001	340,029	328,918	290,598	272,704	256,798
Purchased from SEPA ⁽³⁾	13,769	12,796	13,584	11,272	12,516	14,041	13,901	13,402	27,645	21,937
Total purchased	361,066	357,824	366,374	374,730	347,517	354,070	342,819	304,000	300,349	278,735
CONSUMPTION - (megawatt hours)										
Residential	168,471	167,257	177,315	183,153	162,016	163,775	161,825	148,537	141,312	133,278
Small commercial	13,171	12,917	13,689	14,418	13,432	14,133	14,235	14,872	17,729	17,142
Time of use	2,678	2,778	3,998	2,746	2,924	3,299	3,639	3,473	5,190	6,004
Large commercial	147,618	147,079	147,363	141,101	135,962	136,619	128,748	114,483	105,835	97,696
Rental and street lighting	2,186	2,330	2,233	2,156	2,029	2,095	6,037	5,431	5,656	5,541
Other	11513	11,555	11,740	12,029	11,463	11,226	11,825	10,733	9,377	9,809
Total consumption	345,637	343,916	356,338	355,603	327,826	331,147	326,309	297,529	285,099	269,470
Line losses and megawatt hours unaccounted for	15,429	13,908	10,036	10,127	10,691	22,923	16,510	6,471	15,250	9,265
Percentage of line losses and megawatt hours unaccounted for to purchased power	4.3%	3.9%	2.7%	5.1%	5.7%	6.5%	4.8%	2.1%	5.1%	3.3%
ACTIVE SERVICES (number of customers)										
Residential	14,226	14,003	13,764	13,588	13,454	13,461	12,869	12,439	11,932	11,392
Small commercial	1,235	1,215	1,211	1,195	1,214	1,245	1,192	1,154	1,140	1,185
Time of use	6	6	6	6	6	8	8	8	8	10
Large commercial	759	757	744	704	710	715	684	659	641	490
Rental and street lighting	2,016	2,039	2,043	2,035	2,053	2,061	2,054	2,030	2,018	2,039
Other	49	46	47	46	47	47	44	36	33	32
Total	18,291	18,066	17,815	17,574	17,484	17,537	16,851	16,326	15,772	15,148

(1) Information is compiled from internally generated statistical reports

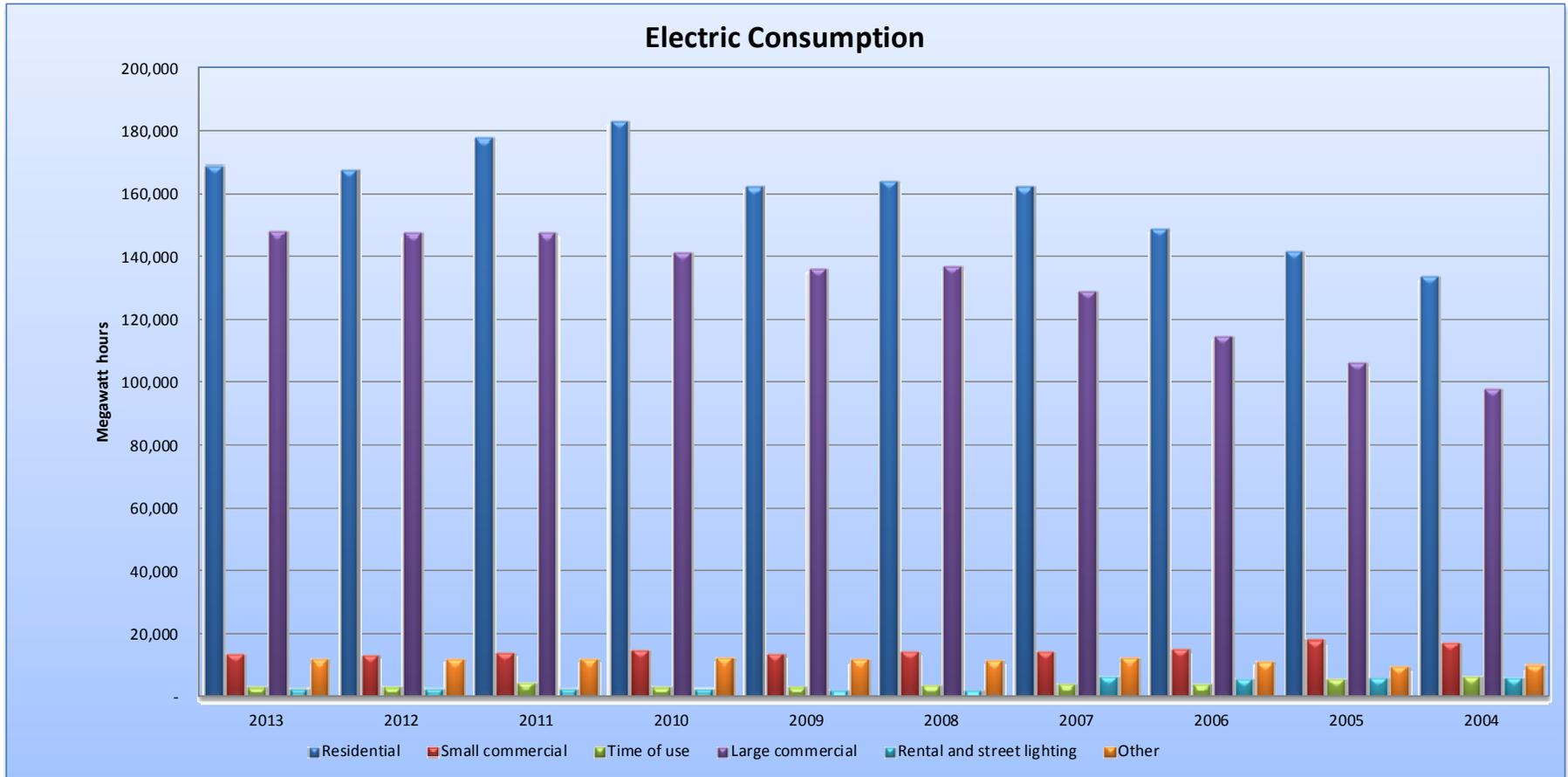
(2) Piedmont Municipal Power Association

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

GREER COMMISSION OF PUBLIC WORKS

ELECTRIC SYSTEM

SCHEDULE OF REVENUE, EXPENSES AND OPERATING INDICATORS – LAST TEN FISCAL YEARS (CONTINUED)



GREER COMMISSION OF PUBLIC WORKS

GAS SYSTEM

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

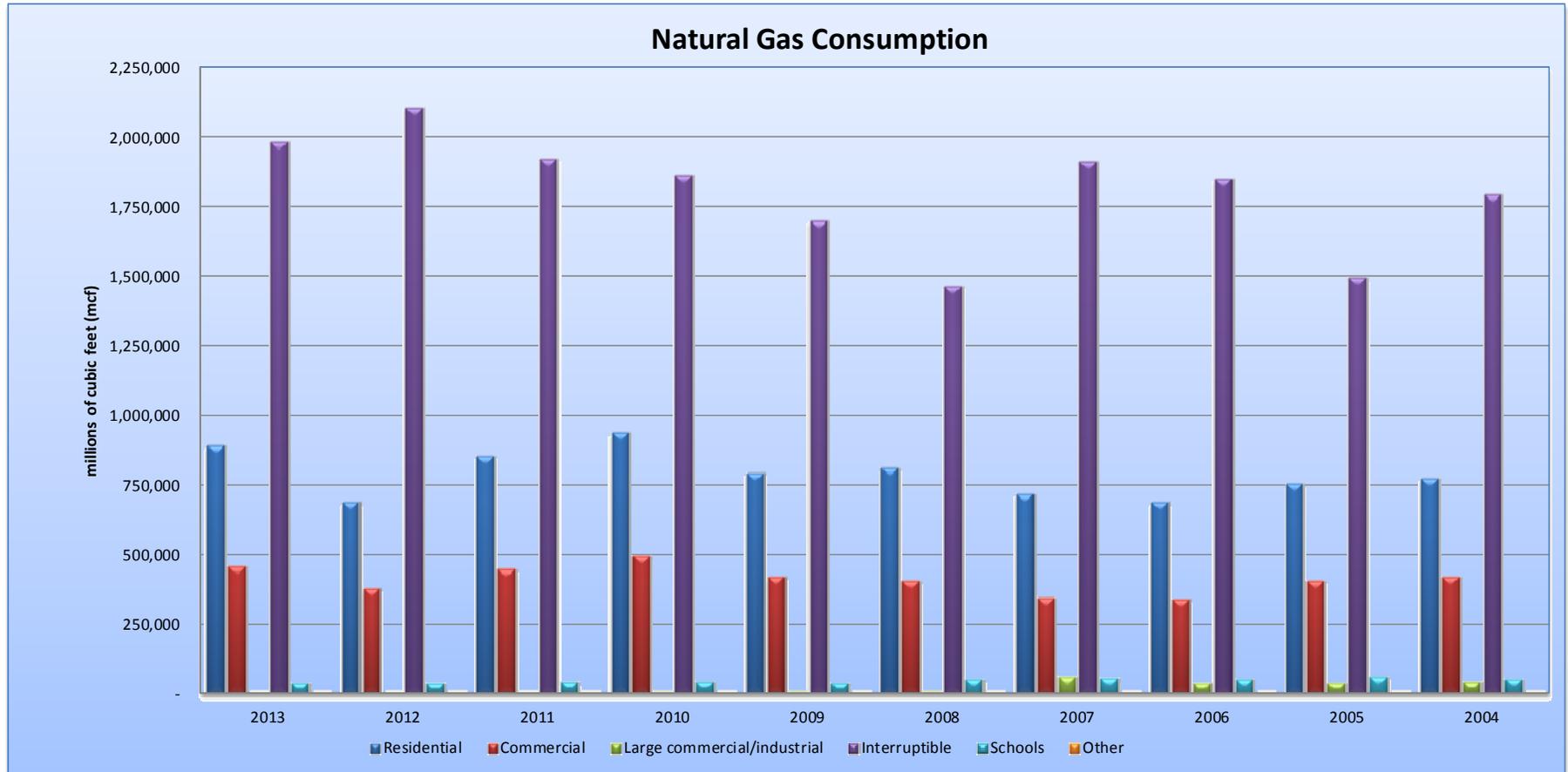
<i>(in thousands)</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES:										
Residential	\$ 10,808	\$ 8,670	\$ 10,364	\$ 12,946	\$ 11,937	\$ 13,841	\$ 11,138	\$ 10,963	\$ 11,185	\$ 9,525
Commercial	4,803	4,317	4,952	6,429	6,004	7,283	5,572	5,135	6,152	5,028
Large commercial/industrial	41	43	50	118	105	430	728	673	448	372
Interruptible	10,517	8,529	11,087	11,228	10,656	16,115	16,346	16,076	13,410	11,585
Schools	367	374	435	526	494	807	659	783	820	594
Collection penalties	148	146	141	149	193	284	278	263	304	236
Other	333	301	253	229	222	335	498	579	631	70
Total operating revenues	27,017	22,380	27,282	31,625	29,611	39,095	35,219	34,472	32,950	27,410
OPERATING EXPENSES:										
Purchased gas	15,140	12,988	16,784	20,381	20,150	28,889	27,333	27,937	26,629	21,318
Depreciation	2,010	2,760	1,864	2,003	1,855	1,757	1,621	1,489	1,440	1,388
Amortization	1	26	(10)	39	35	26	27	23	22	19
Other operating expenses	4,424	4,500	4,377	4,516	4,512	4,457	4,040	3,803	3,704	3,420
Total operating expenses	21,575	20,274	23,015	26,939	26,552	35,129	33,021	33,252	31,795	26,145
Net operating departmental revenue	\$ 5,442	\$ 2,106	\$ 4,267	\$ 4,686	\$ 3,059	\$ 3,966	\$ 2,198	\$ 1,220	\$ 1,155	\$ 1,265
PURCHASED GAS (MCF)	3,793,021	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
CONSUMPTION - (MCF)										
Residential	889,965	686,981	853,869	936,733	792,434	808,764	717,641	686,047	751,792	774,589
Commercial	456,793	377,058	444,267	491,385	418,847	402,109	340,434	339,158	404,718	420,026
Large commercial/industrial	4,003	3,899	4,393	5,981	7,613	7,965	58,452	35,778	37,205	37,821
Interruptible	1,980,468	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
Schools	37,424	34,303	39,074	41,362	36,962	50,865	52,335	50,791	60,162	51,924
Other	2,078	1,725	2,950	2,738	2,329	2,393	1,733	2,112	2,350	2,447
Total consumption	3,370,731	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
Line-loss and unaccounted for gas	422,290	24,881	183,989	261,223	160,878	248,393	181,521	217,375	181,143	188,450
Percentage of line losses and MCF unaccounted for to purchased gas.	11.1%	0.8%	5.3%	7.2%	5.2%	8.3%	5.6%	6.8%	6.2%	5.8%
ACTIVE SERVICES (number of customers)										
Residential	18,004	17,649	17,358	17,141	16,902	16,871	16,334	15,996	15,268	14,696
Commercial	1,489	1,472	1,448	1,433	1,457	1,485	1,460	1,430	1,421	1,407
Large commercial/industrial	5	6	6	7	9	9	13	7	7	7
Interruptible	10	10	10	10	10	10	8	11	10	11
Schools	24	24	24	24	26	26	25	26	26	26
Other	19	16	15	14	15	14	12	11	9	8
	19,551	19,177	18,861	18,629	18,419	18,415	17,852	17,481	16,741	16,155

(1) Information is compiled from internally generated statistical reports

GREER COMMISSION OF PUBLIC WORKS

GAS SYSTEM

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



GREER COMMISSION OF PUBLIC WORKS

WATER SYSTEM

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

<i>(in thousands)</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES:										
Inside city	\$ 1,921	\$ 2,284	\$ 1,924	\$ 2,005	\$ 1,982	\$ 2,192	\$ 2,106	\$ 1,742	\$ 1,649	\$ 1,495
Outside city	1,915	2,100	2,070	2,018	1,965	2,075	2,023	1,729	1,673	1,662
Industrial	796	306	472	448	390	471	458	436	384	418
Fire protection ⁽²⁾	14	14	13	13	13	13	13	13	14	14
Irrigation	182	220	222	222	202	213	209	174	143	111
Wholesale	967	1,189	933	973	1,026	1,037	1,036	906	734	705
Collection penalties	123	121	117	124	161	126	124	117	135	105
Other	479	454	402	430	401	435	559	611	670	636
Total operating revenues	6,397	6,688	6,153	6,233	6,140	6,562	6,528	5,728	5,402	5,146
OPERATING EXPENSES:										
Depreciation	1,866	1,872	1,692	1,691	1,699	1,457	1,370	1,197	1,172	1,297
Amortization	2	(26)	(16)	5	31	4	4	3	3	2
Other operating expenses	4,280	4,105	4,001	4,189	4,234	4,590	4,373	3,869	3,504	3,278
Total operating expenses	6,148	5,951	5,677	5,885	5,964	6,051	5,747	5,069	4,679	4,577
Net operating departmental revenue	\$ 249	\$ 737	\$ 476	\$ 348	\$ 176	\$ 511	\$ 781	\$ 659	\$ 723	\$ 569
WATER USAGE (thousands of gallons)										
Total water pumped	2,579,333	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
Total percentage of non-revenue water	9.96%	6.89%	6.41%	6.58%	6.12%	4.73%	5.25%	4.51%	6.13%	6.33%
Consumption										
Inside city	697,776	839,571	842,495	906,564	849,477	946,308	959,233	841,986	873,102	733,327
Outside city	464,470	562,175	596,328	587,988	551,435	613,953	636,797	575,549	521,379	540,906
Industrial	373,152	345,685	286,841	272,781	243,292	291,671	300,854	286,618	253,690	284,976
Irrigation	77,170	105,455	114,757	116,025	103,633	113,145	123,206	96,167	76,613	58,476
Wholesale	603,358	744,748	581,474	636,947	668,624	669,319	742,250	661,729	585,725	586,439
Other	118,784	127,180	89,749	94,666	102,955	107,919	109,932	94,400	89,596	95,530
Total consumption	2,334,710	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
Non-account water	244,623	128,656	449,166	463,199	362,269	215,372	206,878	19,295	31,625	36,582
Non-account water as a percentage of total water pumped	9.48%	4.51%	15.17%	15.05%	12.57%	7.28%	6.72%	0.75%	1.30%	1.57%
ACTIVE SERVICES (number of customers)										
Inside city	10,376	10,328	10,118	9,941	9,876	9,937	9,747	9,424	8,966	8,636
Outside city	6,552	6,612	6,536	6,479	6,442	6,462	6,429	6,323	6,203	6,124
Industrial	4	4	4	4	4	4	4	2	3	3
Fire protection	41	40	42	45	44	47	48	48	48	49
Irrigation	454	445	437	422	410	407	371	363	353	336
Wholesale	1	1	1	1	1	1	1	1	1	1
Other	15	13	13	14	15	15	15	15	15	15
	17,443	17,443	17,151	16,906	16,792	16,873	16,615	16,176	15,589	15,164

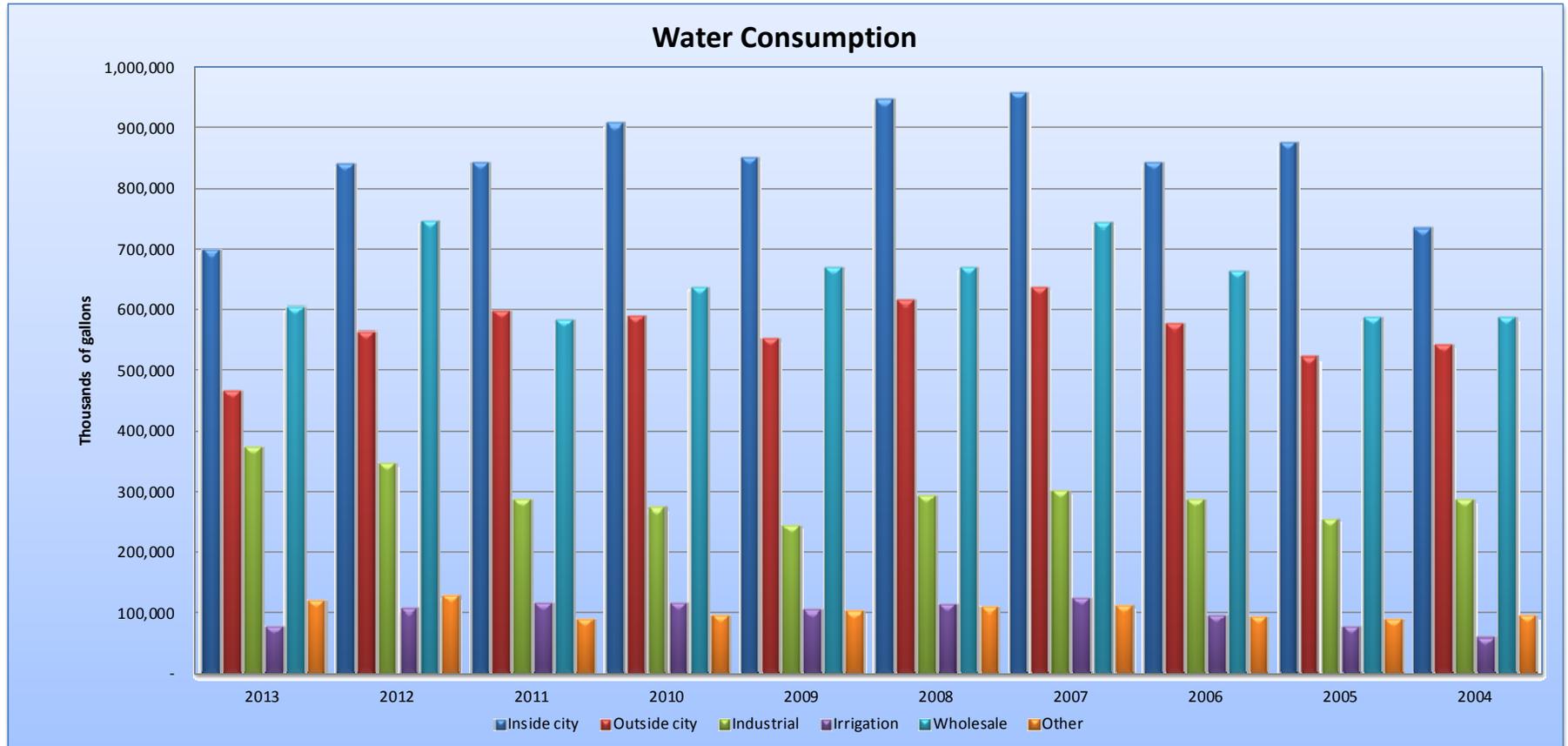
(1) Information is compiled from internally generated statistical reports

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

GREER COMMISSION OF PUBLIC WORKS

WATER SYSTEM

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



GREER COMMISSION OF PUBLIC WORKS

SEWER SYSTEM

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

<i>(in thousands)</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES:										
Inside city	\$ 3,150	\$ 2,898	\$ 2,803	\$ 2,740	\$ 2,636	\$ 2,596	\$ 2,377	\$ 2,108	\$ 1,967	\$ 1,932
Outside city	1,138	1,117	1,186	1,210	1,176	1,164	1,088	904	884	884
Sewer services, no water	1	1	1	1	2	2	6	1	1	2
Enoree Basin, inside city	407	411	397	334	258	254	233	203	184	150
Enoree Basin industrial	128	142	139	196	138	153	132	139	129	112
Collection penalties	123	121	117	124	161	81	80	75	87	68
Other	879	909	427	362	505	912	742	738	774	428
Total operating revenues	5,826	5,599	5,070	4,967	4,876	5,162	4,658	4,168	4,026	3,576
OPERATING EXPENSES:										
Depreciation	2,063	1,252	1,852	1,827	1,837	1,529	1,402	1,317	1,289	1,130
Depreciation - change in accounting estimate	-	817	-	-	-	-	-	-	-	-
Amortization	2	(35)	(5)	10	8	29	29	26	23	23
Other operating expenses	3,695	3,555	2,629	2,649	2,750	2,792	2,767	2,469	2,357	1,881
Total operating expenses	5,760	5,589	4,476	4,486	4,595	4,350	4,198	3,812	3,669	3,034
Net operating departmental revenue	\$ 66	\$ 10	\$ 594	\$ 481	\$ 281	\$ 812	\$ 460	\$ 356	\$ 357	\$ 542
WASTEWATER TREATMENT										
Wastewater Plant Flows (thousands of gallons)										
Maple Creek wastewater treatment facility	844,324	691,079	704,461	698,577	813,750	711,348	700,632	695,780	753,930	811,821
Wastewater Treated - (thousands of gallons)										
Inside city customers	439,950	481,235	489,914	495,291	497,271	527,247	534,089	514,022	489,089	483,843
Outside city customers	193,121	198,105	198,549	187,202	164,026	170,541	156,128	167,570	174,399	174,659
Customers with sewer services, no water	1	1	1	1	2	1	1	1	1	5
Other	290	290	286	291	276	813	1,659	879	647	633
Retail	633,362	679,631	688,750	682,785	661,575	698,602	691,877	682,472	664,136	659,140
Unaccounted for wastewater	210,962	11,448	15,711	15,792	152,175	12,746	8,755	13,308	89,794	152,681
Percentage of unaccounted for wastewater to total wastewater treated	25.0%	17%	2.2%	2.3%	18.7%	18%	12%	19%	11.9%	18.8%
ANNUAL RAINFALL (inches) ⁽²⁾	75.22	38.86	45.96	42.09	52.83	38.02	31.08	41.80	53.14	47.68
ACTIVE SERVICES (number of customers)										
Inside city	6,441	6,358	6,287	6,206	6,195	6,255	6,186	6,081	5,941	5,822
Outside city	1,138	1,140	1,119	1,119	1,114	1,119	1,128	1,112	1,090	1,121
Sewer services, no water	4	3	4	4	5	5	5	4	4	5
Enoree Basin, inside city	3,813	3,684	3,541	3,452	3,395	3,397	3,281	3,069	2,721	2,455
Enoree Basin industrial	162	162	162	161	119	118	108	101	86	81
Other ⁽³⁾	1	1	1	1	2	2	2	2	2	2
	11,559	11,348	11,114	10,943	10,830	10,896	10,710	10,369	9,844	9,486

(1) Information is compiled from internally generated statistical reports

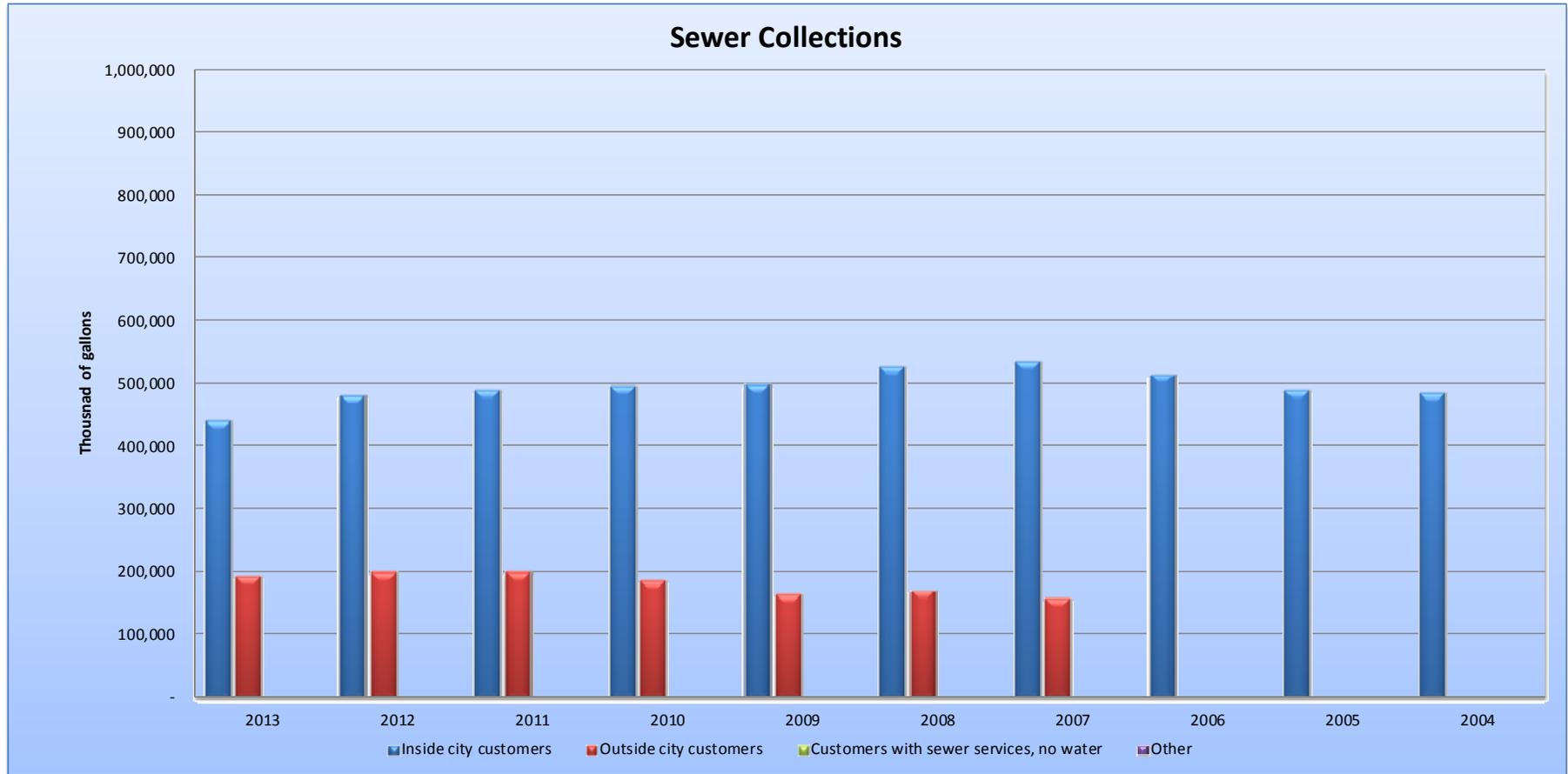
(2) Source: National Weather Service Forecast Office in Greenville for rainfall recorded in inches at Greenville-Spartanburg International Airport

(3) Other customers count does not include ReWa or surcharges

GREER COMMISSION OF PUBLIC WORKS

SEWER SYSTEM

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



GREER COMMISSION OF PUBLIC WORKS
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS⁽¹⁾

<i>(in thousands)</i>	2013	2012 (Restated)	2011 (Restated)	2010	2009	2008	2007	2006	2005	2004
<i>Revenues</i>										
Revenues from operations	\$ 74,650	\$ 67,499	\$ 70,632	\$ 75,350	\$ 71,585	\$ 80,158	\$ 74,411	\$ 69,582	\$ 66,676	\$ 58,495
Non-operating revenues	51	64	80	48	156	457	901	417	666	461
Capacity fees ⁽¹⁾	332	371	287	228	340	631	730	839	974	927
Total revenues	<u>75,033</u>	<u>67,934</u>	<u>70,999</u>	<u>75,626</u>	<u>72,081</u>	<u>81,246</u>	<u>76,042</u>	<u>70,838</u>	<u>68,316</u>	<u>59,883</u>
<i>Expenses</i>										
Total expenses	71,774	68,335	68,080	71,380	68,670	75,885	72,258	69,509	65,447	55,527
Depreciation and amortization expense	(7,810)	(7,710)	(7,124)	(7,472)	(7,079)	(6,288)	(5,867)	(5,377)	(5,293)	(4,751)
Depreciation - change in accounting estimate		(817)	-	-	-	-	-	-	-	-
Bond interest expense	(2,904)	(3,203)	(3,499)	(3,275)	(3,028)	(3,104)	(3,159)	(3,052)	(2,645)	(2,421)
Gain/loss on sale of assets	(140)	(93)	(178)	(600)	(149)	(109)	(12)	(425)	(64)	(4)
Total Expenses	<u>60,920</u>	<u>56,512</u>	<u>57,279</u>	<u>60,033</u>	<u>58,414</u>	<u>66,384</u>	<u>63,220</u>	<u>60,655</u>	<u>57,445</u>	<u>48,351</u>
Net revenues available for debt service	<u>\$ 14,113</u>	<u>\$ 11,422</u>	<u>\$ 13,720</u>	<u>\$ 15,593</u>	<u>\$ 13,667</u>	<u>\$ 14,862</u>	<u>\$ 12,822</u>	<u>\$ 10,183</u>	<u>\$ 10,871</u>	<u>\$ 11,532</u>
Maximum annual debt service ⁽²⁾	<u>\$ 7,186</u>	<u>\$ 6,486</u>	<u>\$ 6,600</u>	<u>\$ 6,708</u>	<u>\$ 5,938</u>	<u>\$ 5,818</u>	<u>\$ 5,072</u>	<u>\$ 4,513</u>	<u>\$ 4,234</u>	<u>\$ 3,917</u>
Maximum annual debt service coverage	<u>196%</u>	<u>176%</u>	<u>208%</u>	<u>232%</u>	<u>230%</u>	<u>255%</u>	<u>253%</u>	<u>226%</u>	<u>257%</u>	<u>294%</u>

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

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

GREER COMMISSION OF PUBLIC WORKS
RATIOS OF OUTSTANDING LONG-TERM DEBT
LAST TEN FISCAL YEARS

Fiscal Year	Revenue Bonds	Per Capita	As Share of Personal Income
2013	\$ 86,059,528	3,230	0.45%
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%

GREER COMMISSION OF PUBLIC WORKS
CUSTOMER STATISTICS
LARGEST SYSTEM CUSTOMERS – FISCAL YEAR 2013

<u>Name</u>	<u>Consumption</u>	<u>Percent of System Gross Consumption</u>	<u>Revenues</u>	<u>Percent of System Gross Revenues</u>
<i>Water System (thousands of gallons)</i>				
Blue Ridge Water Company (Wholesale)	645,132	27.63%	\$ 967,118	16.69%
BMW of North America, LLC	231,889	9.93%	388,483	6.70%
Greer Commission of Public Works	118,793	5.09%	179,951	3.11%
Mitsubishi Polyester Film, LLC	99,263	4.25%	141,173	2.44%
Cliffstar Corporation	38,560	1.65%	58,177	1.00%
Greer Memorial Hospital	28,464	1.22%	45,823	0.79%
Greenville - Spartanburg International Airport	27,868	1.19%	73,937	1.28%
Greenville County School District	12,317	0.53%	21,476	0.37%
Honeywell International Incorporated	10,816	0.46%	26,701	0.46%
KBS Legacy Partners Greer, LLC	10,461	0.45%	36,375	0.63%
<i>Sewer System (thousands of gallons)</i>				
BMW of North America, LLC	134,541	21.24%	\$ 562,659	11.66%
Mitsubishi Polyester Film, LLC	124,086	19.59%	260,933	5.41%
Greer Memorial Hospital	65,698	10.37%	142,531	2.95%
Greenville - Spartanburg International Airport	46,268	7.31%	132,440	2.75%
Greenville County School District	28,514	4.50%	66,055	1.37%
Exide Battery Corporation	24,669	3.89%	59,429	1.23%
KBS Legacy Partners Greer, LLC	22,620	3.57%	78,900	1.64%
Village Hospital	19,262	3.04%	41,387	0.86%
Preserve at West View Apartments	17,609	2.78%	61,020	1.26%
Honeywell International Incorporated	16,814	2.65%	43,455	0.90%
<i>Electric System (megawatt hours)</i>				
Greer Memorial Hospital	19,299	5.58%	\$ 1,283,971	3.69%
Greer Commission of Public Works	16,157	4.67%	980,218	2.82%
Greenville County School District	11,395	3.30%	1,141,508	3.28%
Wal-mart Stores Incorporated	5,648	1.63%	448,464	1.29%
Huntington Foam, LLC	5,328	1.54%	412,202	1.18%
Village Hospital	5,308	1.54%	424,901	1.22%
Ingles	3,437	0.99%	263,864	0.76%
City of Greer, SC	3,076	0.89%	332,462	0.96%
Lowes	2,918	0.84%	231,937	0.67%
Village Hospital	2,840	0.82%	238,476	0.69%
<i>Natural Gas System (mcf)</i>				
BMW of North America, LLC	122,827	36.44%	\$ 2,480,551	9.35%
Mitsubishi Polyester Film, LLC	73,129	21.70%	2,660,161	10.02%
Carotell Paper Board Corporation	36,945	10.96%	1,488,380	5.61%
Springfield, LLC	12,761	3.79%	554,688	2.09%
Cliffstar Corporation	4,094	1.21%	353,706	1.33%
Greenville County School District	3,353	0.99%	137,917	0.52%
Ashmore Brothers	2,616	0.78%	280,551	1.06%
Blacklidge Emulsions	2,503	0.74%	124,334	0.47%
Village Hospital	2,078	0.62%	179,592	0.68%
Sew Eurodrive, Inc	1,866	0.55%	198,437	0.75%

GREER COMMISSION OF PUBLIC WORKS
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Water system										
Water production	8	9	9	9	9	10	10	9	8	7
Water distribution	7	7	7	7	8	8	8	9	9	6
Lake wardens	3	3	3	3	3	3	3	3	3	3
Total water system	18	19	19	19	20	21	21	21	20	16
Electric distribution system	18	18	18	19	19	19	18	19	17	17
Natural gas distribution system	22	22	23	23	23	21	22	21	22	23
Sewer system										
Collection	5	6	7	9	9	8	9	7	7	6
Treatment	9	9	6	7	7	7	7	7	6	6
Total sewer system	14	15	13	16	16	15	16	14	13	12
Shared support										
General administration	3	3	3	3	3	3	3	4	5	5
Customer service	11	12	12	12	12	13	13	13	13	13
Billing	2	2	2	3	3	4	4	4	4	4
Finance and accounting	3	4	4	4	4	4	4	3	4	4
Meter reading	3	3	3	3	3	3	3	3	3	3
Engineering	4	4	4	4	4	3	5	6	5	6
Warehouse and facilities maintenance	5	4	4	4	5	5	5	5	5	4
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	4	7	8	8	8	8	6	6	6	6
Locators	3	2	3	2	4	4	4	3	3	3
Measurement	2									
Vehicle maintenance	2	2	2	2	2	2	2	2	2	2
Total shared support	50	51	53	53	56	57	57	57	58	58
Total employees	122	125	126	130	134	133	134	132	130	126

GREER COMMISSION OF PUBLIC WORKS
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Population ^{1,2}	26,645	26,098	25,515	26,040	25,105	23,395	22,451	22,451	21,421	20,486
Mean household income ⁴	\$ 68,687	\$ 66,940	\$ 52,660	\$ 41,864	\$ 40,764	\$ 41,864	\$ 42,183	\$ 42,183	\$ 42,183	\$ 42,183
Personal income ⁶	\$ 723,518	\$ 706,917	\$ 563,703	\$ 456,898	\$ 475,614	\$ 480,674	\$ 526,656	\$ 526,656	\$ 502,494	\$ 399,416
Per capita personal income ⁴	\$ 27,154	\$ 27,087	\$ 22,093	\$ 17,546	\$ 18,945	\$ 20,546	\$ 23,458	\$ 23,458	\$ 23,458	\$ 19,497
Median age ⁴	35.3	34.1	33.9	34.5	35.2	35.7	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%	7.0%	9.5%	9.3%	9.6%	4.3%	5.0%	5.6%	5.4%	4.4%

Source: (1) 2000 Census of Population, (2) US Census Bureau, (3) South Carolina Department of Commerce (4) Greer Development Corporation, and (5) City of Greer's 2013 CAFR
(6) Computed using population multiplied by per capita income (shown in thousands)

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

To the Board of Commissioners
Greer Commission of Public Works

We have audited, in accordance with the 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, the financial statements of Greer Commission of Public Works, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bebaert LHP". The signature is written in a cursive style with a large initial 'C' and 'B'.

Greenville, South Carolina
April 23, 2014