GREER COMMISSION OF PUBLIC WORKS

*Greer, South Carolina*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Years Ended December 31, 2017 and 2016*

*Issued by Finance Department*

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301 McCall Street
Greer, SC 29650
(864) 848-5500
info@greercpw.com



Date: April 10, 2018

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, 2017 and 2016 is hereby submitted. This report was prepared by the Commission's financial staff, and conforms to the guidelines of the Governmental Finance Officers Association ("GFOA") and Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The Commission is in compliance with GASB Statement No. 34, entitled "Basic Financial Statements - For State and Local Governments" (hereafter referred to as GASB Statement No. 34), as amended by GASB Statement No. 37, entitled "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus - An Amendment of GASB Statements No. 21 and No. 34", GASB Statement No. 41, entitled "Budgetary Comparison Schedules - Perspective Differences - An Amendment of GASB Statement No. 34", GASB Statement No. 46, entitled "Net Assets Restricted by Enabling Legislation - An Amendment of GASB Statement No. 34", and GASB Statement No. 61, entitled "The Financial Reporting Entity - Omnibus - An Amendment of GASB Statements No. 14 and No. 34". Responsibility for both accuracy of the data and the completeness and fairness of the presentation rests with the Commission. To provide a reasonable basis for making these representations, management of the Commission has established a comprehensive internal control framework that is designed both to protect the Commission's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commission's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the Commission's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly, the financial position and results of operations of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

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

## PROFILE OF THE COMMISSION

The Commission was formed in 1913 for the purposes of providing electricity, water distribution, and sewer collection and treatment to the residents of the City of Greer. 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, with one seat up for election every two years. The members of the Commission, as of December 31, 2017, and the number of years of continuous services as Commissioners are as follows:

| Name | Years of Service |
|---|---|
| Eugene Gibson (chairman) | 35 |
| Jeffery Howell | 19 |
| Perry Williams | 8 |

### *Waterworks Unit*

The Waterworks Unit 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. It is approximately 280 surface acres in size. Lake Robinson was constructed in 1984 and includes approximately 800 surface acres. Lake Robinson is the secondary water supply, and is located just north of Lake Cunningham.

The water treatment plant is located at Lake Cunningham and has a treatment capacity of 24 million gallons per day ("MGD") with an average peak flow of 8.46 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). Each level has two elevated storage tanks for a total capacity of 5.75 million gallons. The Commission supplies potable water to 19,151 customers and serves all the population within the City limits and surrounding areas. Over the last year, the Commission experienced a customer growth rate of 2.30% in the Waterworks Unit.

### *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 experiences an average daily processing flow of 2.10 MGD, with a current capacity of 5.0 MGD. The plant received its latest upgrade in 2009 and is designed for future upgrades to 7.5 MGD and 10.0 MGD to provide for additional capacity growth. The upgrade included significant improvements to the headworks, influent pumping, sludge handling facilities, and provides for ultra-violet treatment of the wastewater at the Maple Creek plant. The upgrade also provided an energy generation plant that will not only provide the energy needed for this wastewater treatment facility, but will provide additional energy that can be added to the electrical system, and may generate significant load-side generation credits from our energy provider. Sewer collection and treatment for the Commission's 12,849 customers is accomplished through approximately 260 miles of collector mains and outfall lines maintained by the Commission. Over the last year, the Commission experienced a customer growth rate of 3.37% in the Sewer Unit. 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 sewage to ReWa's treatment facilities.

### *Electric Unit*

The Electric Unit was established in 1914 and provides for the generation and distribution of electricity to City residents. In 1927, the Commission ceased generating electricity and from that time initiated the purchase of power from outside electric utilities to provide its supply of electricity. Up until 1985, the Commission purchased most of its electric power from Duke Energy Company. During 1985, the Commission began purchasing its primary supply of electrical power from the Piedmont Municipal Power Agency ("PMPA"), a joint public agency consisting of ten municipal participants, of which the Commission is a charter member. The Commission also purchases a portion of its electrical supply from the United States Department of Energy's Southeastern Power Agency's ("SEPA") allocation of pooled hydroelectric power generated along the Savannah River. Over 90% of the purchased power is carbon free, generated by nuclear and hydro resources.

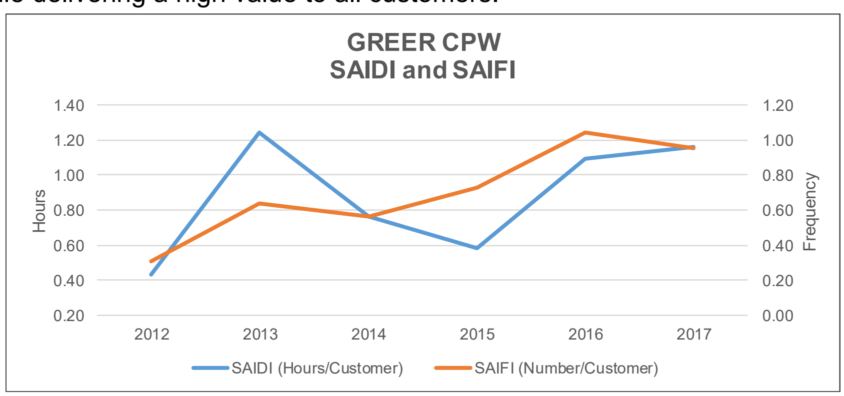
The Electric Unit consists of five substations operating 30 circuits. Distribution of 12,470 volts of electricity is managed with approximately 212 miles of overhead distribution facilities and approximately 227 miles of underground facilities. The service area served by this unit is approximately 33.31 square miles, including the City limits and surrounding areas, and serves 18,073 customers. Over the last year, the Commission experienced a customer growth rate of 3.36% in the Electric Unit.

### *Natural Gas Unit*

The Natural Gas Unit was established during 1957 and provides for distribution of natural gas to residents of the City and surrounding areas. The transmission originates on the Transcontinental Gas Pipeline Corporation ("Transco") mainline in Crescent, South Carolina, from which point gas is transported to the City by means of an eight-inch high-pressure transmission line which is owned and maintained by the Commission. The Commission operates and maintains approximately 43 miles of high-pressure lines and approximately 764 miles of intermediate and distribution lines, along with 110 pressure-reducing and regulating stations. These distribution lines serve 22,194 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. Over the last year, the Commission experienced a customer growth rate of 3.57% in the Gas Unit. The Commission operates one of the few compressed natural gas ("CNG") fueling stations in the area made available to the public.

## SERVING OUR CUSTOMERS

The primary mission of the Commission is to serve our community by providing safe, high quality, and reliable water, natural gas, electric and wastewater services in an environmentally and fiscally responsible manner consistent with sound business principles. The utility has the ability to set rates that are competitive with not only neighboring utilities, but with other providers throughout the region. These rates continue to benefit the growth and development in the community, while delivering a high value to all customers.



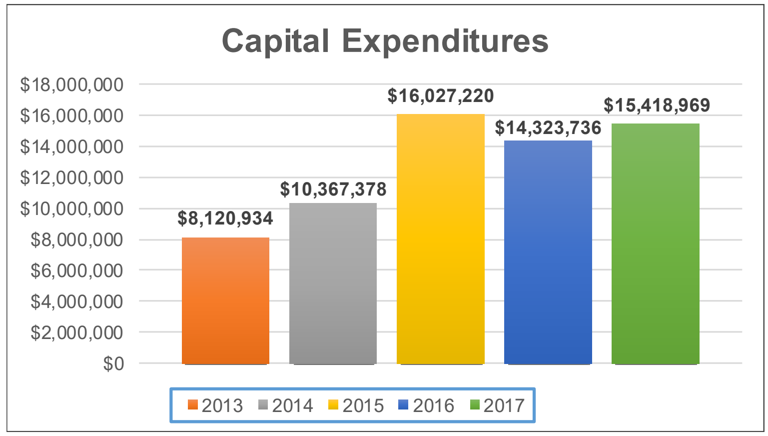

The Commission's reliability is among the very best nationally. Of the customers that experienced an electric outage, the occurrence averaged to only one time per customer, with an average duration was nearly 1.20 hours.

The Commission has a solid commitment to environmental stewardship. The utility is a member of PMPA, which owns a 25% stake in Unit 2 of the Catawba Nuclear Generating Station, operated by Duke Energy, in York, SC. In addition to clean burning nuclear power, hydro-electric power is purchased from SEPA. Overall, roughly 94% of the Commission's power is carbon free. To complement our clean power, the Commission's CNG fueling station celebrated four years of service that provides for low emissions fueling for vehicles, not only in the surrounding Community, but for use in approximately 20% of the Commission's service fleet.

Environmental commitment is also evident in the high-quality water and effluent produced from our 24 MGD Water Treatment Plant and our 5 MGD Maple Creek Wastewater Treatment Plant. Over the last year, the Commission captured its tenth South Carolina Area-Wide Water Optimization Award and the National Association of Clean Water Agencies Peak Performance Award.

## *Capital Investment*

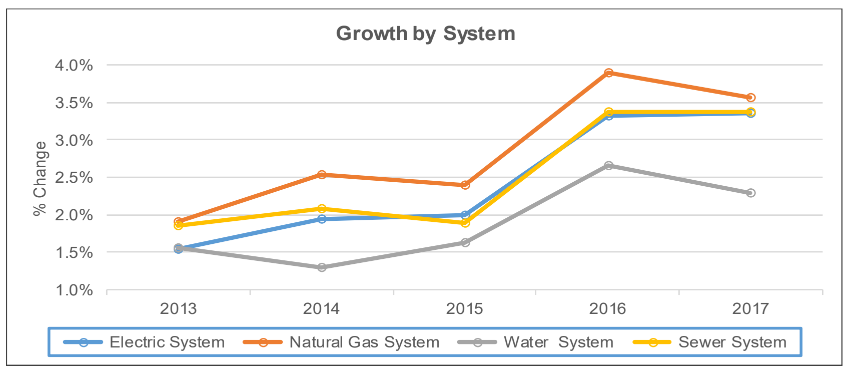
The Commission continued to invest in improving and expanding its infrastructure during 2017 by investing more than $15 million into the System. Investment in new electric and gas infrastructure for providing utilities to new subdivisions and industry totaled approximately $3.7 million. This investment provided support for the 3.15% average growth rate.




The utility continued a pressure uprate project on its southern natural gas transmission pipeline. The pressure uprate project investment was approximately $475 thousand and will enable additional capacity utilizing existing pipeline infrastructure.

## *Growth in the Community, Growth in our Business*

The Greer community experienced continued economic growth in its residential, commercial, and industrial sectors. The Commission realized a growth rate of 3.15% during 2017, with the 5-year average growth rate 2.40% across its service area.

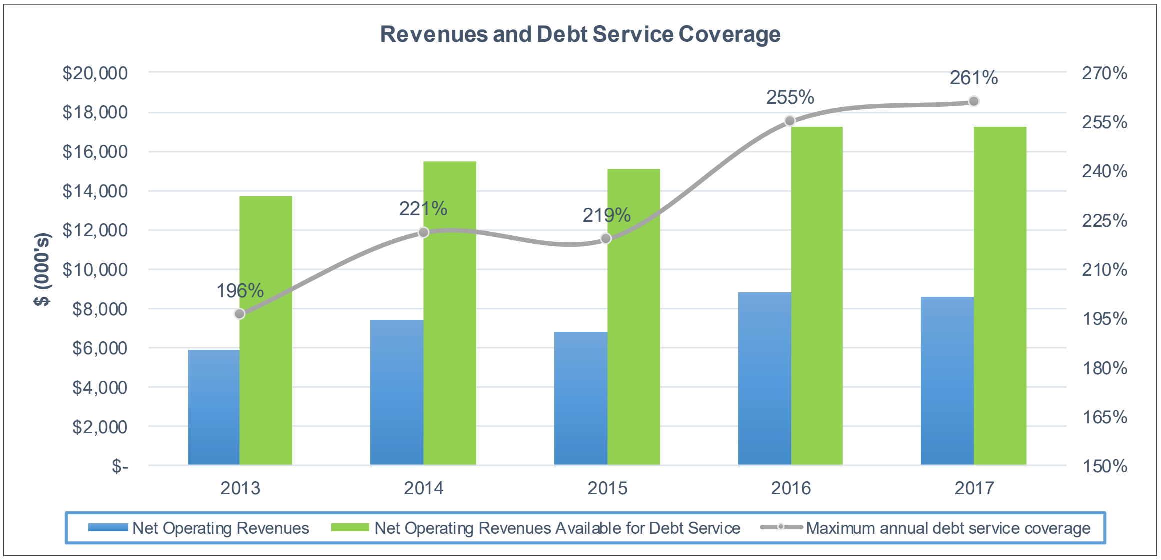



The region continues to enjoy diverse employers with solid financial footing, including advanced materials manufacturing, distribution and logistics, automotive Original Equipment Manufacturers ("OEMs"), automotive manufacturing and engineering. BMW North America, one of Commission's largest customers, produced more than 371,000 vehicles and continued as the largest exporter of automobiles in the nation. The BMW North America plant, located in Greer, SC, exported approximately 70% of its total volume through six southeastern ports, including Charleston, SC., Savannah and Brunswick, GA, Jacksonville, Miami and Everglades, FL. The exports ultimately arrived in 140 different countries around the world during 2017, continuing to make this facility the leading United States automotive exporter, with a value of $8.76 billion.

## *Financial Stewardship, Financial Strength*

The Commission operates under established policies for financing, rate setting, and cash management. These policies serve as parameters for developing annual operating budgets, as well as the 5-year Capital Improvement Plan. The revenue bond ordinance provides that the rates shall be maintained at levels which yield net revenues equal to a minimum of 120% of the annual principal and interest requirement in each fiscal year. The management of the Commission strives to maintain an internal target equal to a minimum of 200% of the annual requirement.

The Commission continued to realize another strong financial performance during 2017. Net revenues exceeded projections with the efforts of our staff to reduce expenditures and improve efficiencies, while minimizing the effects of weather patterns changing from the normal patterns of the region. Debt service coverage for 2017 outpaced the results of previous years with 261% coverage. Rating agencies have taken note of the utility's steady, strong performance with Fitch Ratings upgrading its ratings on the Commission to AA-, stable, from A+, positive, while both Standard and Poor's and Moody's offered affirmations of their current A1 and A+ ratings, respectively.




## *Awards*

Employee dedication is also evident by the many awards and recognitions that all aspects of the Commission's operations have received:

- The South Carolina Department of Health and Environmental Control's ("SCDHEC") Area Wide Optimization Program ("AWOP") is an EPA-sponsored program that recognizes water utilities for continual production of superior quality water based on strict compliance with rigorous standards. The Commission's Water Filter Plant has earned this award for the tenth consecutive year.

- The National Association of Clean Water Agencies ("NACWA") Peak Performance Award was again given to the Commission's Maple Creek Waste Water Treatment Plant. The award is given in recognition of wastewater systems for outstanding compliance with National Pollutant Discharge Elimination Systems ("NPDES") permits. The Commission earned this award for the third consecutive time.

- The American Public Gas Association's ("APGA") System Operations Achievement Recognition ("SOAR") award was presented to the Commission during 2016 at the Silver Level. The SOAR designation recognized public natural gas utilities that demonstrate excellence in four key disciplines including integrity, system improvement, employee safety and workforce development.

- The American Public Power Association's ("APPA") Reliable Public Power Provider ("$RP_3$") designation was once again awarded to the Commission at the Platinum Level. The $RP_3$ designation recognizes public power utilities that demonstrate proficiency in four key disciplines including reliability, safety, workforce development and system improvements. The $RP_3$ designation is awarded for a three-year period.

**Financial Award**: 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, 2016. This was the thirteenth consecutive year that the Commission has achieved this prestigious award. 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, and is valid for a period of one year only.

## Looking Ahead

2017 continued the success of a strong year for the Commission. The Board and staff demonstrated a strong commitment to superior services and financial stewardship. Going forward, the Commission's staff is dedicated to continuing to strengthen its financial position. Through effective planning and focus on efficient service, the Commission will continue to serve as a catalyst for growth and remain a strong member of Greer and its surrounding community.

## ACKNOWLEDGEMENTS

This report could not have been prepared on a timely basis without the efficient and dedicated services of all Commission's employees who assisted and contributed to its preparation. We are thankful for the leadership and support of the Board of Commissioners provide to enable the Commission to fulfill its role in providing its customers with the most reliable services at a reasonable price while protecting the environment and public health.

Sincerely,

Michael Richard
General Manager

Charles E. Reynolds
Finance Manager

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

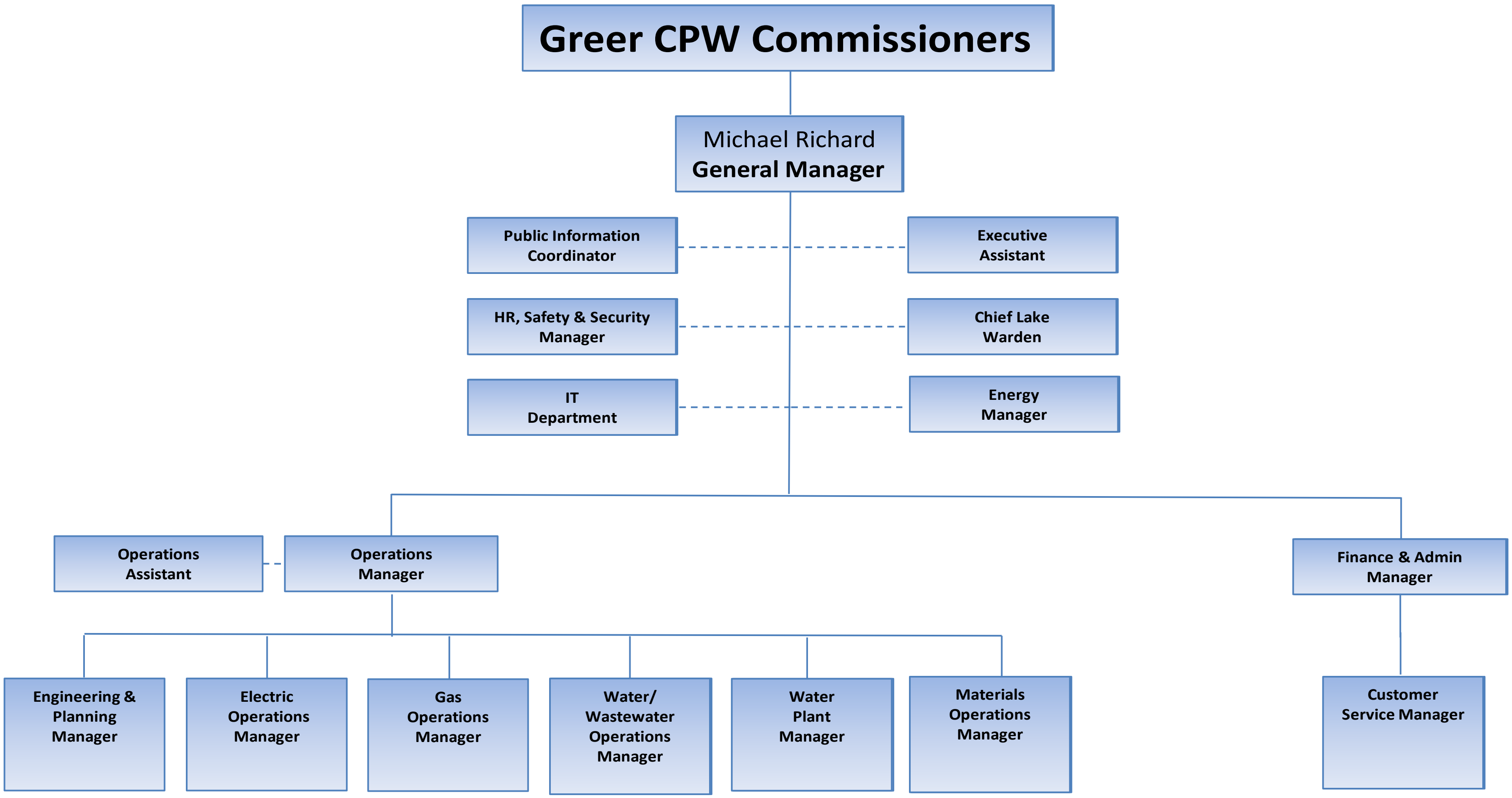
**Greer Commission of Public Works**

**South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**December 31, 2016**

Christopher P. Morrill
Executive Director/CEO


Greer CPW Commissioners
Michael Richard
General Manager
Public Information Coordinator
Executive Assistant
HR, Safety & Security Manager
Chief Lake Warden
IT Department
Energy Manager
Operations Assistant
Operations Manager
Finance & Admin Manager
Engineering & Planning Manager
Electric Operations Manager
Gas Operations Manager
Water/ Wastewater Operations Manager
Water Plant Manager
Materials Operations Manager
Customer Service Manager

## GREER COMMISSION OF PUBLIC WORKS
PRINCIPAL OFFICIALS

*DECEMBER 31, 2017*


From left to right: Gene Gibson (Commissioner), Mike Richard (General Manager),
Perry Williams (Commissioner - Chairman), and Jeffery Howell (Commissioner)

# INDEPENDENT AUDITOR'S REPORT

**To the Honorable Chairman and Members of the Commission**
**Greer Commission of Public Works**
**Greer, South Carolina**

**Report on Financial Statements**

We have audited the accompanying financial statements of the **Greer Commission of Public Works** (the "Commission"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinion.

508 HAMPTON STREET, 1ST FLOOR • POST OFFICE BOX 36 • COLUMBIA, SOUTH CAROLINA 29201 • 803-799-5810 • FAX 803-799-5554 • www.mjcpa.com
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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greer Commission of Public Works as of December 31, 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 13 through 22), the Schedule of the Commission's Proportionate Share of the Net Pension Liability on page 51, and the Schedule of Commission Pension Contributions on page 51 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 an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Budgeted and Actual Revenues and Expenses and the Schedule of Divisional Operating Revenue and Expenses (collectively the "supplementary information") are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

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.

The financial statements of the Commission as of and for the year ended December 31, 2016 were audited by other auditors, whose report dated April 14, 2017 expressed an unmodified opinion on those statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
April 10, 2018

This Management's Discussion and Analysis ("MD&A") of the Greer Commission of Public Works' (the "Commission") provides an overview of the financial activities for the fiscal years ended December 31, 2017, 2016 and 2015. This information serves as an introduction to the financial statements and should be read in conjunction with the audited financial statements.

## Financial Highlights

The Commission continued to show a solid financial position for fiscal year 2017. 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 2017:

- The Commission refunded long-term debt with a par value of $14,535,000 in debt that provided a net present value savings of approximately $1 million.

- During the Ratings' Agencies annual surveillance process, the Commission's credit ratings were affirmed by Moody's, and Standard & Poor's with ratings of A1 and A+, respectively. Fitch Ratings upgraded the credit ratings of the Commission to AA-, from A+, which reflects the declining leverage and improved coverage of full obligations, competitive retail rates, diverse customer base, and robust area economics.

- The Commission's net position increased by $10,399,195, or 6.84% for 2017 as compared to an increase of $8,732,580, or 6.10% in 2016.

- During the year, the Commission's operating revenues increased to $85,673,165, which represents a 1.51% increase from the prior year. Operating revenues increased to $84,397,100, or 2.38% in 2016.

- Total operating expenses increased to $77,155,495, which represents a 2.07% increase from the prior year. Total expenses decreased to $75,589,112, or 0.03% in 2016.

- Purchased power expenses decreased to $35,502,277, down from $36,000,430 last year. This 1.38% decrease is reflected in the total operating expenses shown above. Purchased power increased from $34,595,007, or by 4.06%, to $36,000,430 in 2016.

- Purchased gas expenses increased to $13,986,313, increased from $12,686,093 last year. This 10.25% increase is reflected in the total expenses shown above. Purchased gas decreased from $15,855,854, or by 19.99%, to $12,686,093 in 2016.

- Capital contributions to the Commission increased by $1,675,711, which represents a 49.65% increase from the prior year. Capital contributions decreased by $696,458, or 17.11% in 2016.

- Transfers to the City of Greer remained at $1,000,000 for 2017 and 2016.

- Debt service coverage for 2017 was 261% of the bond ordinance requirement, which is 120% debt service coverage, an increase from 2016 of 2.35%. Debt service coverage for 2016 was 255%.

## Overview of the Financial Statements

The Commission's annual statement consists of the Management's Discussion and Analysis ("MD&A"), the basic financial statements, required supplementary information, 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.

**Basic Financial Statements -** The basic financial statements of the Commission report information about the Commission using the full accrual basis of accounting in a manner similar to those used by private sector companies. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. These statements offer short-term and long-term financial information about its activities. The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. The Commission accounts for its activities using a single proprietary (enterprise) fund. Under this method, revenues are recorded when earning, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

**Statement of Net Position -** The *statement of net position* includes all 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.

**Statement of Revenues, Expenses, and Changes in Net Position -** All 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.

**Statement of Cash Flows -** The *statement of cash flows* provides 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 comparative information on the source and use of cash, and the change in the cash balance for each of the last two fiscal years.

**Notes to the Financial Statements –** The *notes to the financial statements* provide information about accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**Required Supplementary Information –** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning progress in funding its obligation to provide pension to its employees. The MD&A is also considered required supplementary information.

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

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning:

## Condensed Financial Statements

### Condensed Statement of Net Position

| | December 31, | | | 2016 to 2017 | | 2015 to 2016 | |
|---|---|---|---|---|---|---|---|
| | FY 2015 | FY 2016 | FY 2017 | Dollars | % | Dollars | % |
| | | | | Increase (decrease) | | Increase (decrease) | |
| Current and other assets | $ 43,513,634 | **$ 44,772,139** | **$ 45,898,580** | $ 1,126,441 | 2.52% | $ 1,258,505 | 2.89% |
| Capital assets | 201,709,163 | **207,900,198** | **215,083,773** | 7,183,575 | 3.46% | 6,191,035 | 3.07% |
| **Total assets** | $ 245,222,797 | **$ 252,672,337** | **$ 260,982,353** | $ 8,310,016 | 3.29% | $ 7,449,540 | 3.04% |
| Deferred outflows of resources | $ 1,185,928 | **$ 3,274,982** | **$ 3,131,947** | $ (143,035) | -4.37% | $ 2,089,054 | 176.15% |
| Long-term debt outstanding | $ 76,196,890 | **$ 72,385,180** | **$ 68,287,078** | $ (4,098,102) | -5.66% | $ (3,811,710) | -5.00% |
| Other liabilities | 26,596,507 | **31,334,909** | **33,323,491** | 1,988,582 | 6.35% | 4,738,402 | 17.82% |
| **Total liabilities** | $ 102,793,397 | **$ 103,720,089** | **$ 101,610,569** | $ (2,109,520) | -2.03% | $ 926,692 | 0.90% |
| **Deferred inflows of resources** | $ 386,284 | **$ 265,606** | **$ 142,912** | $ (122,694) | -46.19% | $ (120,678) | -31.24% |
| Net investment in capital assets | $ 125,357,319 | **$ 131,737,021** | **$ 143,103,152** | $ 11,366,131 | 8.63% | $ 6,379,702 | 5.09% |
| Restricted | 10,415,450 | **11,371,266** | **7,173,310** | (4,197,956) | -36.92% | 955,816 | 9.18% |
| Unrestricted | 7,456,275 | **8,853,337** | **12,084,357** | 3,231,020 | 36.49% | 1,397,062 | 18.74% |
| **Total net position** | $ 143,229,044 | **$ 151,961,624** | **$ 162,360,819** | $ 10,399,195 | 6.84% | $ 8,732,580 | 6.10% |

### Condensed Statement of Revenues, Expenses and Changes in Net Position

| | | | | 2016 to 2017 | | 2015 to 2016 | |
|---|---|---|---|---|---|---|---|
| | FY 2015 | FY 2016 | FY 2017 | Dollars | % | Dollars | % |
| | | | | Increase (decrease) | | Increase (decrease) | |
| Electric revenues | $ 40,756,477 | **$ 42,731,587** | **$ 41,944,704** | $ (786,883) | -1.84% | $ 1,975,110 | 4.85% |
| Gas revenues | 26,200,478 | **24,345,989** | **26,147,506** | 1,801,517 | 7.40% | (1,854,489) | -7.08% |
| Water revenues | 7,494,880 | **8,454,746** | **8,401,020** | (53,726) | -0.64% | 959,866 | 12.81% |
| Sewer revenues | 5,246,273 | **5,843,893** | **6,268,682** | 424,789 | 7.27% | 597,620 | 11.39% |
| Other operating revenues | 2,737,691 | **3,020,885** | **2,911,253** | (109,632) | -3.63% | 283,194 | 10.34% |
| Non-operating revenues | 29,491 | **46,404** | **66,237** | 19,833 | 42.74% | 16,913 | 57.35% |
| **Total revenues** | $ 82,465,290 | **$ 84,443,504** | **$ 85,739,402** | $ 1,295,898 | 1.53% | $ 1,978,214 | 2.40% |
| Purchased power | $ 34,595,007 | **$ 36,000,430** | **$ 35,502,277** | $ (498,153) | -1.38% | $ 1,405,423 | 4.06% |
| Purchased gas | 15,855,854 | **12,686,093** | **13,986,313** | 1,300,220 | 10.25% | (3,169,761) | -19.99% |
| Depreciation | 8,279,699 | **8,454,337** | **8,734,655** | 280,318 | 3.32% | 174,638 | 2.11% |
| Other operating expense | 16,884,254 | **18,448,252** | **18,932,250** | 483,998 | 2.62% | 1,563,998 | 9.26% |
| Non-operating expense | 3,609,419 | **3,496,916** | **3,235,547** | (261,369) | -7.47% | (112,503) | -3.12% |
| **Total expense** | $ 79,224,233 | **$ 79,086,028** | **$ 80,391,042** | $ 1,305,014 | 1.65% | $ (138,205) | -0.17% |
| | | | | - | | | |
| Change in net position before capital contributions | $ 3,241,057 | **$ 5,357,456** | **$ 5,348,360** | $ (9,096) | -0.17% | $ 2,116,399 | 65.30% |
| Capital contributions | 4,071,582 | **3,375,124** | **5,050,835** | 1,675,711 | 49.65% | (696,458) | -17.11% |
| **Change in net position** | $ 7,312,639 | **$ 8,732,580** | **$ 10,399,195** | $ 1,666,615 | 19.09% | $ 1,419,941 | 19.42% |
| **Beginning net position** | $ 135,916,405 | **$ 143,229,044** | **$ 151,961,624** | $ 8,732,580 | 6.10% | $ 7,312,639 | 5.38% |
| **Ending net position** | $ 143,229,044 | **$ 151,961,624** | **$ 162,360,819** | $ 10,399,195 | 6.84% | $ 8,732,580 | 6.10% |

**General Trends**

In 2017, the Commission experienced another steady year of continued growth. Our customer base continued to expand adding approximately 2,200 new customers, which represents a growth rate of 3.14%. The greater City of Greer Area continues to be a vibrant and growing community that continues to entice many new residents and job opportunities each year to the Commission's utility service area.

The Commission continues to be positioned to manage the growth that continues in our service area. We have a plentiful water supply and the sufficient capacity to manage the demand of our Water and Sewer systems. The five strategically located Electric substations throughout the service area continue to provide reliable and competitive Electric services. Our connections to the Transcontinental Pipeline provides us the ability to copiously meet the capacity demands of the customers in our Natural Gas service area.

**Financial Position**

The Commission employs conservative management principles to maintain sustained and healthy debt service coverages. This management style lends itself to our continued financial strength and stability. Total assets of $260,982,353 increased by $8,310,016, or 3.29%, compared to the 2016 increase of $7,449,540. Current and other assets increased by $1,126,441, or 2.52%, to $45,898,580 from fiscal year 2016 results of $44,772,139. As we continue to expand and improve our capital infrastructure, the capital assets for fiscal year 2017 increased by $7,183,575, or 3.46%, to $215,083,773 from fiscal year 2016 results of $207,900,198. Total liabilities decreased by $2,109,520, or 2.03%, to $101,610,569 from fiscal year 2016 results of $103,720,089. Total liabilities decreased partly due to the reduction in long-term debt from annual required debt service.

**Results of Operations**

**Operating Revenues:** Operating revenues are primarily comprised of electric, natural gas, water and sewer sales that are supplemented by revenues from connection fees, service charges, collection fees, and some miscellaneous fees. Total revenues increased by $1,295,898 to $85,739,402 in fiscal year 2017 from $84,443,504 in fiscal year 2016 due to the net effects of increases to the natural gas and sewer revenues, and decreases to the electric and water revenues. The increases in natural gas and sewer revenues of 7.40% and 7.27%, respectively, and the decreases in electric and water revenues of 1.84% and 0.64%, respectively can be attributed to several factors including weather, rate increases, and commodity prices. During the fiscal year 2017, temperature patterns experience in the Upstate region of South Carolina incurred 1,802 cooling degree days ("CDD") and 2,377 heating degree days ("HDD"), a decrease from 2016 of 17.64% and 10.84%, respectively. This decrease in CDD was a direct factor in the decreased consumption amounts of electricity from our electric customers, while the decrease in HDD resulted in lower consumption by our natural gas customers. The Upstate region also experienced an increase in precipitation during fiscal year 2017 that resulted in 53.11 inches of precipitation, an increase of 54.26% from 2016, which decreased water consumption from our customers by 7.83% compared to 2016. The price of the natural gas commodity realized by the Commission was 12.26% higher than the 2016 commodity price, which increased the average cost during 2017 to $3.00 per Dekatherm ("dT"), from the 2016 average price of $2.67 per dT.

A closer examination of the individual categories affecting the sources of changes in net position reveals that the Commission's total revenues increased by $1,978,214 to $84,443,504 in fiscal year 2016 from $82,465,290 in fiscal year 2015 due to the net effects of increases to the electric, water, and sewer revenues, and decreases to gas revenues. The increases in the electric, water, and sewer revenues of 4.85%, 12.81%, and 11.39%, respectively, and the decrease in gas revenues of 7.08%, can be attributed to several factors including weather, rate increases, and commodity prices. During the fiscal year 2016, temperature patterns experienced in the Upstate region of South Carolina incurred 2,188 cooling degree days ("CDD"), an increase from 2015 of 12.44%, and 2,666 heating degree days ("HDD"), an increase from 2015 of 2.11%. The increase in CDD during 2016 was a direct factor in increased consumption amounts of electricity from our customers, while another abnormal HDD resulted in lower consumption by our gas customers. The Upstate region also realized drought-like conditions during fiscal year 2016 that resulted in only 34.43 inches of precipitation, a decrease of 42.38% from 2015. Most of the precipitation was received during the first 6 months of the year, with less than half of the precipitation falling during the last 6 months of the year, which increased consumption by our customers 9.44% from 2015 results. The price of the natural gas commodity realized by the Commission was 18.84% lower than 2015 commodity price, which reduced the average cost during 2016 to $2.67 per Dekatherm ("dT"), from the 2015 average price of $3.29.

Other operating revenues decreased by $109,632 and increased by $283,194 during 2017 and 2016, respectively. The increases are attributable to several factors, including changes in the collection of reconnect fees, sales of gas, water, and sewer tap fees, sales of inventoried materials, and recovery of bad debts.

During 2017, non-operating revenues increased by $19,833, or 42.74%. During 2016, non-operating revenues increased by $16,913, or 57.35%. These increases can be attributed to the increased earnings on investments.

**Operating Expenses:** Operating expenses are primarily comprised of the costs to procure electricity and natural gas for sales to our customers, to provide water treatment and distribution, and sewer collection and treatment. During 2017, expenses increased by $1,305,014 to $80,391,042, from $79,086,028 in fiscal year 2016, due to the net effect of an increase in expenses related purchased gas, depreciation and amortization, and other operating expenses, and the decrease in expenses related to purchased power costs. Purchased gas costs increased by $1,300,220, or 10.25%, as a result of increased commodity prices. The average costs of the natural gas commodity, per dT, to the Commission was $3.00 and $2.67, respectively, for 2017 and 2016, an increase of 12.26%. Purchase power costs decreased by $498,153, or 1.38%, mainly due to the reduction of customer demand coupled with the net effect of decreased costs from PMPA of $448,844, or 1.28%, and a decrease in the power costs provided by SEPA's allocation of pooled hydroelectric power by $52,102, or 6.35%. The Commission's allocation of power supply during 2017 included 3.42% of hydroelectric power. The Commission also received $336,096 in Load Side Generation credits from PMPA. Other operating expenses increased by $483,998, with the increase attributable to increases in salaries and benefits, water and wastewater treatment chemicals, and the operations and maintenance of equipment.

During 2016, expenses decreased by $138,205 to $79,086,028, from $79,224,233 in fiscal year 2015, due to the net effect of an increase in expenses related to purchase power, depreciation and amortization, and other operating expenses, and the decrease in expenses related to purchased gas, and non-operating expenses. Purchase power costs increased by $1,405,423, or 4.06%, which included the net effect of increased costs from PMPA of $1,399,720, or 4.14%, and a decrease in the power costs provided by SEPA's allocation of pooled hydroelectric power by $18,960, or 2.36%. The Commission's allocation of power supply during 2016 included 4.12% of hydroelectric power. The Commission also received $330,141 in net Load Side Generation credits from PMPA, which offset the increased costs associated with the purchased power. Purchased gas costs decreased by $3,169,761, or 19.99%, as a result of lower commodity prices and the Commission's hedging program. The average costs of the natural gas commodity, per dT, to the Commission was $2.67 and $3.29, respectively, for 2016 and 2015, a decrease of 18.84%. Other operating expenses increased by $1,563,998, with the increase attributable to increases in salaries and benefits, water and wastewater treatment chemicals, and the operations and maintenance of equipment.

Non-operating expenses decreased by $261,369, or 7.47%, to $3,235,547 during 2017. Debt service decreased by $217,623, or 8.56%, to $2,323,732 due to the annual retirement of long-term debt. The gains realized on the disposal of assets increased by $43,766, or 98.53%.

During 2016, non-operating expenses decreased by $112,503, or 3.12%, to $3,496,916. Debt service decreased by $33,109, or 1.30%, to $2,541,355 due to the annual retirement of long-term debt. The gains realized on the disposal of assets increased by $70,076, or 273.13%.

As a result of these factors, the Commission experienced net revenues over expenses of $5,348,360 and $5,357,456, respectively, in 2017 and 2016, before capital contributions.

**Capital Contributions and Grants:** Capital contributions include cash contributions, non-cash contributions and grants from various sources such as developers, customer assessments, and state and federal agencies. During 2017, the Commission received $5,050,835 in capital contributions. This was a $1,675,711 increase from fiscal year 2016 capital contributions of $3,375,124. Capital contributions for 2017 included the following receipts:

- $313,516 received from various sources to offset capital costs related to lighting infrastructure
- $2,271,152 received from various developer contributed properties that consists of water and sewer infrastructure
- $1,366,262 received from the City of Greer for contribution of costs for the Highway 29 LED lighting project
- $364,725 received from new customers to provide for future capacity needs of the water system
- $700,600 received from new customers to provide for future capacity needs of the sewer system

During 2016, the Commission received $3,375,124 in capital contributions. This was a decrease of $696,458 from $4,071,582 received during fiscal year 2015.

During 2017, the Commission was awarded $500,000 in Appalachian Regional Commission (ARC) Grants for assistance in constructing an extension of gravity sewer service in the Bent Creek Basin. This project will provide sewer services to a planned $50 million commercial and industrial development near the Greenville Spartanburg International Airport.

**Transfers to the City:** During fiscal years 2017 and 2016, the Commission made transfers to the City of Greer's General Fund in the amount of $1,000,000.

## Capital Assets and Long-Term Debt

**Capital Assets:** At the end of 2017, the Commission has invested $352,401,931 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. Please refer to Note 3 to the financial statements for additional information on the Commission's capital assets.

In 2017 and 2016, the Commission's capital assets increased in the net amount of $15,416,971 and $14,323,736, respectively. Of this increase, $14,235,081 and $13,368,004, respectively, was for expansion and improvement to utility plant and the remainder for other operating assets during 2017 and 2016.

## Capital Assets

| | FY 2015 | FY 2016 | FY 2017 | 2016 to 2017 Dollars | 2016 to 2017 % | 2015 to 2016 Dollars | 2015 to 2016 % |
|---|---|---|---|---|---|---|---|
| | | | | Increase (decrease) | | Increase (decrease) | |
| Land | $ 2,595,608 | $ 2,635,088 | $ 2,684,952 | $ 49,864 | 1.89% | $ 39,480 | 1.52% |
| Buildings | 6,806,698 | 6,902,526 | 6,981,188 | 78,662 | 1.14% | 95,828 | 1.41% |
| Machinery, equipment, and vehicles | 10,026,724 | 10,368,961 | 11,149,286 | 780,325 | 7.53% | 342,237 | 3.41% |
| Electric distribution system | 53,020,137 | 55,171,058 | 57,996,292 | 2,825,234 | 5.12% | 2,150,921 | 4.06% |
| Water distribution system | 71,993,790 | 74,418,130 | 78,051,517 | 3,633,387 | 4.88% | 2,424,340 | 3.37% |
| Water reservoirs and dams | 12,804,216 | 12,810,716 | 12,835,008 | 24,292 | 0.19% | 6,500 | 0.05% |
| Recreational facilities | 714,454 | 760,131 | 773,734 | 13,603 | 1.79% | 45,677 | 6.39% |
| Gas distribution system | 64,924,471 | 67,555,967 | 71,533,509 | 3,977,542 | 5.89% | 2,631,496 | 4.05% |
| Disposal plants and sanitary sewer | 93,851,689 | 96,623,279 | 101,531,322 | 4,908,043 | 5.08% | 2,771,590 | 2.95% |
| Office equipment and software | 3,494,404 | 3,926,914 | 4,186,350 | 259,436 | 6.61% | 432,510 | 12.38% |
| Fiber optic | 550,200 | 550,200 | 550,200 | - | 0.00% | - | 0.00% |
| Construction in progress | 1,878,833 | 5,261,990 | 4,128,573 | (1,133,417) | -21.54% | 3,383,157 | 180.07% |
| **Subtotal** | 322,661,224 | 336,984,960 | 352,401,931 | 15,416,971 | 4.57% | 14,323,736 | 4.44% |
| Less accumulated depreciation | 120,952,061 | 129,084,762 | 137,318,158 | 8,233,396 | 6.38% | 8,132,701 | 6.72% |
| **Net property, plant, and equipment** | $ 201,709,163 | $ 207,900,198 | $ 215,083,773 | 7,183,575 | 3.46% | 6,191,035 | 3.07% |

The following is a summary of some of the major capital improvements completed and added to the system during fiscal year 2017.

| | |
|---|---|
| Improvements and upgrades to the Electric system | $ 148,586 |
| Improvements, upgrades and extension of the Natural Gas system | 1,129,329 |
| Highway 29 LED lighting project | 1,111,718 |
| High-pressure upgrades for Highway 101 Natural Gas lines | 475,034 |
| Pelham Medical Center campus Electric system upgrade | 699,586 |
| Water Filter Plant infrastructure upgrades | 461,471 |
| Green Road Industrial Park utility infrastructure | 215,171 |
| New subdevelopments utility infrastructure | 1,001,140 |
| Downtown Greer Water and Sewer infrastructure upgrades | 612,627 |
| Sewer system inflow and infiltration reduction | 330,537 |
| Apalache Mill Sewer infrastructure relocation | 106,321 |
| Automated Metering Infrastructure (AMI) project | 33,142 |
| Motor vehicles and heavy equipment replacements | 759,510 |
| Computers and related equipment replacements | 369,391 |
| Equipment and tools for maintaining utility servies and administration | 288,661 |
| New meters and upgrades to existing meters | 2,135,554 |
| Commission's LED lighting project | 109,089 |
| **Total major capital improvements** | $ 9,986,867 |

**Long-Term Debt:** At the end of 2017, the Commission had $71,887,006 in aggregate long-term debt, down from $75,645,005 at the end of fiscal year 2016, a decrease of $3,757,999, or 4.97%. In 2016, the Commission had $75,645,005 in aggregate long-term debt, decreased from $79,303,204 at the end of fiscal year 2015, a decrease of $3,658,199, or 4.61%. The changes resulted from scheduled principal payments made on the existing debt, along with two debt refunding's. Please refer to Note 7 to the financial statements for additional information on the Commission's long-term debt.

On June 8, 2017, the Commission issued $14,740,000 of refunding bonds to defease the remaining outstanding bonds, net of all cost of debt, of the Series 2009 Combined Utility System Revenue bonds. The refund transaction provided the Commission with an economic gain of $1,033,197, or 7.11%.

| | FY 2015 | | FY 2016 | | FY 2017 | | 2016 to 2017 | | 2015 to 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Principal Outstanding | Weighted Average Coupon Rate | Principal Outstanding | Weighted Average Coupon Rate | Principal Outstanding | Weighted Average Coupon Rate | Dollars | % | Dollars | % |
| | | | | | | | Increase (decrease) | | Increase (decrease) | |
| Series 2002 revenue bonds | $ 23,280,000 | 5.46% | $ 23,075,000 | 5.47% | $ 22,865,000 | 5.47% | $ (210,000) | -0.91% | $ (205,000) | -0.88% |
| 2004 South Carolina SRF loan | 6,695,816 | 2.25% | 6,405,325 | 2.25% | 6,108,242 | 2.25% | (297,083) | -4.64% | (290,491) | -4.34% |
| 2005 South Carolina SRF loan | 5,595,342 | 2.25% | 5,344,443 | 2.25% | 5,087,851 | 2.25% | (256,592) | -4.80% | (250,899) | -4.48% |
| Series 2007 revenue bonds | 3,938,653 | 4.02% | 3,676,828 | 4.02% | 3,404,476 | 4.02% | (272,352) | -7.41% | (261,825) | -6.65% |
| 2007 South Carolina SRF loan | 9,714,263 | 2.25% | 9,077,583 | 2.25% | 8,426,455 | 2.25% | (651,128) | -7.17% | (636,680) | -6.55% |
| Series 2009 refunding bonds | 17,515,000 | 4.03% | 16,055,000 | 4.03% | - | 0.00% | (16,055,000) | -100.00% | (1,460,000) | -8.34% |
| 2009 South Carolina SRF loan | 4,474,130 | 2.25% | 4,335,826 | 2.25% | 4,194,982 | 2.25% | (140,844) | -3.25% | (138,304) | -3.09% |
| 2013 SC Public Service Authority loan | 3,500,000 | 0.00% | 3,500,000 | 0.00% | 3,500,000 | 0.00% | - | 0.00% | - | 0.00% |
| Series 2015 refunding bonds | 4,590,000 | 2.10% | 4,175,000 | 2.10% | 3,745,000 | 2.10% | (430,000) | -10.30% | (415,000) | -9.04% |
| Series 2017 refunding bonds | - | 0.00% | - | 0.00% | 14,555,000 | 1.99% | 14,555,000 | 0.00% | - | 0.00% |
| **Total Long-term debt** | **$ 79,303,204** | **3.57%** | **$ 75,645,005** | **3.58%** | **$ 71,887,006** | **3.19%** | **$ (3,757,999)** | -4.97% | **$ (3,658,199)** | -4.61% |

The Commission's current average cost of capital is 3.19% in outstanding debt, with the average cost of capital being 3.58% and 3.57%, for the years 2016 and 2015, respectively.

***Bond Ratings*** - All outstanding Combined Utility System Revenue Bonds ("Revenue Bonds") carry an A1, A+ and AA- ratings from Moody's, Standard & Poor's, and Fitch Ratings, respectively. During 2017 and 2016, the Commission received affirmations of each of its ratings from Moody's and Standard & Poor's, with Fitch Ratings issuing an upgrade to its ratings to AA-, from A+.

***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 261%, 255%, and 219%, for the years 2017, 2016, and 2015, respectively.

| | FY 2015 | FY 2016 | FY 2017 | 2016 to 2017 Dollars | 2016 to 2017 % | 2015 to 2016 Dollars | 2015 to 2016 % |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | Increase (decrease) | | Increase (decrease) | |
| Revenues from operations | $ 82,435,799 | $ 84,397,100 | $ 85,673,165 | $ 1,276,065 | 1.51% | $ 1,961,301 | 2.38% |
| Non-operating revenue | 29,491 | 46,404 | 66,237 | 19,833 | 42.74% | 16,913 | 57.35% |
| Capacity fees* | 675,435 | 1,133,365 | 1,065,325 | (68,040) | -6.00% | 457,930 | 67.80% |
| **Total revenues** | $ 83,140,725 | $ 85,576,869 | $ 86,804,727 | $ 1,227,858 | 1.43% | $ 2,436,144 | 2.93% |
| **Expenses** | | | | | | | |
| Total expenses | $ 78,224,233 | $ 78,086,048 | $ 79,391,042 | $ 1,304,994 | 1.67% | $ (138,185) | -0.18% |
| Depreciation | (8,279,699) | (8,454,337) | (8,734,655) | (280,318) | 3.32% | (174,638) | 2.11% |
| Bond interest expense | (2,583,762) | (2,541,355) | (2,323,732) | 217,623 | -8.56% | 42,407 | -1.64% |
| Gain (loss) on sale of assets | (25,657) | 44,419 | 88,185 | 43,766 | 98.53% | 70,076 | -273.13% |
| **Total expenses** | $ 67,335,115 | $ 67,134,775 | $ 68,420,840 | $ 1,286,065 | 1.92% | $ (200,340) | -0.30% |
| **Income available for debt service** | $ 15,805,610 | $ 18,442,094 | $ 18,383,887 | $ (58,207) | -0.32% | $ 2,636,484 | 16.68% |
| **Maximum annual debt service (ADS)** | $ 7,229,365 | $ 7,229,365 | $ 7,056,895 | $ (172,470) | -2.39% | $ - | 0.00% |
| **Maximum ADS coverage** | 219% | 255% | 261% | | 2.35% | | 16.44% |

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

With this continued 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 and strategic planning, the Commission currently anticipates internally funding capital projects within the current long-range Capital Improvement Plan through fiscal year 2022.

## Economic Outlook and Next Year's Budget and Rates

The economic outlook for the Greater Greer Area and the Upstate of South Carolina continue to show positive trends in several areas. As evidenced by the increase in developer contributions received by the Commission from prior year, the Commission's service area continues to show increased developer activity, which coincides with economic growth. The Commission's service area experienced an increase in customers averaging 3.15%, and the population in the Greater Greer Area continues to increase, while the unemployment rate continues to decrease.

The Commission considered a variety of factors in developing the fiscal year 2018 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% 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 2018 budget provided for no rate increases in any of the Commission's utility services. For 2018, 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.

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 Manager of Finance and Administration

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, Manager – Finance and Administration, Greer Commission of Public Works, P.O. Box 216, Greer, South Carolina 29652-0216.

**GREER COMMISSION OF PUBLIC WORKS**

STATEMENTS OF NET POSITION

*DECEMBER 31, 2017 AND 2016*

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents: | | |
| Operating | **$ 23,016,462** | $ 19,474,198 |
| Restricted | **8,639,503** | 12,604,611 |
| **Total cash and cash equivalents** | **31,655,965** | 32,078,809 |
| Receivables: | | |
| Customers, less allowance for doubtful accounts of $250,675 in 2017 and $211,875 in 2016 | **10,980,345** | 9,345,572 |
| Inventories | **2,910,321** | 2,762,955 |
| Prepaid expenses | **351,949** | 584,803 |
| **Total current assets** | **45,898,580** | 44,772,139 |
| **Non-current assets:** | | |
| Utility plant | **352,401,931** | 336,984,960 |
| Less accumulated depreciation | **(137,318,158)** | (129,084,762) |
| **Total non-current assets** | **215,083,773** | 207,900,198 |
| **Total assets** | **$ 260,982,353** | $ 252,672,337 |
| **Deferred outflows of resources:** | | |
| Bond defeasance loss | **$ 320,370** | $ 363,382 |
| Deferred outflows from pension | **2,811,577** | 2,911,600 |
| **Total deferred outflows of resources** | **$ 3,131,947** | $ 3,274,982 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable | **$ 6,624,188** | $ 6,003,578 |
| Construction contract retainage payable | **85,816** | 39,342 |
| Accrued interest | **658,155** | 812,007 |
| Other accrued expenses | **1,563,501** | 1,631,306 |
| Customer deposits | **1,466,193** | 1,233,345 |
| Current portion of landfill post-closure liability | **17,521** | 18,000 |
| Current portion of long-term debt | **4,013,913** | 3,777,997 |
| **Total current liabilities** | **14,429,287** | 13,515,575 |
| Landfill post-closure liability | **227,779** | 288,000 |
| Other postemployment liability | **1,176,000** | 1,034,000 |
| Net pension liability | **17,490,425** | 16,497,334 |
| Long-term debt, net of unamortized premium, and current portion of long-term debt | **68,287,078** | 72,385,180 |
| **Total non-current liabilities** | **87,181,282** | 90,204,514 |
| **Total liablilities** | **$ 101,610,569** | $ 103,720,089 |
| **Deferred inflows of resources:** | | |
| Deferred inflows from pension | **$ 142,912** | $ 265,606 |
| **Total deferred inflows of resources** | **$ 142,912** | $ 265,606 |
| **NET POSITION** | | |
| Net investment in capital assets | **$ 143,103,152** | $ 131,737,021 |
| Restricted for: | | |
| Debt service | **429,032** | 2,194,446 |
| Capital projects | **6,744,278** | 9,176,820 |
| Unrestricted | **12,084,357** | 8,853,337 |
| **Total net position** | **$ 162,360,819** | $ 151,961,624 |

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, 2017 AND 2016*

| | 2017 | 2016 |
|---|---|---|
| **Operating revenues:** | | |
| Electric revenues | **$ 41,944,704** | $ 42,731,587 |
| Gas revenues | **26,147,506** | 24,345,989 |
| Water revenues | **8,401,020** | 8,454,746 |
| Sewer revenues | **6,268,682** | 5,843,893 |
| Other operating revenues | **2,911,253** | 3,020,885 |
| **Total operating revenues** | **85,673,165** | 84,397,100 |
| **Operating expenses:** | | |
| Purchased power | **35,502,277** | 36,000,430 |
| Purchased gas | **13,986,313** | 12,686,093 |
| Depreciation | **8,734,655** | 8,454,337 |
| Other operating expenses | **18,932,250** | 18,448,252 |
| **Total operating expenses** | **77,155,495** | 75,589,112 |
| **Net operating revenue** | **8,517,670** | 8,807,988 |
| **Other revenues (expenses):** | | |
| Interest expense | **(2,323,732)** | (2,541,355) |
| Interest revenue | **66,237** | 46,404 |
| Transfers to the City of Greer | **(1,000,000)** | (1,000,000) |
| Gain on disposal of utility plant | **88,185** | 44,419 |
| **Total other expenses, net** | **(3,169,310)** | (3,450,532) |
| **Change in net position before contributions** | **5,348,360** | 5,357,456 |
| **Contributions** | **5,050,835** | 3,375,124 |
| **Change in net position after contributions** | **10,399,195** | 8,732,580 |
| **Net position at beginning of the year** | **151,961,624** | 143,229,044 |
| **Net position at end of the year** | **$ 162,360,819** | $ 151,961,624 |

See accompanying notes to the financial statements.

## STATEMENTS OF CASH FLOWS (CONTINUED)

*YEARS ENDED DECEMBER 31, 2017 AND 2016*

| | 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activites:** | | |
| Cash received from customers | $ 81,359,987 | $ 78,528,623 |
| Cash paid to suppliers | (59,291,147) | (56,934,874) |
| Cash paid to employees | (7,439,680) | (6,777,164) |
| Other operating revenue | 2,911,253 | 3,020,885 |
| **Net cash provided by operating activities** | 17,540,413 | 17,837,470 |
| **Cash flows from noncapital financing activities:** | | |
| Payments to City of Greer | (1,000,000) | (1,000,000) |
| **Net cash used in noncapital financing activities** | (1,000,000) | (1,000,000) |
| **Cash flows from capital and related financing activites:** | | |
| Increase in utility plants | (13,597,810) | (12,730,235) |
| Capital contributions | 2,779,683 | 1,481,289 |
| Proceeds from sale of utility plant | 85,391 | 57,010 |
| Proceeds from issuance of long-term debt | 14,740,000 | - |
| Repayment of debt | (18,559,174) | (3,648,900) |
| Interest paid on long-term debt | (2,477,584) | (2,566,614) |
| **Net cash used in capital and related financing activities** | (17,029,494) | (17,407,450) |
| **Cash flows from investing activites:** | | |
| Interest received on investments | 66,237 | 46,404 |
| **Net cash used in investing activities** | 66,237 | 46,404 |
| **Net decrease in cash and cash equivalents** | (422,844) | (523,576) |
| **Cash and cash equivalents at beginning of year** | 32,078,809 | 32,602,385 |
| **Cash and cash equivalents at end of year** | $ 31,655,965 | $ 32,078,809 |
| **Reconciliation of operating revenue to net cash provided by operating activities:** | | |
| **Net operating revenue** | $ 8,517,670 | $ 8,807,988 |
| **Adjustments to reconcile net operating revenue** to net cash provided by operating activities: | | |
| Depreciation | 8,734,655 | 8,454,337 |
| Changes in assets and liabilities: | | |
| Customer receivables, net | (1,634,773) | (1,600,749) |
| Inventories | (147,366) | (84,474) |
| Prepaid expenses | 232,854 | (96,858) |
| Accounts payable | 620,610 | 677,021 |
| Other accrued expenses | (67,805) | 494,502 |
| Other postemployment liabilities | 142,000 | 143,000 |
| Change in pension expense | 970,420 | 786,892 |
| Landfill post-closure liability | (60,700) | (18,000) |
| Customer deposits | 232,848 | 273,811 |
| **Net cash provided by operating activities** | $ 17,540,413 | $ 17,837,470 |
| **Non-cash items:** | | |
| Non-cash capital contributions | $ 2,271,152 | $ 1,893,835 |

See accompanying notes to the financial statements.

## Note 1—Organization and significant accounting policies

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

For its electric service needs, under an all requirements contract, the Commission is a member of Piedmont Municipal Power Agency ("PMPA") which owns a 25% undivided ownership interest in Duke Energy's Catawba Nuclear Station Unit 2 and its initial nuclear core. This jointly-owned reactor furnishes approximately 96% of the Commission's electrical needs. The Commission also purchases power from the U.S. Department of Energy – Southeastern Power Administration and from the Laurens Electric Cooperative.

In addition to the incorporated City service area, natural gas is provided to five other municipalities. Natural gas supplies are purchased from a variety of sources including Conoco Phillips, BP Energy, Direct Energy, NJR Energy, 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").

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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

## Note 1—Organization and significant accounting policies (continued)

The Commission's funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the Commission's funds are charges to customers for sales and services. Operating expenses 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 acquisition fair value at the date of contribution. Interest cost on debt issued to finance the construction of the utility plant is capitalized during the construction period. Interest capitalization during the years ended December 31, 2017 and 2016 was $206,845 and $255,558, respectively. Minimum capitalization costs are $1,000.

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

| | Years | | Years |
|---|---|---|---|
| Electric distribution system | 25 | Finance building | 50 |
| Gas distribution system | 33 | Operations center | 50 |
| Water 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, 2017 and 2016 was $8,734,655 and $8,454,337, respectively.

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

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

*Inventories and prepaid expenses* - Materials and supplies inventories are valued at average cost, and consists of materials, supplies, and fuel. Prepaid expenses consists of items such as general liability insurance premiums that have been paid during 2017 and 2016, but are recognized over the appropriate accounting periods.

## Note 1—Organization and significant accounting policies (continued)

*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, 2017 and 2016 were $4,945,124 and $3,963,809, 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.

*Restricted Assets* - Restricted assets consist of cash 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.

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

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

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

The Commission minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates or commodity prices. The market risk associated with commodity-price contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

## Note 1—Organization and significant accounting policies (continued)

Cumulative changes in the fair value of hedge contracts are recorded at the time the contracts are closed. At December 31, 2017 and 2016, the Commission had a total of 21 contracts and 25 contracts outstanding, respectively, hedging the natural gas system supply and supply for other specific non-system customers, depending upon the expected month of future delivery. These contracts represent a total outstanding commitment of $14,771,489 and $20,063,150 at an average cost of $3.16 and $3.20 per dekatherm of natural gas at December 31, 2017 and 2016, 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.

*Reclassifications* – Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation.

*Deferred Outflows/Inflows of Resources* - In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate net statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission has six items that qualify for reporting in this category, one which relates to the Commission's activities in long-term debt refundings and is listed in the Statement of Net Position under the heading "Bond defeasance loss" and five remaining items which relate to the Commission's retirement plans and are combined in the Statement of Net Position under the heading "Deferred outflows from pensions".

The first categorial item, "Bond defeasance loss", relates to deferred losses on advanced refundings of long-term debt, which qualify for reporting in this category. Deferred losses on refundings and advance refundings result from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The second categorial item, "Deferred outflows from pension", relates to five items that qualify for reporting activities related to the Commission's retirement plans. The first item, experience losses, results from periodic studies by the actuary of the Retirement Plans, which adjust the NPL for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the NPL amortized into pension expense over a four-year period. The fourth item, changes in the actuarial assumptions, adjust the net pension liabilities and are amortized into pension expense over the expected remaining service lives of plan members. The fifth item, pension contributions made subsequent to the plan measurement date, includes any contributions made by the Commission to the pension plan before year-end but subsequent to the measurement date of the Commission's NPL are reported as deferred outflows of resources and will be recognized as a reduction of the NPL during the year ended December 31, 2018.

## Note 1—Organization and significant accounting policies (continued)

In addition to liabilities, the statements of net position contain a separate section for deferred inflows of resources. This separate net statement element, “Deferred inflows of resources”, represents an increase of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category all of which relate to the Commission’s retirement plans and are combined in the Statement of Net Position under the heading “Deferred inflows from pension”. Experience gains result from periodic studies by the actuary of the Retirement Plans, which adjust the NPL for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions.

*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 position with constraints placed on the use of either (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 position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

## Note 2—Project power sales agreement

The Commission, as a member of PMPA, is party to the Catawba Project Power Sales Agreements (the “Sales Agreements”). These Sales Agreements oblige PMPA to provide each member a share of the Catawba Nuclear Station (the “Project”) power output and, in turn, each member must pay its share of Project costs.

Members make their payments on a “take-or-pay” basis whether or not the Project is operable or operating. Such payments are not subject to reduction or offset and are not conditioned upon performance by PMPA or any given member. The Sales Agreements are in effect until the earlier of August 1, 2025, or the completion of payments of PMPA’s bonds and satisfaction of obligations under the Project agreements. The Commission’s share of PMPA’s total energy usage was approximately 15.58% and 15.36% in 2017 and 2016, 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 2017 and 2016, the Commission purchased $35,502,277 and $35,182,344, respectively, from PMPA under the two agreements discussed above. On December 31, 2017 and 2016, amounts due to PMPA of $2,891,033 and $2,839,146, respectively, were included in accounts payable.

## Note 3—Utility plant

The following is a summary of changes in utility plant as of December 31, 2017:

| | December 31, 2016 | Additions | Classification Transfers | Disposals | December 31, 2017 |
|---|---|---|---|---|---|
| **Utility plant not being depreciated:** | | | | | |
| Land | $ 2,635,088 | $ 49,865 | $ (1) | $ - | $ 2,684,952 |
| Construction in progress | 5,261,990 | 4,061,575 | (5,194,992) | - | 4,128,573 |
| **Total utility plant not being depreciated** | **7,897,078** | 4,111,440 | (5,194,993) | - | **6,813,525** |
| **Utility plant being depreciated:** | | | | | |
| Electric distribution system | 55,171,058 | 2,593,803 | 232,259 | (828) | 57,996,292 |
| Gas distribution system | 67,555,967 | 2,831,205 | 1,146,337 | - | 71,533,509 |
| Water distribution system | 74,418,130 | 3,059,893 | 582,264 | (8,770) | 78,051,517 |
| Water reservoirs and dams | 12,810,716 | 55,422 | (31,130) | - | 12,835,008 |
| Recreational facilities | 760,131 | 13,159 | 444 | - | 773,734 |
| Disposal plants and sanitary sewer | 96,623,279 | 1,774,523 | 3,133,520 | - | 101,531,322 |
| Finance building | 699,455 | 4,847 | - | - | 704,302 |
| Operations center | 5,743,391 | 17,579 | 3,420 | - | 5,764,390 |
| Vehicle maintenance facility | 384,680 | - | 52,816 | - | 437,496 |
| Buildings | 75,000 | - | - | - | 75,000 |
| Vehicles and other work equipment | 10,368,961 | 1,126,889 | - | (346,564) | 11,149,286 |
| Office equipment and furniture | 3,926,914 | 427,082 | 1,332 | (168,978) | 4,186,350 |
| Fiber optic | 550,200 | - | - | - | 550,200 |
| **Total utility plant being depreciated** | **329,087,882** | 11,904,402 | 5,121,262 | (525,140) | **345,588,406** |
| **Less accumulated depreciation for:** | | | | | |
| Electric distribution system | (27,703,187) | (1,780,775) | 448 | 127 | (29,483,387) |
| Gas distribution system | (29,527,434) | (1,924,228) | 3,113 | - | (31,448,549) |
| Water distribution system | (23,152,446) | (1,474,944) | (175) | 674 | (24,626,891) |
| Water reservoirs and dams | (5,365,068) | (176,724) | 8 | - | (5,541,784) |
| Recreational facilities | (306,465) | (20,240) | (8) | - | (326,713) |
| Disposal plants and sanitary sewer | (28,755,398) | (1,949,465) | (5,259) | - | (30,710,122) |
| Finance building | (124,678) | (17,999) | - | - | (142,677) |
| Operations center | (3,335,208) | (137,793) | - | - | (3,473,001) |
| Vehicle maintenance facility | (247,795) | (9,911) | - | - | (257,706) |
| Buildings | (75,000) | - | - | - | (75,000) |
| Vehicles and other work equipment | (7,342,010) | (822,630) | - | 346,564 | (7,818,076) |
| Office equipment and furniture | (2,853,911) | (397,962) | (10,801) | 166,568 | (3,096,106) |
| Fiber optic | (296,162) | (21,984) | - | - | (318,146) |
| **Total accumulated depreciation** | **(129,084,762)** | (8,734,655) | (12,674) | 513,933 | **(137,318,158)** |
| **Utility plant, net** | **$ 207,900,198** | | | | **$ 215,083,773** |

## Note 3—Utility plant (continued)

The following is a summary of changes in utility plant as of December 31, 2016:

| | December 31, 2015 | Additions | Classification Transfers | Disposals | December 31, 2016 |
|---|---|---|---|---|---|
| **Utility plant not being depreciated:** | | | | | |
| Land | $ 2,595,608 | $ 39,830 | $ - | $ (350) | $ 2,635,088 |
| Construction in progress | 1,878,833 | 4,687,234 | (1,299,867) | (4,210) | 5,261,990 |
| **Total utility plant not being depreciated** | **4,474,441** | 4,727,064 | (1,299,867) | (4,560) | **7,897,078** |
| **Utility plant being depreciated:** | | | | | |
| Electric distribution system | 53,020,137 | 1,903,873 | 247,048 | - | 55,171,058 |
| Gas distribution system | 64,924,471 | 2,345,053 | 286,443 | - | 67,555,967 |
| Water distribution system | 71,993,790 | 2,340,113 | 84,227 | - | 74,418,130 |
| Water reservoirs and dams | 12,804,216 | 6,500 | - | - | 12,810,716 |
| Recreational facilities | 714,454 | 45,677 | - | - | 760,131 |
| Disposal plants and sanitary sewer | 93,851,689 | 2,092,952 | 680,910 | (2,272) | 96,623,279 |
| Finance building | 614,926 | 84,529 | - | - | 699,455 |
| Operations center | 5,735,762 | 11,299 | (3,670) | - | 5,743,391 |
| Vehicle maintenance facility | 381,010 | - | 3,670 | - | 384,680 |
| Buildings | 75,000 | - | - | - | 75,000 |
| Vehicles and other work equipment | 10,026,724 | 638,651 | 28,705 | (325,119) | 10,368,961 |
| Office equipment and furniture | 3,494,404 | 471,011 | 4,692 | (43,193) | 3,926,914 |
| Fiber optic | 550,200 | - | - | - | 550,200 |
| **Total utility plant being depreciated** | **318,186,783** | 9,939,658 | 1,332,025 | (370,584) | **329,087,882** |
| **Less accumulated depreciation for:** | | | | | |
| Electric distribution system | (25,990,045) | (1,713,142) | - | - | (27,703,187) |
| Gas distribution system | (27,668,418) | (1,859,016) | - | - | (29,527,434) |
| Water distribution system | (21,726,395) | (1,426,051) | - | - | (23,152,446) |
| Water reservoirs and dams | (5,188,839) | (176,229) | - | - | (5,365,068) |
| Recreational facilities | (286,735) | (19,730) | - | - | (306,465) |
| Disposal plants and sanitary sewer | (26,815,483) | (1,940,919) | (95) | 1,099 | (28,755,398) |
| Finance building | (107,295) | (17,383) | - | - | (124,678) |
| Operations center | (3,196,368) | (138,840) | - | - | (3,335,208) |
| Vehicle maintenance facility | (238,008) | (9,788) | 1 | - | (247,795) |
| Buildings | (75,000) | - | - | - | (75,000) |
| Vehicles and other work equipment | (6,884,046) | (740,334) | (3,714) | 286,084 | (7,342,010) |
| Office equipment and furniture | (2,501,455) | (390,717) | (965) | 39,226 | (2,853,911) |
| Fiber optic | (273,974) | (22,188) | - | - | (296,162) |
| **Total accumulated depreciation** | **(120,952,061)** | (8,454,337) | (4,773) | 326,409 | **(129,084,762)** |
| **Utility plant, net** | **$ 201,709,163** | | | | **$ 207,900,198** |

Transfers of construction in progress are shown as additions to utility plant being depreciated.

At December 31, 2017 and 2016, the Commission had outstanding contractual commitments of $172,346 and $214,777, respectively, related to additions to the utility plant. Such construction will be financed from debt proceeds, cash flows from operations, and available cash and investments.

## Note 4—Cash and cash equivalents

At December 31, 2017, the carrying value of deposits included in cash and cash equivalents was $31,655,965 and the bank balance was $31,432,697. At December 31, 2016, the carrying value of deposits included in cash and cash equivalents was $32,078,809 and the bank balance was $32,401,216. 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.

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

***Credit Risk***
The deposits 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 fair 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 pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Department does not disclose investment in the LGIP within the fair value hierarchy.

***Custodial Credit Risk***
For a deposit, 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 deposits or collateral securities that are in the possession of an outside party. The Commission's deposits 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 2017 and 2016, the Commission had no investments.

## Note 5—Inventories

Inventories at December 31, 2017 and 2016 consist of the following:

| | 2017 | 2016 |
|---|---|---|
| Electric | $ 1,659,030 | $ 1,574,867 |
| Gas | 870,873 | 800,621 |
| Water and sewer | 332,356 | 340,153 |
| Other | 18,736 | 19,469 |
| Gasoline | 29,326 | 27,845 |
| **Total Inventories** | **$ 2,910,321** | **$ 2,762,955** |

## 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 30 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 of the post-closure period, which is 15 years. During a review by independent engineers in September 2017, the landfill post-closure liability was reduced to $245,300, a decrease of $42,700, and will be amortized over the remaining post-closure period. For the years ended December 31, 2017 and 2016, amortization in the amount of $18,000, respectively, was recorded against related expenses. Actual cost for post-closure care may vary due to inflation, developments in technology, or changes in laws and regulations.

## Note 7—Long-term debt

Long-term debt at December 31, 2017 and 2016 consists of the following:

| | 2017 | 2016 |
|---|---|---|
| **Revenue Bonds:** | | |
| $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 September 1, 2005 and interest payable semi-annually through September 1, 2032. | $ 22,865,000 | $ 23,075,000 |
| $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 September 1, 2008 and interest payable annually through September 2027. | 3,404,476 | 3,676,828 |
| $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 September 1, 2009 and interest payable semi-annually through September, 1, 2025. | - | 16,055,000 |
| $4,590,000 Series 2015 Combined Utility System Refunding Bond used to refund Series 2010 Combined Utility System Revenue Bonds; interest at 2.10%; principal payable annually starting September 1, 2016 and interest payable annually through September 1, 2025. | 3,745,000 | 4,175,000 |
| $14,740,000 Series 2017 Combined Utility System Refunding Bond used to refund Series 2009 Combined Utility System Revenue Bonds; interest at 1.99%; principal payable annually starting September 1, 2017 and interest payable annually through September 1, 2025. | 14,555,000 | - |
| **State Revolving Fund Loans:** | | |
| 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. | 6,108,242 | 6,405,325 |
| 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. | 5,087,851 | 5,344,443 |
| 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. | 8,426,455 | 9,077,583 |
| South Carolina Water Quality Revolving Fund loan to finance the 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%. | 4,194,982 | 4,335,826 |

## Note 7—Long-term debt (continued)

| | 2017 | 2016 |
|---|---|---|
| **Other Loans:** | | |
| 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 through 5, and interest reset each year to the current rate of interest on 10-year U.S. Treasury Notes in years 6 through 10; principal and interest payable annually starting September 1, 2018 through September 1, 2022. | $ 3,500,000 | $ 3,500,000 |
| **Total Long-term debt** | 71,887,006 | 75,645,005 |
| Current portion of long-term debt | (4,013,913) | (3,777,997) |
| Bond premium, net of accumulated amortization of $597,427 in 2017 and $493,240 in 2016. | 413,985 | 518,172 |
| **Long-term debt, net of unamortized premium, and current portion of long-term debt** | $ 68,287,078 | $ 72,385,180 |

Future maturities of long-term debt are as follows:

| | Revenue Bonds | | State Revolving Fund Loans | | Other Loans | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| **2018** | $ 2,638,299 | $ 1,756,809 | $ 1,375,614 | $ 523,317 | $ - | $ - | $ 4,013,913 | $ 2,280,126 |
| **2019** | 2,704,688 | 1,691,530 | 1,406,296 | 492,635 | 700,000 | - | 4,810,984 | 2,184,165 |
| **2020** | 2,776,534 | 1,624,162 | 1,437,708 | 461,222 | 700,000 | - | 4,914,242 | 2,085,384 |
| **2021** | 2,848,857 | 1,554,661 | 1,469,870 | 429,061 | 700,000 | - | 5,018,727 | 1,983,722 |
| **2022** | 2,916,675 | 1,482,742 | 1,463,768 | 376,255 | 700,000 | - | 5,080,443 | 1,858,997 |
| **2023-2027** | 15,134,423 | 6,179,805 | 8,075,134 | 1,478,427 | 700,000 | - | 23,909,557 | 7,658,232 |
| **2028-2032** | 15,550,000 | 2,657,325 | 5,669,974 | 637,538 | - | - | 21,219,974 | 3,294,863 |
| **2033-2037** | - | - | 2,239,962 | 174,292 | - | - | 2,239,962 | 174,292 |
| **2038-2040** | - | - | 679,204 | 27,690 | - | | 679,204 | 27,690 |
| | $44,569,476 | $16,947,034 | $23,817,530 | $ 4,600,437 | $ 3,500,000 | $ - | $71,887,006 | $21,547,471 |

Changes in long-term debt:

| Description | Rate | December 31, 2015 | New Issuance | Payments | December 31, 2016 | New Issuance | Payments | December 31, 2017 | Current |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue Bonds:** | | | | | | | | | |
| Series 2002 | 3.00% to 5.50% | **$ 23,280,000** | $ - | $ (205,000) | **$ 23,075,000** | $ - | $ (210,000) | **$ 22,865,000** | $ 225,000 |
| Series 2007 | 4.02% | **3,938,653** | - | (261,825) | **3,676,828** | - | (272,352) | **3,404,476** | 283,299 |
| Series 2009 | 4.03% | **17,515,000** | - | (1,460,000) | **16,055,000** | - | (16,055,000) | **-** | - |
| Series 2015 | 2.10% | **4,590,000** | - | (415,000) | **4,175,000** | - | (430,000) | **3,745,000** | 435,000 |
| Series 2017 | 1.99% | **-** | - | - | **-** | 14,740,000 | (185,000) | **14,555,000** | 1,695,000 |
| | | **49,323,653** | - | (2,341,825) | **46,981,828** | **14,740,000** | **(17,152,352)** | **44,569,476** | **2,638,299** |
| **Add: Bond Premiums** | | **551,885** | - | (33,713) | **518,172** | - | (104,187) | **413,985** | - |
| **Total Revenue Bonds** | | **49,875,538** | **-** | **(2,375,538)** | **47,500,000** | **14,740,000** | **(17,256,539)** | **44,983,461** | **2,638,299** |
| **State Revolving Fund Loans:** | | | | | | | | | |
| Series 2004 | 2.25% | **6,695,816** | - | (290,491) | **6,405,325** | - | (297,083) | **6,108,242** | 303,824 |
| Series 2005 | 2.25% | **5,595,342** | - | (250,899) | **5,344,443** | - | (256,592) | **5,087,851** | 262,414 |
| Series 2007 | 2.25% | **9,714,263** | - | (636,680) | **9,077,583** | - | (651,128) | **8,426,455** | 665,901 |
| Series 2009 | 2.25% | **4,474,130** | - | (138,304) | **4,335,826** | - | (140,844) | **4,194,982** | 143,475 |
| **Total State Revolving Fund Loans** | | **26,479,551** | **-** | **(1,316,374)** | **25,163,177** | **-** | **(1,345,647)** | **23,817,530** | **1,375,614** |
| **Other Long-term debt** | | | | | | | | | |
| Santee Cooper Loan | 0.00% | **3,500,000** | - | - | **3,500,000** | - | - | **3,500,000** | - |
| Landfill post-closure costs | | **324,000** | - | (18,000) | **306,000** | - | (60,700) | **245,300** | 17,521 |
| **Total Other Long-term debt** | | **3,824,000** | **-** | **(18,000)** | **3,806,000** | **-** | **(60,700)** | **3,745,300** | **17,521** |
| **Total Long-Term Liabilities** | | **80,179,089** | **-** | **(3,709,912)** | **76,469,177** | **14,740,000** | **(18,662,886)** | **72,546,291** | **4,031,434** |
| Less current portion | | **(3,676,199)** | | | **(3,795,997)** | | | **(4,031,434)** | |
| **Total Long-Term Debt** | | **$ 76,502,890** | | | **$ 72,673,180** | | | **$ 68,514,857** | |

## Note 7—Long-term debt (continued)

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 $93,434,477. Principal and interest paid for the years ended December 31, 2017 and 2016 were $20,089,751 and $6,445,813, respectively. Total operating revenues for the years ended December 31, 2017 and 2016 were $85,673,165 and $84,397,100, 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 statements. 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 bond defeasance loss and is being amortized as interest expense over the term of the new debt.

In June, 2017, the Commission issued $14,740,000 of refunding bonds at an interest rate of 1.99% to defease the remaining outstanding bonds, net of all cost of debt, of the Series 2009 Combined Utility System Revenue bonds in the amount of $14,535,000. The Commission completed the refunding to reduce its total debt service payments over a period of 9 years by $1,433,773 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,033,197.

At December 31, 2017 and 2016, the amount of defeased bonds principal outstanding and unpaid by the Trustee was $29,840,000 and $19,010,000, respectively.

## Note 8—Pension plan

***Plan Description***

The Commission is a member of the South Carolina Retirement System (“SCRS”) and the Police Officer Retirement System (“PORS”), which is administered by the South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA was created July 1, 2012 and administers the various retirement systems and retirement programs that are managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the systems and serves as a co-trustee of the systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds. For purposes of measuring the net pension liability (“NPL”), deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a CAFR containing financial statements and required supplementary information for the SCRS and PORS is publicly available on their website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA. PEBA is considered a division of the primary government of the State of South Carolina, and, therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

## Note 8—Pension plan (continued)

The SCRS plan is a cost sharing multi-employer defined benefit pension plan, established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public-school districts, and political subdivisions. The PORS plan is a cost sharing multi-employer defined benefit pension plan, established effective July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of state, counties, municipalities, and political subdivisions.

***Membership***
Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is described below.

***SCRS –*** Generally, all employees of covered employers are required to participate in and contribute to the SCRS as a condition of employment. This plan covers general employees, teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

***PORS –*** To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

***Benefits***
Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend the benefit terms without legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

***SCRS –*** A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years of credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

## Note 8—Pension plan (continued)

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provision at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after the date they would have had 28 years of service credit had they not retired.

***PORS –*** A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of the age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increase by the lesser of one percent or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

***Contributions***

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 percent and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.26 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is schedules to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eight-five.

## Note 8—Pension plan (continued)

Employee and employer contributions rates, shown below, were made through payroll deductions for respective periods shown:

| | SCRS | | PORS | |
|---|---|---|---|---|
| **Period** | **Employee** | **Employer** | **Employee** | **Employer** |
| January – June 2015 | 8.00% | 10.90% | 8.41% | 13.61% |
| July – December 2015 | 8.16% | 11.06% | 8.74% | 13.94% |
| January – June 2016 | 8.16% | 11.06% | 8.74% | 13.94% |
| July – December 2016 | 8.66% | 11.56% | 9.24% | 14.24% |
| January - June 2017 | 8.66% | 11.56% | 9.24% | 14.24% |
| July - December 2017 | 9.00% | 13.56% | 9.75% | 16.24% |

The required contributions and percentages of amounts contributed by the Commission to the SCRS and PORS, respectively, for the past three years were as follows:

| Year | SCRS | | PORS | | Total Required |
|---|---|---|---|---|---|
| **Ended** | **Required** | **% Contributed** | **Required** | **% Contributed** | **Contributions** |
| 2017 | $ 986,834 | 100% | $ 15,230 | 100% | $ 1,002,064 |
| 2016 | 852,012 | 100% | 8,580 | 100% | 860,592 |
| 2015 | 780,337 | 100% | 6,383 | 100% | 786,720 |

Eligible payrolls of the Commission covered under the SCRS and PORS plans for the past three years were as follows:

| Year Ended | SCRS Payroll | PORS Payroll | Total Payroll |
|---|---|---|---|
| 2017 | $ 7,859,783 | $ 99,914 | $ 7,959,697 |
| 2016 | 7,530,495 | 62,141 | 7,592,636 |
| 2015 | 7,104,370 | 47,648 | 7,152,018 |

***Actuarial Assumptions and Methods***

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through July 1, 2015, with the next study to be performed after the June 30, 2020 valuation.

The June 30, 2017 total pension liability, NPL, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2016, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

## Note 8—Pension plan (continued)

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2017. The following is summary of the actuarial assumptions and methods used in the July 1, 2016 valuation for SCRS and PORS:

| | SCRS | PORS |
|---|---|---|
| Actuarial cost method | Entry age normal | Entry age normal |
| Actuarial assumptions: | | |
| Investment rate of return | 7.25% | 7.25% |
| Projected salary increases | 3.0% to 12.5% (varies by service) | 3.5% to 9.5% (varies by service) |
| Includes inflation at | 2.25% | 2.25% |
| Benefits adjustments | Lessor of 1% or $500 annually | Lessor of 1% or $500 annually |

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the July 1, 2017 valuations for SCRS and PORS are as follows:

| Former Job Class | Males | Females |
|---|---|---|
| General Employees and Members of the General Assembly (SCRS) | 2016 PRSC Males multiplied by 100% | 2016 PRSC Females multiplied by 111% |
| Public Safety and Firefighters (PORS) | 2016 PRSC Males multiplied by 125% | 2016 PRSC Females multiplied by 111% |

### *Net Pension Liability*

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that System's fiduciary net position. NPL totals, as of December 31, 2017 for SCRS and PORS are presented below:

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Penson Liability | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|
| SCRS | $ 37,179,576 | $ 19,831,005 | $ 17,348,571 | 53.34% |
| PORS | 363,309 | 221,400 | 141,854 | 60.94% |

NPL totals, as of December 31, 2016 for SCRS and PORS are presented below:

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Penson Liability | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|
| SCRS | $ 34,795,020 | $ 18,408,809 | $ 16,386,211 | 52.91% |
| PORS | 280,868 | 169,770 | 111,123 | 60.44% |

The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year of the Systems. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

## Note 8—Pension plan (continued)

As of June 30, 2017 and 2016, respectively, the change in the NPL for the SCRS Plan is calculated as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Total pension liability** | | |
| Service cost | $ 619,646 | $ 585,610 |
| Interest | 2,557,056 | 2,479,100 |
| Difference between actual and expected experience | 42,065 | 35,837 |
| Assumption changes | 1,346,055 | - |
| Benefit payments | (2,339,014) | (2,134,778) |
| **Net change in total pension liability** | 2,225,808 | 965,769 |
| **Total pension liability - beginning** | 34,953,767 | 33,829,252 |
| **Total pension liability - ending** | 37,179,575 | 34,795,021 |
| **Plan fiduciary net position** | | |
| Contributions - employer | 900,772 | 822,890 |
| Contributions - member | 636,975 | 578,548 |
| Refunds of contributions to members | (81,049) | (71,878) |
| Retirement benefits | (2,240,489) | (2,047,051) |
| Death benefits | (17,476) | (15,849) |
| Net investment income | 2,151,050 | (126,882) |
| Administrative expense | (10,381) | (10,087) |
| Net transfers to affiliated systems | (1,194) | (765) |
| **Net change in Plan fiduciary net position** | 1,338,207 | (871,073) |
| **Plan fiduciary net position - beginning** | 18,492,797 | 19,279,882 |
| **Plan fiduciary net position - ending** | 19,831,004 | 18,408,809 |
| **Net pension liability** | $ 17,348,571 | $ 16,386,211 |

As of June 30, 2017, and 2016, respectively, the change in the NPL for the PORS Plan is calculated as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Total pension liability** | | |
| Service cost | $ 8,634 | $ 6,858 |
| Interest | 24,504 | 19,872 |
| Difference between actual and expected experience | 261 | 507 |
| Assumption changes | 17,259 | - |
| Benefit payments | (19,518) | (15,797) |
| **Net change in total pension liability** | 31,141 | 11,440 |
| **Total pension liability - beginning** | 332,168 | 269,428 |
| **Total pension liability - ending** | 363,309 | 280,868 |
| **Plan fiduciary net position** | | |
| Contributions - employer | 9,946 | 7,675 |
| Contributions - member | 6,622 | 5,045 |
| Refunds of contributions to members | (1,034) | (840) |
| Retirement benefits | (18,285) | (14,801) |
| Death benefits | (200) | (156) |
| Net investment income | 23,616 | (1,079) |
| Administrative expense | (56) | (115) |
| Net transfers to affiliated systems | 66 | 50 |
| **Net change in Plan fiduciary net position** | 20,676 | (4,221) |
| **Plan fiduciary net position - beginning** | 200,779 | 173,966 |
| **Plan fiduciary net position - ending** | 221,455 | 169,745 |
| **Net pension liability** | $ 141,854 | $ 111,123 |

## Note 8—Pension plan (continued)

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning July 1, 2017. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the below table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|---|---|---|---|
| **Global Equity** | **45.0%** | | |
| Global Public Equity | 31.0% | 6.72% | 2.08% |
| Private Equity | 9.0% | 9.60% | 0.86% |
| Equity Options Strategies | 5.0% | 5.91% | 0.30% |
| **Real Assets** | **8.0%** | | |
| Real Estate (Private) | 5.0% | 4.32% | 0.22% |
| Real Estate (REITs) | 2.0% | 6.33% | 0.13% |
| Infrastructure | 1.0% | 6.26% | 0.06% |
| **Opportunistic** | **17.0%** | | |
| GTAA/Risk Parity | 10.0% | 4.16% | 0.42% |
| Hedge Funds (non-PA) | 4.0% | 3.82% | 0.15% |
| Other Opportunistic Strategies | 3.0% | 4.16% | 0.12% |
| **Diversified Credit** | **18.0%** | | |
| Mixed Credit | 6.0% | 3.92% | 0.24% |
| Emerging Markets Debt | 5.0% | 5.01% | 0.25% |
| Private Debt | 7.0% | 4.37% | 0.31% |
| **Conservative Fixed Income** | **12.0%** | | |
| Core Fixed Income | 10.0% | 1.60% | 0.16% |
| Cash and Short Duration (Net) | 2.0% | 0.92% | 0.02% |
| **Total Expected Real Return** | 100.0% | | 5.32% |
| Inflation for Actuarial Purposes | | | 2.25% |
| **Total Expected Nominal Return** | | | 7.57% |

## Note 8—Pension plan (continued)

***Discount Rate***

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity Analysis***

The following table presents the Commission's proportionate share of the June 30, 2017 NPL calculated using the discount rate of 7.25%, as well as what the Commission's proportionate share of the NPL would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

| Commission's Proportionate Share of Net Pension Liability | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| SCRS | $ 22,359,925 | $ 17,348,571 | $ 14,307,857 |
| PORS | 191,531 | 141,854 | 102,725 |
| | $ 22,551,456 | $ 17,490,425 | $ 14,410,582 |

The following table presents the Commission's proportionate share of the June 30, 2016 NPL calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the NPL would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate:

| Commission's Proportionate Share of Net Pension Liability | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| SCRS | $ 20,441,349 | $ 16,386,211 | $ 13,010,461 |
| PORS | 145,603 | 111,123 | 80,088 |
| | $ 20,586,952 | $ 16,497,334 | $ 13,090,549 |

***Pension Plan Fiduciary Net Position***

Detail information about the pension plan's fiduciary net position is available in the separately issued SCRS and PORS financial reports.

***Deferred Outflows/(Inflows) of Resources***

For the years ended December 31, 2017 and 2016, the Commission recognized pension expense of $1,972,506 and $1,647,433, respectively, for its proportional share of the NPL of SCRS and PORS. At December 31, 2017 and 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

## Note 8—Pension plan (continued)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| **SCRS** | | | | |
| Difference between expected and actual experience | $ 77,340 | $ 9,616 | $ 169,862 | $ 17,795 |
| Changes of assumption | 1,015,573 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 484,291 | - | 1,378,607 | - |
| Changes in proportionate share differenceds between employer contributions and proportionate share of total plan employer contributions | 627,922 | 133,296 | 851,500 | 247,811 |
| Commission contributions subsequent to the measurement date to the measurement date | 524,627 | - | 436,773 | - |
| **Total SCRS** | $ 2,729,753 | $ 142,912 | $ 2,836,742 | $ 265,606 |
| **PORS** | | | | |
| Difference between expected and actual experience | $ 1,265 | $ - | $ 1,649 | $ - |
| Changes of assumption | 13,463 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 5,055 | - | 12,601 | - |
| Changes in proportionate share differenceds between employer contributions and proportionate share of total plan employer contributions | 51,957 | - | 55,975 | - |
| Commission contributions subsequent to the measurement date to the measurement date | 10,084 | - | 4,633 | - |
| **Total PORS** | $ 81,824 | $ - | $ 74,858 | $ - |
| **Total SCRS and PORS** | $ 2,811,577 | $ 142,912 | $ 2,911,600 | $ 265,606 |

The deferred outflow of resources of $534,711 related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended December 31, 2018. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources for the SCRS and PORS pension plans:

| Measurement Year Ending June 30: | SCRS | PORS | Total |
|---|---|---|---|
| 2018 | $ 649,346 | $ 27,433 | $ 676,779 |
| 2019 | 1,004,540 | 27,560 | 1,032,100 |
| 2020 | 541,181 | 14,215 | 555,396 |
| 2021 | (132,853) | 2,532 | (130,321) |
| **Total** | $ 2,062,214 | $ 71,740 | $ 2,133,954 |

## Note 9—Other postemployment benefits

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

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

## Note 9—Other postemployment benefits (continued)

| | 2017 | 2016 |
|---|---|---|
| Active Employees | 130 | 124 |
| Retirees | 6 | 4 |
| **Total** | 136 | 128 |

For those employees hired prior to October 7, 2005 and retired prior to July 1, 2010 (known as the Grandfathered-Group), the Commission provides postemployment 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 postemployment benefits during 2010, and are as follows. For those employees that were not considered as the Grandfathered-Group, the Commission provides postemployment 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 postemployment 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, 2017 and 2016, the Commission recognized expenses (net of participant contributions) of $55,788 and $36,339 respectively, to provide health benefits to Commission participants in postemployment status. As of December 31, 2017 and 2016, retirees in postemployment status that were eligible for benefits under the Plan included six and four members, respectively.

### *Annual OPEB Cost and Net Obligation*

The Plan's annual Other Postemployment 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, 2017 and 2016, respectively, the amount actually contributed to the Plan and the changes in the net OPEB obligation to the Plan:

| | 2017 | 2016 |
|---|---|---|
| Annual required contribution | $ 187,000 | $ 187,000 |
| Interest on net OPEB obligation | 41,000 | 36,000 |
| Adjustment to annual required contribution | (43,000) | (37,000) |
| **Annual OPEB cost** | 185,000 | 186,000 |
| Contributions made during the year | (43,000) | (43,000) |
| **Increase in Net OPEB obligation** | 142,000 | 143,000 |
| **Net OPEB obligation - beginning of year** | 1,034,000 | 891,000 |
| **Net OPEB obligation - end of year** | $ 1,176,000 | $ 1,034,000 |

## Note 9—Other postemployment benefits (continued)

The Commission's annual OPEB cost, contributions, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation of the years ended December 31, 2017, 2016, and 2015 are as follows:

| Year | Annual OPEB Cost | Contribution | Percent Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 2017 | $ 185,000 | $ 43,000 | 23.24% | $ 1,176,000 |
| 2016 | 186,000 | 43,000 | 23.12% | 1,034,000 |
| 2015 | 103,000 | 39,000 | 37.86% | 891,000 |

Funding progress:

| Actuarial valuation date | January 1, 2016 | January 1, 2013 | January 1, 2010 |
|---|---|---|---|
| Actuarial value of assets | $ - | $ - | $ - |
| Actuarial accrued liability (AAL) – projects unit credit | 2,239,000 | 1,402,000 | 1,528,000 |
| Unfunded AAL (UAAL) | 2,239,000 | 1,402,000 | 1,528,000 |
| Normal cost | 92,000 | 45,000 | 51,000 |
| Funded ratio | 0% | 0% | 0% |
| Covered payroll | $ 6,825,000 | $ 6,643,781 | $ 6,751,423 |
| UAAL as a percent of covered payroll | 32.81% | 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.

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, 2017 and 2016, 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, 2016 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 2.5%) 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 9.0%, 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 open amortization period at December 31, 2017, was 30 years.

## Note 9—Other postemployment benefits (continued)

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 | 30 Years |
| Salary growth | 2.50% |

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

## Note 10—Risk management

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

It is the policy of the Commission to provide group health insurance for all of its full-time employees and Commissioners. These health insurance policies are administered by a third party. The Commission's total expense for the fiscal years ended December 31, 2017 and 2016 was $1,982,699 and $1,656,359, respectively.

The Commission also participates in the South Carolina Municipal Insurance Trust ("SCMIT") for workers' compensation insurance coverage up to the statutory limits. This is a public entity risk pool operating as a common risk management and insurance program. The Commission pays premiums to SCMIT for this coverage. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past fiscal years.

## Note 10—Risk management (continued)

During the year ended December 31, 2016, the Commission entered into a self-funded insurance plan (the "Plan") whereby the Commission is responsible for the payment of health care claims, administrative costs, and other liabilities incurred by covered employees. The Plan administrator provides the Commission with an expected claims liability for each fiscal year. These estimates are based upon the Commission's claims history, claims processed following the close of the Plan's year end, and other industry factors. The Commission subsequently purchased a stop-loss insurance plan to ensure the Commission does not pay in excess of 125% of expected claims. Changes in reported liabilities are as follows:

| Year Ended December 31, | Beginning Balance | Claims and Changes in Estimates | Claims/ Payments | Ending Balance |
|---|---|---|---|---|
| 2017 | $ 305,449 | $ 2,117,863 | $ 2,149,465 | $ 273,847 |
| 2016 | - | 960,109 | 654,660 | 305,449 |

## Note 11—Related party transactions

In 2017 and 2016, the Commission and the City of Greer verbally agreed to addendums to the existing 10-year agreement whereby the Commission makes a fixed payment to the City each year. The Commission recognized expenses of $1,000,000 in each of 2017 and 2016, respectively.

## Note 12—Contributions and capital improvement grants

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

The Commission receives developer contributed assets from various developers during the year of which become property of the Commission for future maintenance. The Commissions' policy has been to require residential and commercial developers in need of sewer and water services to develop the needed infrastructure at their costs and then to donate the assets to the Commission at the donated assets acquisition 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, 2017 and 2016 are reported in the Statements of Revenues, Expenses, and Changes in Net Position as revenues, rather than as directed additions to contributed capital. Developer and consumer capacity fees of $3,985,510 and $1,133,365 and capital contributions of $1,065,325 and $2,241,759, respectively, are included in contributions.

## Note 13—Purchased gas adjustment

The Commission has a purchased gas adjustment ("PGA") mechanism in place to absorb fluctuations in the cost of natural gas. The Commission amended the PGA to provide the ability to spread the collection of accumulated price spikes over longer periods of time to minimize the impacts on its customers.

The PGA calculation records the actual value paid for the commodity during any month, and provides the ability to charge the customer with a price per therm of consumption that would cover a portion of accumulated unbilled amounts, while remaining competitive with other providers in the existing market environment. This future recovery of the cost of natural gas not yet billed is expected to be completed over the course of future billing periods. As of December 31, 2017 and 2016, the Commission had no accumulated unbilled PGA costs.

## Note 14—Purchased power adjustment

The Commission has a purchased power adjustment ("PPA") mechanism in place to absorb fluctuations in the cost of electricity. The Commission approved in 2015 the PPA to provide the ability to spread the collection of accumulated price spikes in the second succeeding billing month to minimize the impacts on its customers.

Annually, estimates of the power sales and costs are developed for budgetary purposes and rate setting. The PPA calculation is designed to recover the difference between the Commission's actual cost of purchased power and the estimated purchased power costs, and provides the ability to charge the customer with a price per kilowatt hour. As of December 31, 2017 and 2016, the Commission had no accumulated unbilled PPA costs.

## Note 15—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.

### Schedule 1 – Schedule of the Commission's Proportionate Share of the Net Position Lability

| As of June 30, | Commission's Proportion of Net Pension Liability | Commission's Proportionate Share of the Net Pension Liability | Commission's Total Payroll | Commission's Proportionate Share of the Net Pension Liability as a Percentage of Total Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| **South Carolina Retirement System** | | | | | |
| 2017 | 0.077065% | $ 17,348,571 | $ 7,775,554 | 223.1% | 53.3% |
| 2016 | 0.076715% | 16,386,211 | 7,428,797 | 220.6% | 52.9% |
| 2015 | 0.070640% | 13,397,217 | 6,795,936 | 197.1% | 57.0% |
| 2014 | 0.073261% | 12,613,115 | 6,655,473 | 189.5% | 59.9% |
| 2013 | 0.073261% | 13,140,410 | 6,564,177 | 200.2% | 56.4% |
| **Police Officers Retirement System** | | | | | |
| 2017 | 0.005180% | $ 141,854 | $ 69,727 | 203.4% | 60.9% |
| 2016 | 0.004380% | 111,123 | 55,850 | 199.0% | 60.4% |
| 2015 | 0.002770% | 60,481 | 34,372 | 176.0% | 64.6% |
| 2014 | 0.000360% | 6,930 | - | 0.0% | 67.5% |
| 2013 | 0.000360% | 7,504 | - | 0.0% | 63.0% |

### Schedule 2 – Schedule of the Commission's Pension Contributions

| As of December 31, | Actuarial Required Contribution | Actual Contributions | Contribution Deficiency (Excess) | Commission's Total Payroll | Contributions as a Percentage of Total Payroll |
|---|---|---|---|---|---|
| **South Carolina Retirement System** | | | | | |
| 2017 | $ 986,834 | $ 986,834 | $ - | $ 7,859,783 | 12.6% |
| 2016 | 852,012 | 852,012 | - | 7,530,495 | 11.3% |
| 2015 | 780,337 | 780,337 | - | 7,104,370 | 11.0% |
| 2014 | 701,210 | 701,210 | - | 6,666,273 | 10.5% |
| 2013 | 678,056 | 678,056 | - | 6,587,631 | 10.3% |
| **Police Officers Retirement System** | | | | | |
| 2017 | $ 15,230 | $ 15,230 | $ - | $ 99,914 | 15.2% |
| 2016 | 8,580 | 8,580 | - | 62,141 | 13.8% |
| 2015 | 6,383 | 6,383 | - | 47,648 | 13.4% |
| 2014 | 1,837 | 1,837 | - | 13,905 | 13.2% |
| 2013 | - | - | - | - | 0.0% |

**GREER COMMISSION OF PUBLIC WORKS**

SCHEDULE 3 – SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES

*FOR THE YEAR ENDED DECEMBER 31, 2017*

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Operating revenues:** | | | |
| Electric revenues | $ 44,249,102 | $ 41,944,704 | $ (2,304,398) |
| Gas revenues | 25,242,168 | 26,147,506 | 905,338 |
| Water and sewer service | 14,473,090 | 14,669,702 | 196,612 |
| Other operating revenues | 1,988,405 | 2,911,253 | 922,848 |
| **Total operating revenues** | 85,952,765 | 85,673,165 | (279,600) |
| **Operating expenses:** | | | |
| Purchased power | 35,652,025 | 35,502,277 | 149,748 |
| Purchased gas | 12,924,100 | 13,986,313 | (1,062,213) |
| Depreciation | 8,446,356 | 8,734,655 | (288,299) |
| Other operating expenses | 20,836,981 | 18,932,250 | 1,904,731 |
| **Total operating expenses** | 77,859,462 | 77,155,495 | 703,967 |
| **Net operating revenue** | 8,093,303 | 8,517,670 | 424,367 |
| **Other revenues (expenses):** | | | |
| Interest expense | (2,706,140) | (2,323,732) | 382,408 |
| Interest revenue | 30,000 | 66,237 | 36,237 |
| Transfers to the City of Greer | (1,000,000) | (1,000,000) | - |
| Gain on disposal of utility plant | - | 88,185 | 88,185 |
| **Total other expenses, net** | (3,676,140) | (3,169,310) | 506,830 |
| Change in net position before contributions | 4,417,163 | 5,348,360 | 931,197 |
| Contributions | - | 5,050,835 | 5,050,835 |
| **Change in net position after contributions** | $ 4,417,163 | $ 10,399,195 | $ 5,982,032 |

## GREER COMMISSION OF PUBLIC WORKS

SCHEDULE 4 – SCHEDULE OF DIVISIONAL OPERATING REVENUES AND EXPENSES

*FOR THE YEAR ENDED DECEMBER 31, 2017*

| | Electric | Gas | Water | Sewer | Total |
|---|---|---|---|---|---|
| **Operating revenues:** | | | | | |
| Electric and gas sales: | | | | | |
| Residential | $ 22,524,094 | $ 10,290,361 | $ - | $ - | $ 32,814,455 |
| Commercial | 5,966,460 | 5,265,469 | - | - | 11,231,929 |
| Industrial and power | 13,454,150 | 10,591,676 | - | - | 24,045,826 |
| Water and sewer service | - | - | 8,401,020 | 6,268,682 | 14,669,702 |
| Collection penalties | 91,191 | 139,385 | 115,938 | 115,938 | 462,452 |
| Other operating revenues | 534,364 | 376,594 | 540,976 | 996,867 | 2,448,801 |
| **Total operating revenues** | 42,570,259 | 26,663,485 | 9,057,934 | 7,381,487 | 85,673,165 |
| **Operating and maintenance expenses:** | | | | | |
| Purchased power | 35,502,277 | - | - | - | 35,502,277 |
| Purchased gas | - | 13,986,313 | - | - | 13,986,313 |
| Depreciation | 2,132,838 | 2,276,300 | 2,023,980 | 2,301,537 | 8,734,655 |
| Other operating expenses | 3,951,319 | 5,653,401 | 5,480,446 | 3,847,084 | 18,932,250 |
| **Total operating expenses** | 41,586,434 | 21,916,014 | 7,504,426 | 6,148,621 | 77,155,495 |
| **Net operating departmental revenue** | $ 983,825 | $ 4,747,471 | $ 1,553,508 | $ 1,232,866 | $ 8,517,670 |

# GREER COMMISSION OF PUBLIC WORKS
## STATISTICAL NARRATIVE

*FOR THE YEAR ENDED DECEMBER 31, 2017*

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**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**

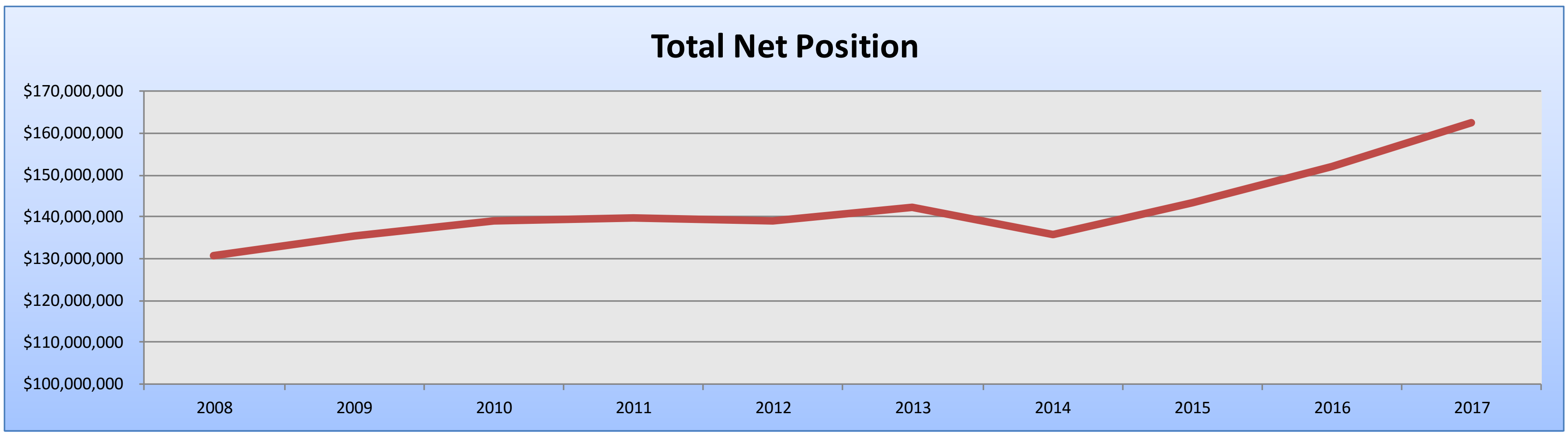
COMBINED SYSTEM

SCHEDULE OF NET POSITION BY COMPONENT FOR THE LAST 10 YEARS (UNAUDITED)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (Restated) | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ 112,683,179 | $ 113,732,125 | $ 111,941,096 | $ 108,561,274 | $ 108,761,825 | $ 108,778,273 | $ 114,376,942 | $ 125,357,319 | $ 131,737,021 | $ 143,103,152 |
| Restricted for: | | | | | | | | | | |
| Debt service | 1,578,469 | 3,889,984 | 4,952,826 | 4,467,936 | 3,565,121 | 2,505,422 | 2,871,675 | 2,390,345 | 2,194,446 | 429,032 |
| Capital projects | 6,247,638 | 4,644,739 | 4,874,744 | 5,169,075 | 5,606,320 | 5,944,339 | 7,408,021 | 8,025,105 | 9,176,820 | 6,744,278 |
| Total restricted | 7,826,107 | 8,534,723 | 9,827,570 | 9,637,011 | 9,171,441 | 8,449,761 | 10,279,696 | 10,415,450 | 11,371,266 | 7,173,310 |
| Unrestricted | 10,160,784 | 13,263,590 | 17,244,248 | 23,374,253 | 21,233,711 | 24,904,878 | 24,217,176 | 7,456,275 | 8,853,337 | 12,084,357 |
| Change In accounting principles (1) (2) | - | - | - | (1,668,067) | - | - | (12,957,409) | - | - | - |
| Unrestricted, restated | 10,160,784 | 13,263,590 | 17,244,248 | 21,706,186 | 21,233,711 | 24,904,878 | 11,259,767 | 7,456,275 | 8,853,337 | 12,084,357 |
| Total net position | $ 130,670,070 | $ 135,530,438 | $ 139,012,914 | $ 139,904,471 | $ 139,166,977 | $ 142,132,912 | $ 135,916,405 | $ 143,229,044 | $ 151,961,624 | $ 162,360,819 |

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

(2) The Commission adopted GASB 68 in fiscal year 2014, which recorded net pension liability



## GREER COMMISSION OF PUBLIC WORKS

COMBINED SYSTEM

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

| *(in thousands)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (Restated) | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***OPERATING REVENUES:*** | | | | | | | | | | |
| Electric revenues | $ 28,886 | $ 30,495 | $ 32,136 | $ 31,562 | $ 32,224 | $ 34,812 | $ 38,539 | $ 40,756 | $ 42,731 | $ 41,945 |
| Gas revenues | 38,476 | 29,195 | 31,247 | 26,888 | 21,932 | 26,536 | 30,594 | 26,201 | 24,346 | 26,147 |
| Water revenues | 6,000 | 5,579 | 5,679 | 5,634 | 6,113 | 5,795 | 6,862 | 7,495 | 8,455 | 8,401 |
| Sewer revenues | 4,169 | 4,211 | 4,481 | 4,526 | 4,569 | 4,824 | 5,061 | 5,246 | 5,844 | 6,269 |
| Other operating revenues | 2,627 | 2,105 | 1,807 | 2,022 | 2,661 | 2,683 | 2,729 | 2,738 | 3,021 | 2,911 |
| **Total operating revenues** | 80,158 | 71,585 | 75,350 | 70,632 | 67,499 | 74,650 | 83,785 | 82,436 | 84,397 | 85,673 |
| ***OPERATING EXPENSES:*** | | | | | | | | | | |
| Purchased power | 22,689 | 23,548 | 25,054 | 26,509 | 28,426 | 30,329 | 32,895 | 34,595 | 36,000 | 35,502 |
| Purchased gas | 28,889 | 20,150 | 20,381 | 16,784 | 12,988 | 15,140 | 18,743 | 15,856 | 12,686 | 13,986 |
| Depreciation | 6,224 | 7,000 | 7,375 | 7,121 | 7,720 | 7,804 | 8,026 | 8,280 | 8,454 | 8,735 |
| Depreciation - change in accounting estimate | - | - | - | - | 817 | - | - | - | - | - |
| Other operating expenses | 14,805 | 14,716 | 14,598 | 13,987 | 15,099 | 15,451 | 16,673 | 16,884 | 18,448 | 18,932 |
| **Total operating expenses** | 72,607 | 65,414 | 67,408 | 64,401 | 65,050 | 68,724 | 76,337 | 75,615 | 75,588 | 77,155 |
| **Net operating revenue** | $ 7,551 | $ 6,171 | $ 7,942 | $ 6,231 | $ 2,449 | $ 5,926 | $ 7,448 | $ 6,821 | $ 8,809 | $ 8,518 |
| ***OTHER REVENUES (EXPENSES)*** | | | | | | | | | | |
| Interest expense | $ (3,169) | $ (3,107) | $ (3,372) | $ (3,501) | $ (3,193) | $ (2,910) | $ (2,848) | $ (2,583) | $ (2,541) | $ (2,324) |
| Interest revenue | 457 | 156 | 48 | 80 | 64 | 51 | 30 | 29 | 46 | 66 |
| Transfers to the City of Greer | (1,000) | (1,000) | (1,262) | (1,088) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| Loss on disposal of utility plant | (109) | (148) | (599) | (178) | (93) | (140) | (34) | (26) | 44 | 88 |
| **Total other expenses, net** | (3,821) | (4,099) | (5,185) | (4,687) | (4,222) | (3,999) | (3,852) | (3,580) | (3,451) | (3,170) |
| **Change in net position before contributions** | 3,730 | 2,072 | 2,757 | 1,544 | (1,773) | 1,927 | 3,596 | 3,241 | 5,358 | 5,348 |
| Contributions | 3,462 | 2,788 | 726 | 1,112 | 1,035 | 1,039 | 2,629 | 4,072 | 3,375 | 5,051 |
| **Change in net position after contributions** | 7,192 | 4,860 | 3,483 | 2,656 | (738) | 2,966 | 6,225 | 7,313 | 8,733 | 10,399 |
| **Beginning net position** [2] [3] | 123,478 | 130,670 | 135,530 | 139,013 | 139,905 | 139,167 | 142,133 | 135,916 | 143,229 | 151,962 |
| Change in accounting principle | - | - | - | (1,764) | - | - | (12,442) | - | - | - |
| **Beginning net position, restated** | 123,478 | 130,670 | 135,530 | 137,249 | 139,905 | 139,167 | 129,691 | 135,916 | 143,229 | 151,962 |
| **Ending net position** | $ 130,670 | $ 135,530 | $ 139,013 | $ 139,905 | $ 139,167 | $ 142,133 | $ 135,916 | $ 143,229 | $ 151,962 | $ 162,361 |

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

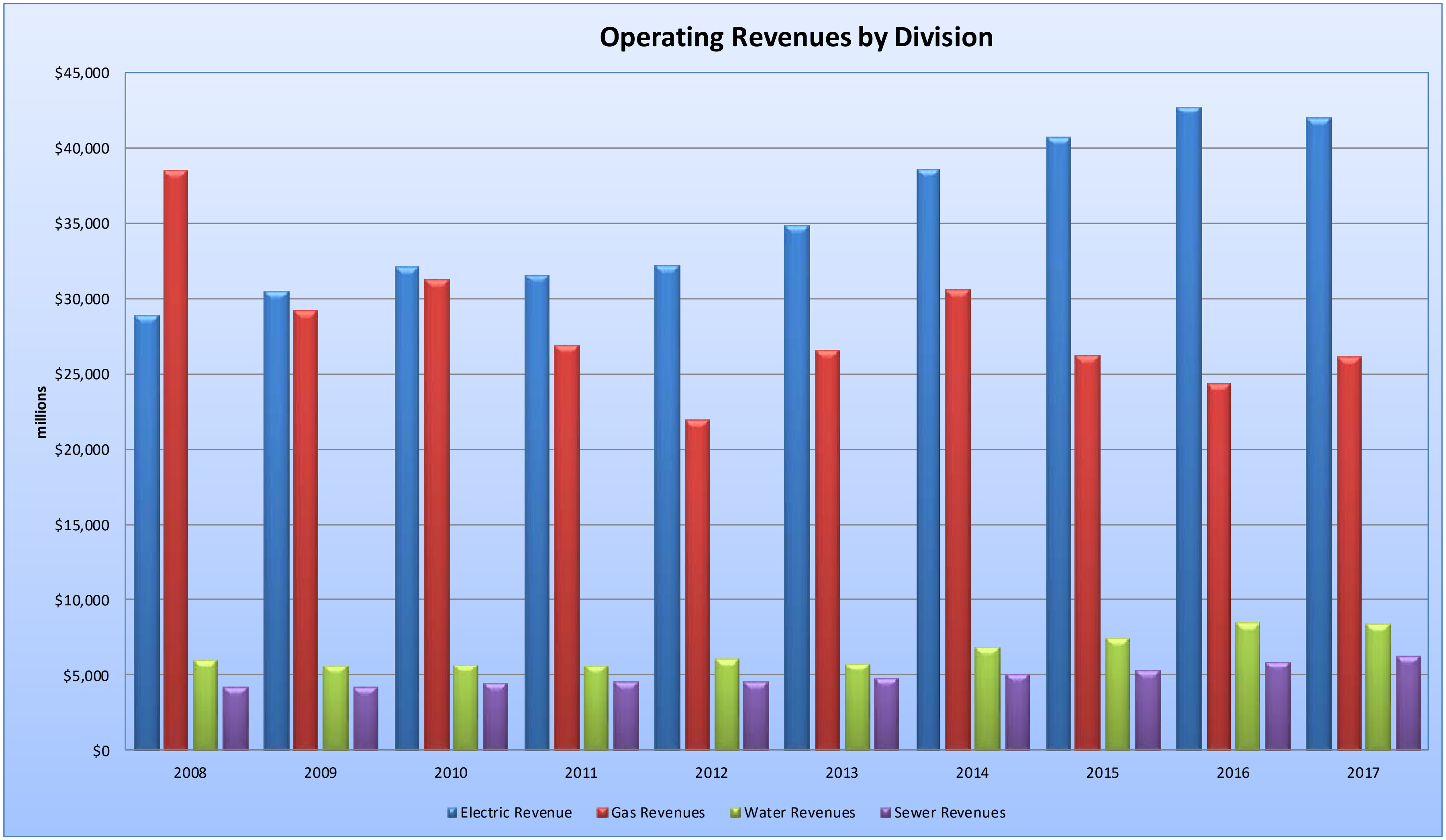
(2) The Commission adopted GASB 65 in fiscal year 2011, which changed the treatment of the costs of debt issuance

(3) The Commission adopted GASB 68 in fiscal year 2014, which recorded net pension liability

**GREER COMMISSION OF PUBLIC WORKS**

COMBINED SYSTEM

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



## GREER COMMISSION OF PUBLIC WORKS

ELECTRIC SYSTEM

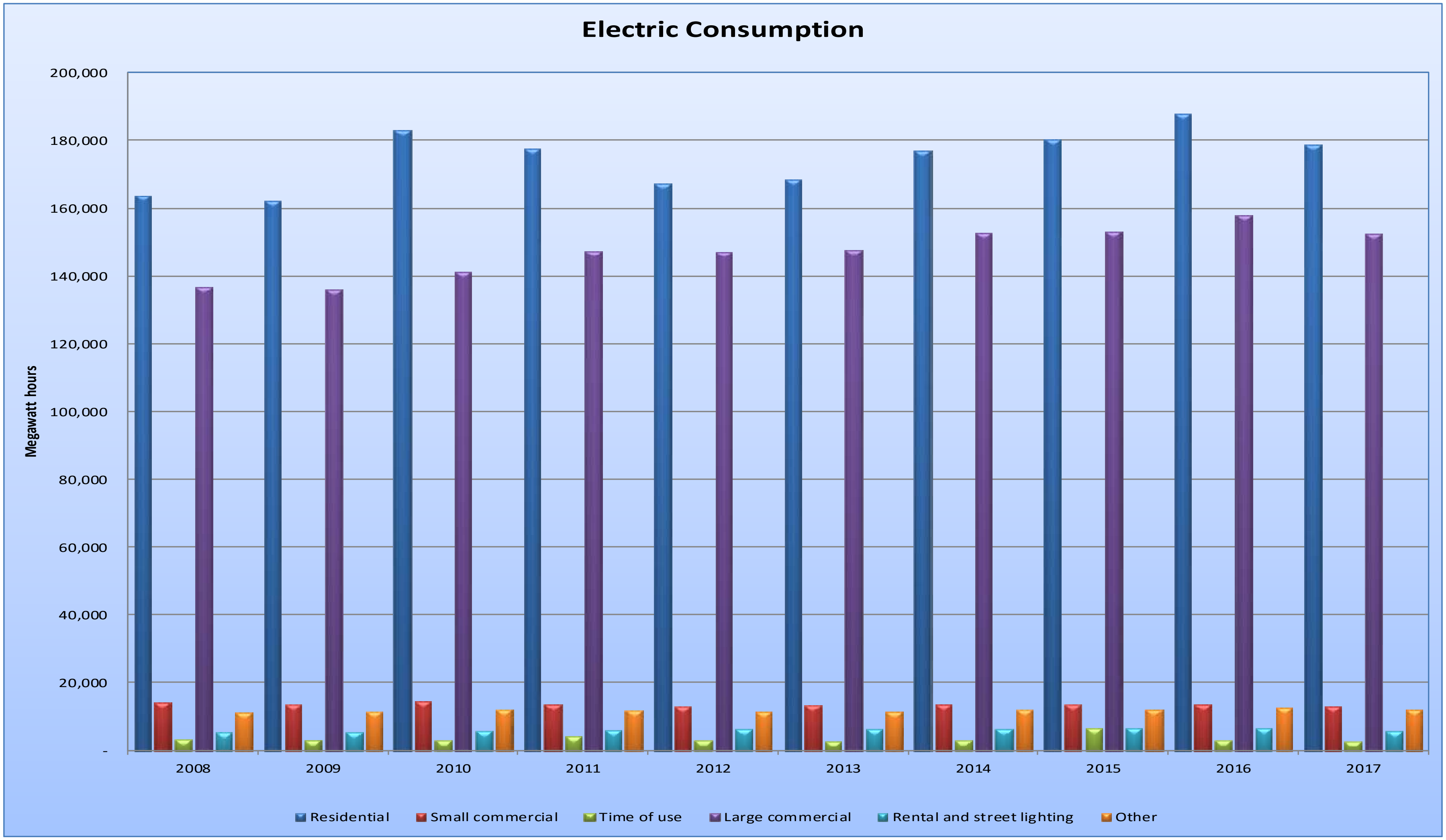
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – *LAST TEN FISCAL YEARS*(1)

| *(in thousands)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***OPERATING REVENUES:*** | | | | | | | | | | |
| Residential | $ 15,468 | $ 16,321 | $ 17,162 | $ 17,141 | $ 17,067 | $ 18,657 | $ 20,681 | $ 21,679 | $ 23,192 | $ 22,524 |
| Small commercial | 3,072 | 3,171 | 3,492 | 3,341 | 4,338 | 4,079 | 4,322 | 4,455 | 4,242 | 4,425 |
| Time of use | 227 | 208 | 210 | 297 | 208 | 217 | 234 | 623 | 368 | 236 |
| Large commercial | 9,087 | 9,702 | 10,211 | 9,625 | 10,022 | 10,696 | 12,005 | 12,624 | 13,501 | 13,454 |
| Rental and street lighting | 1,032 | 1,093 | 1,061 | 1,158 | 589 | 1,163 | 1,298 | 1,375 | 1,429 | 1,306 |
| Collection penalties | 152 | 129 | 95 | 91 | 94 | 96 | 99 | 105 | 94 | 91 |
| Other | 301 | 333 | 294 | 473 | 513 | 501 | 495 | 488 | 622 | 534 |
| **Total operating revenues** | 29,339 | 30,957 | 32,525 | 32,126 | 32,831 | 35,409 | 39,134 | 41,349 | 43,448 | 42,570 |
| ***OPERATING EXPENSES:*** | | | | | | | | | | |
| Purchased power | 22,688 | 23,548 | 25,054 | 26,509 | 28,426 | 30,329 | 32,895 | 34,595 | 36,000 | 35,502 |
| Depreciation | 1,481 | 1,609 | 1,854 | 1,713 | 1,836 | 1,865 | 1,902 | 1,982 | 2,043 | 2,133 |
| Other operating expenses | 2,966 | 3,219 | 3,244 | 2,979 | 2,938 | 3,051 | 3,072 | 3,160 | 3,544 | 3,951 |
| **Total operating expenses** | 27,135 | 28,376 | 30,152 | 31,201 | 33,200 | 35,245 | 37,869 | 39,737 | 41,587 | 41,586 |
| **Net operating departmental revenue** | $ 2,204 | $ 2,581 | $ 2,373 | $ 925 | $ (369) | $ 164 | $ 1,265 | $ 1,612 | $ 1,861 | $ 984 |
| ***PURCHASED POWER - (Megawatt Hours)*** | | | | | | | | | | |
| Purchased from PMPA (2) | 340,029 | 335,001 | 363,458 | 352,790 | 345,028 | 342,297 | 357,985 | 361,126 | 378,360 | 368,656 |
| Purchased from SEPA (3) | 14,041 | 12,516 | 11,272 | 13,584 | 12,796 | 18,769 | 15,267 | 15,606 | 16,254 | 13,072 |
| **Total purchased** | 354,070 | 347,517 | 374,730 | 366,374 | 357,824 | 361,066 | 373,252 | 376,732 | 394,614 | 381,728 |
| ***CONSUMPTION - (Megawatt Hours)*** | | | | | | | | | | |
| Residential | 163,775 | 162,016 | 183,153 | 177,315 | 167,257 | 168,471 | 176,752 | 180,179 | 187,783 | 178,757 |
| Small commercial | 14,133 | 13,432 | 14,418 | 13,689 | 12,917 | 13,171 | 13,612 | 13,502 | 13,566 | 13,091 |
| Time of use | 3,299 | 2,924 | 2,746 | 3,998 | 2,778 | 2,678 | 2,793 | 6,295 | 2,876 | 2,571 |
| Large commercial | 136,619 | 135,962 | 141,101 | 147,363 | 147,079 | 147,618 | 152,595 | 152,925 | 157,777 | 152,547 |
| Rental and street lighting | 5,153 | 5,282 | 5,678 | 5,791 | 6,082 | 6,088 | 6,112 | 6,327 | 6,360 | 5,405 |
| Other | 11,226 | 11,463 | 12,029 | 11,740 | 11,555 | 11,513 | 11,987 | 12,225 | 12,672 | 12,150 |
| **Total consumption** | 334,205 | 331,079 | 359,125 | 359,896 | 347,668 | 349,539 | 363,851 | 371,453 | 381,034 | 364,521 |
| Line losses and megawatt hours unaccounted for | 19,865 | 16,438 | 15,605 | 6,478 | 10,156 | 11,527 | 9,401 | 5,279 | 13,580 | 17,207 |
| Percentage of line losses and megawatt hours unaccounted for to purchased power | 5.6% | 4.7% | 4.2% | 1.8% | 2.8% | 3.2% | 2.5% | 1.4% | 3.4% | 4.5% |
| ***ACTIVE SERVICES (Number of Meters)*** | | | | | | | | | | |
| Residential | 13,461 | 13,454 | 13,588 | 13,764 | 14,003 | 14,226 | 14,526 | 14,819 | 15,338 | 15,797 |
| Small commercial | 1,245 | 1,214 | 1,195 | 1,211 | 1,215 | 1,235 | 1,229 | 1,244 | 1,263 | 1,313 |
| Time of use | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| Large commercial | 715 | 710 | 704 | 744 | 757 | 759 | 782 | 773 | 829 | 906 |
| Rental and street lighting | 6,439 | 6,638 | 6,630 | 6,655 | 6,817 | 6,920 | 6,952 | 6,963 | 6,934 | 7,005 |
| Other | 47 | 47 | 46 | 47 | 46 | 49 | 49 | 49 | 48 | 48 |
| **Total active services** | 21,911 | 22,066 | 22,166 | 22,424 | 22,841 | 23,192 | 23,541 | 23,852 | 24,416 | 25,073 |

(1) Information is compiled from internally generated statistical reports

(2) Piedmont Municipal Power Association

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


Electric Consumption
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
Megawatt hours
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Residential
Small commercial
Time of use
Large commercial
Rental and street lighting
Other

## GREER COMMISSION OF PUBLIC WORKS

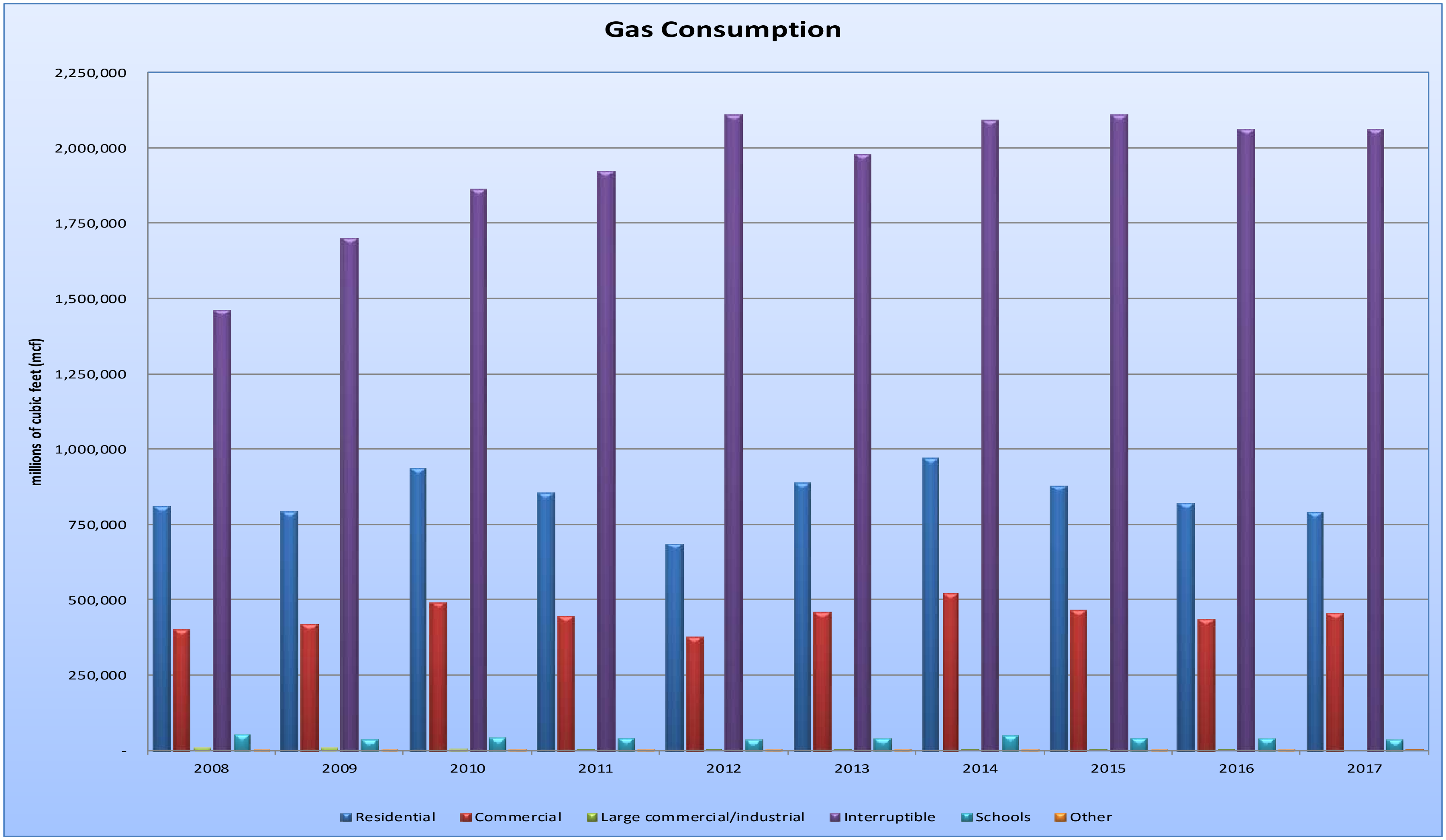
GAS SYSTEM

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

| *(in thousands)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***OPERATING REVENUES:*** | | | | | | | | | | |
| Residential | $ 13,841 | $ 11,937 | $ 12,946 | $ 10,364 | $ 8,670 | $ 10,808 | $ 11,593 | $ 10,716 | $ 10,341 | $ 10,290 |
| Commercial | 7,283 | 6,004 | 6,429 | 4,952 | 4,317 | 4,803 | 5,488 | 4,863 | 4,621 | 4,785 |
| Large commercial/industrial | 430 | 105 | 118 | 50 | 43 | 41 | 41 | 61 | 38 | 35 |
| Interruptible | 16,115 | 10,656 | 11,228 | 11,087 | 8,529 | 10,517 | 13,026 | 10,167 | 8,962 | 10,557 |
| Schools | 807 | 494 | 526 | 435 | 374 | 367 | 446 | 393 | 384 | 480 |
| Collection penalties | 284 | 193 | 149 | 141 | 146 | 148 | 153 | 161 | 144 | 139 |
| Other | 335 | 222 | 229 | 253 | 301 | 333 | 345 | 398 | 411 | 377 |
| **Total operating revenues** | 39,095 | 29,611 | 31,625 | 27,282 | 22,380 | 27,017 | 31,092 | 26,759 | 24,901 | 26,663 |
| ***OPERATING EXPENSES:*** | | | | | | | | | | |
| Purchased gas | 28,889 | 20,150 | 20,381 | 16,784 | 12,988 | 15,140 | 18,743 | 15,856 | 12,686 | 13,986 |
| Depreciation | 1,757 | 1,855 | 2,003 | 1,864 | 2,760 | 2,010 | 2,066 | 2,137 | 2,189 | 2,276 |
| Other operating expenses | 4,457 | 4,512 | 4,516 | 4,377 | 4,500 | 4,424 | 4,886 | 4,934 | 5,675 | 5,653 |
| **Total operating expenses** | 35,103 | 26,517 | 26,900 | 23,025 | 20,248 | 21,574 | 25,695 | 22,927 | 20,550 | 21,915 |
| **Net operating departmental revenue** | $ 3,992 | $ 3,094 | $ 4,725 | $ 4,257 | $ 2,132 | $ 5,443 | $ 5,397 | $ 3,832 | $ 4,351 | $ 4,748 |
| ***PURCHASED GAS (MCF)*** | 2,925,584 | 3,057,809 | 3,533,902 | 3,382,199 | 3,340,740 | 3,639,638 | 3,873,682 | 3,629,763 | 3,724,402 | 3,644,014 |
| ***CONSUMPTION - (MCF)*** | | | | | | | | | | |
| Residential | 808,764 | 792,434 | 936,733 | 853,869 | 686,981 | 889,965 | 971,507 | 878,428 | 820,245 | 790,957 |
| Commercial | 402,109 | 418,847 | 491,385 | 444,267 | 377,058 | 456,793 | 523,005 | 465,234 | 432,763 | 455,132 |
| Large commercial/industrial | 7,965 | 7,613 | 5,981 | 4,393 | 3,899 | 4,003 | 4,022 | 3,967 | 3,786 | 3,856 |
| Interruptible | 1,463,607 | 1,699,902 | 1,865,158 | 1,921,301 | 2,110,089 | 1,980,468 | 2,093,179 | 2,109,492 | 2,064,880 | 2,062,071 |
| Schools | 50,865 | 36,962 | 41,362 | 39,074 | 34,303 | 37,424 | 48,706 | 39,630 | 38,402 | 34,884 |
| Other | 2,393 | 2,329 | 2,738 | 2,950 | 1,725 | 2,078 | 2,372 | 2,531 | 2,242 | 4,384 |
| **Total consumption** | 2,735,703 | 2,958,087 | 3,343,357 | 3,265,854 | 3,214,055 | 3,370,731 | 3,642,791 | 3,499,282 | 3,362,318 | 3,351,284 |
| Line-loss and unaccounted for gas | 189,881 | 99,722 | 190,545 | 116,345 | 126,685 | 268,907 | 230,891 | 130,481 | 362,084 | 292,730 |
| Percentage of line losses and MCF unaccounted for to purchased gas. | 6.5% | 3.3% | 5.4% | 3.4% | 3.8% | 7.4% | 6.0% | 3.6% | 9.7% | 8.0% |
| ***ACTIVE SERVICES (Number of Meters)*** | | | | | | | | | | |
| Residential | 16,871 | 16,902 | 17,141 | 17,358 | 17,649 | 18,004 | 18,575 | 18,947 | 19,671 | 20,529 |
| Commercial | 1,485 | 1,457 | 1,433 | 1,448 | 1,472 | 1,489 | 1,509 | 1,526 | 1,546 | 1,600 |
| Large commercial/industrial | 9 | 9 | 7 | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| Interruptible | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 8 | 8 |
| Schools | 26 | 26 | 24 | 24 | 24 | 24 | 24 | 24 | 27 | 27 |
| Other | 14 | 15 | 14 | 15 | 16 | 19 | 20 | 21 | 21 | 22 |
| **Total active services** | 18,415 | 18,419 | 18,629 | 18,861 | 19,177 | 19,551 | 20,143 | 20,533 | 21,278 | 22,191 |

(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*(1)



# GREER COMMISSION OF PUBLIC WORKS

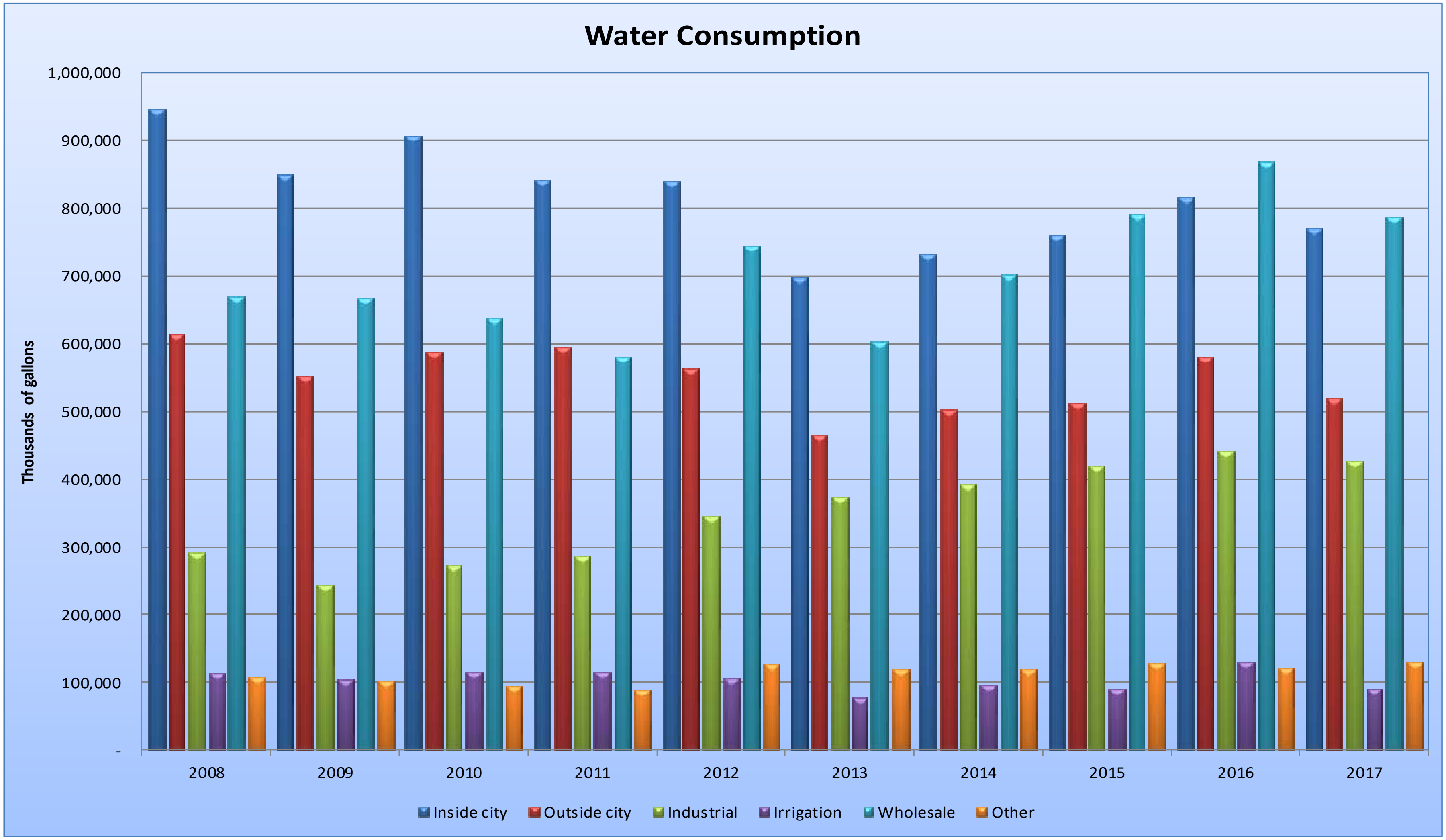
## WATER SYSTEM

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

| *(in thousands)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***OPERATING REVENUES:*** | | | | | | | | | | |
| Inside city | $ 2,192 | $ 1,982 | $ 2,005 | $ 1,924 | $ 2,284 | $ 1,921 | $ 2,269 | $ 2,414 | $ 2,706 | $ 2,775 |
| Outside city | 2,075 | 1,965 | 2,018 | 2,070 | 2,100 | 1,915 | 2,244 | 2,404 | 2,689 | 2,651 |
| Industrial | 471 | 390 | 448 | 472 | 306 | 796 | 908 | 967 | 1,042 | 1,069 |
| Fire protection [(2)] | 13 | 13 | 13 | 13 | 14 | 14 | 15 | 15 | 15 | 16 |
| Irrigation | 213 | 202 | 222 | 222 | 220 | 182 | 219 | 259 | 357 | 308 |
| Wholesale | 1,037 | 1,026 | 973 | 933 | 1,189 | 967 | 1,207 | 1,436 | 1,646 | 1,582 |
| Collection penalties | 126 | 161 | 124 | 117 | 121 | 123 | 127 | 133 | 120 | 116 |
| Other | 435 | 401 | 430 | 402 | 454 | 479 | 439 | 488 | 561 | 541 |
| **Total operating revenues** | 6,562 | 6,140 | 6,233 | 6,153 | 6,688 | 6,397 | 7,428 | 8,116 | 9,136 | 9,058 |
| ***OPERATING EXPENSES:*** | | | | | | | | | | |
| Depreciation | 1,457 | 1,699 | 1,691 | 1,692 | 1,872 | 1,866 | 1,879 | 1,920 | 1,952 | 2,024 |
| Other operating expenses | 4,590 | 4,234 | 4,189 | 4,001 | 4,105 | 4,280 | 4,319 | 4,802 | 5,212 | 5,480 |
| **Total operating expenses** | 6,047 | 5,933 | 5,880 | 5,693 | 5,977 | 6,146 | 6,198 | 6,722 | 7,164 | 7,504 |
| **Net operating departmental revenue** | $ 515 | $ 207 | $ 353 | $ 460 | $ 711 | $ 251 | $ 1,230 | $ 1,394 | $ 1,972 | $ 1,554 |
| ***WATER USAGE (thousands of gallons)*** | | | | | | | | | | |
| Total water pumped | 2,957,687 | 2,881,685 | 3,078,170 | 2,960,810 | 2,853,470 | 2,579,333 | 2,724,470 | 2,888,633 | 3,177,011 | 2,986,255 |
| Total percentage of non-revenue water | 4.73% | 6.12% | 6.58% | 6.41% | 6.89% | 9.96% | 4.83% | 5.46% | 2.20% | 3.75% |
| ***Consumption*** | | | | | | | | | | |
| Inside city | 946,308 | 849,477 | 906,564 | 842,495 | 839,571 | 697,776 | 731,028 | 760,646 | 814,636 | 769,526 |
| Outside city | 613,953 | 551,435 | 587,988 | 596,328 | 562,175 | 464,470 | 502,717 | 512,389 | 580,358 | 519,096 |
| Industrial | 291,671 | 243,292 | 272,781 | 286,841 | 345,685 | 373,152 | 391,915 | 418,976 | 442,654 | 427,889 |
| Irrigation | 113,145 | 103,633 | 116,025 | 114,757 | 105,455 | 77,170 | 97,219 | 91,731 | 131,294 | 91,895 |
| Wholesale | 669,319 | 668,624 | 636,947 | 581,474 | 744,748 | 603,358 | 701,249 | 790,598 | 867,833 | 787,335 |
| Other | 107,919 | 102,955 | 94,666 | 89,749 | 127,180 | 118,784 | 119,519 | 128,461 | 121,177 | 130,459 |
| **Total consumption** | 2,742,315 | 2,519,416 | 2,614,971 | 2,511,644 | 2,724,814 | 2,334,710 | 2,543,647 | 2,702,801 | 2,957,952 | 2,726,200 |
| Non-account water | 215,372 | 362,269 | 463,199 | 449,166 | 128,656 | 244,623 | 180,823 | 185,832 | 219,059 | 260,055 |
| Non-account water as a percentage of total water | 7.28% | 12.57% | 15.05% | 15.17% | 4.51% | 9.48% | 6.64% | 6.43% | 6.90% | 8.71% |
| ***ACTIVE SERVICES (Number of Meters)*** | | | | | | | | | | |
| Inside city | 9,937 | 9,876 | 9,941 | 10,118 | 10,328 | 10,534 | 10,706 | 10,775 | 11,143 | 11,438 |
| Outside city | 6,462 | 6,442 | 6,479 | 6,536 | 6,612 | 6,668 | 6,717 | 6,932 | 7,026 | 7,131 |
| Industrial | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Fire protection | 47 | 44 | 45 | 42 | 40 | 41 | 40 | 41 | 40 | 42 |
| Irrigation | 407 | 410 | 422 | 437 | 445 | 454 | 464 | 468 | 490 | 518 |
| Wholesale | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other | 15 | 15 | 14 | 13 | 13 | 15 | 15 | 17 | 17 | 17 |
| **Total active services** | 16,873 | 16,792 | 16,906 | 17,151 | 17,443 | 17,717 | 17,947 | 18,238 | 18,721 | 19,151 |

(1) Information is compiled from internally generated statistical reports

(2) Fire protection customers are charged based on the phsycial number of sprinkler heads,and consumption is metered


Water Consumption
Thousands of gallons
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
-
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Inside city
Outside city
Industrial
Irrigation
Wholesale
Other

## GREER COMMISSION OF PUBLIC WORKS

SEWER SYSTEM

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

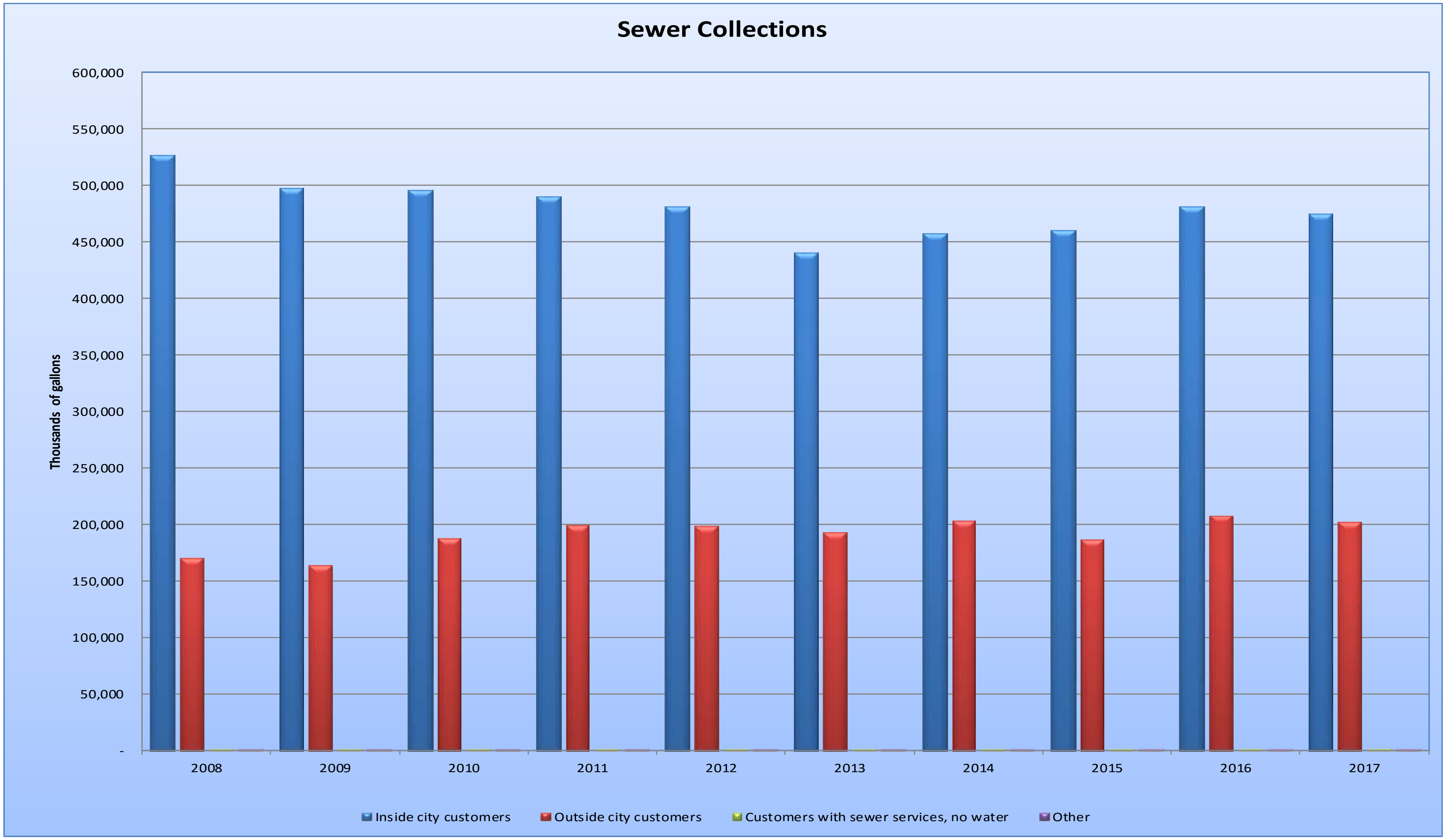
| *(in thousands)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***OPERATING REVENUES:*** | | | | | | | | | | |
| Inside city | $ 2,596 | $ 2,636 | $ 2,740 | $ 2,803 | $ 2,898 | $ 3,150 | $ 3,274 | $ 3,375 | $ 3,690 | $ 4,096 |
| Outside city | 1,164 | 1,176 | 1,210 | 1,186 | 1,117 | 1,138 | 1,217 | 1,298 | 1,423 | 1,438 |
| Sewer services, no water | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Enoree Basin, inside city | 254 | 258 | 334 | 397 | 411 | 407 | 427 | 402 | 553 | 570 |
| Enoree Basin industrial | 153 | 138 | 196 | 139 | 142 | 128 | 142 | 170 | 176 | 162 |
| Collection penalties | 81 | 161 | 124 | 117 | 121 | 123 | 127 | 134 | 120 | 116 |
| Other | 912 | 505 | 362 | 427 | 909 | 879 | 943 | 831 | 947 | 997 |
| **Total operating revenues** | 5,162 | 4,876 | 4,967 | 5,070 | 5,599 | 5,826 | 6,131 | 6,211 | 6,911 | 7,381 |
| ***OPERATING EXPENSES:*** | | | | | | | | | | |
| Depreciation | 1,529 | 1,837 | 1,827 | 1,852 | 1,252 | 2,063 | 2,179 | 2,241 | 2,271 | 2,301 |
| Depreciation - change in accounting estimate | - | - | - | - | 817 | - | - | - | - | - |
| Other operating expenses | 2,792 | 2,750 | 2,649 | 2,629 | 3,555 | 3,695 | 3,878 | 3,987 | 4,017 | 3,847 |
| **Total operating expenses** | 4,321 | 4,587 | 4,476 | 4,481 | 5,624 | 5,758 | 6,057 | 6,228 | 6,288 | 6,148 |
| **Net operating departmental revenue** | $ 841 | $ 289 | $ 491 | $ 589 | $ (25) | $ 68 | $ 74 | $ (17) | $ 623 | $ 1,233 |
| ***WASTEWATER TREATMENT*** | | | | | | | | | | |
| ***Wastewater plant flows (thousands of gallons)*** | | | | | | | | | | |
| Maple Creek wastewater treatment facility | 711,348 | 813,750 | 698,577 | 704,461 | 691,079 | 844,324 | 735,856 | 782,402 | 748,339 | 764,596 |
| ***Wastewater treated - (Thousands of Gallons)*** | | | | | | | | | | |
| Inside city customers | 527,247 | 497,271 | 495,291 | 489,914 | 481,235 | 439,950 | 457,026 | 460,042 | 481,285 | 475,059 |
| Outside city customers | 170,541 | 164,026 | 187,202 | 198,549 | 198,105 | 193,121 | 202,524 | 186,511 | 207,800 | 201,340 |
| Customers with sewer services, no water | 1 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Other | 813 | 276 | 291 | 286 | 290 | 290 | 272 | 291 | 280 | 259 |
| **Retail** | 698,602 | 661,575 | 682,785 | 688,750 | 679,631 | 633,362 | 659,823 | 646,845 | 689,367 | 676,660 |
| Unaccounted for wastewater | 12,746 | 152,175 | 15,792 | 15,711 | 11,448 | 210,962 | 76,033 | 135,557 | 58,972 | 87,936 |
| Percentage of unaccounted for wastewater to total wastewater treated | 1.8% | 18.7% | 2.3% | 2.2% | 1.7% | 25.0% | 10.3% | 17.3% | 7.9% | 11.5% |
| ***ANNUAL RAINFALL (inches)*** [(2)] | 38.02 | 52.83 | 42.09 | 45.96 | 38.86 | 69.56 | 50.20 | 59.75 | 34.43 | 53.11 |
| ***ACTIVE SERVICES (Number of Meters)*** | | | | | | | | | | |
| Inside city | 6,255 | 6,195 | 6,206 | 6,287 | 6,358 | 6,441 | 6,497 | 6,555 | 6,718 | 6,963 |
| Outside city | 1,119 | 1,114 | 1,119 | 1,119 | 1,140 | 1,138 | 1,141 | 1,143 | 1,144 | 1,160 |
| Sewer services, no water | 5 | 5 | 4 | 4 | 3 | 4 | 4 | 4 | 4 | 4 |
| Enoree Basin, inside city | 3,397 | 3,395 | 3,452 | 3,541 | 3,684 | 3,813 | 4,003 | 4,157 | 4,397 | 4,558 |
| Enoree Basin industrial | 118 | 119 | 161 | 162 | 162 | 162 | 162 | 162 | 163 | 163 |
| Other [(3)] | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Total active services** | 10,896 | 10,830 | 10,943 | 11,114 | 11,348 | 11,559 | 11,808 | 12,022 | 12,427 | 12,849 |

(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*(1)



## GREER COMMISSION OF PUBLIC WORKS

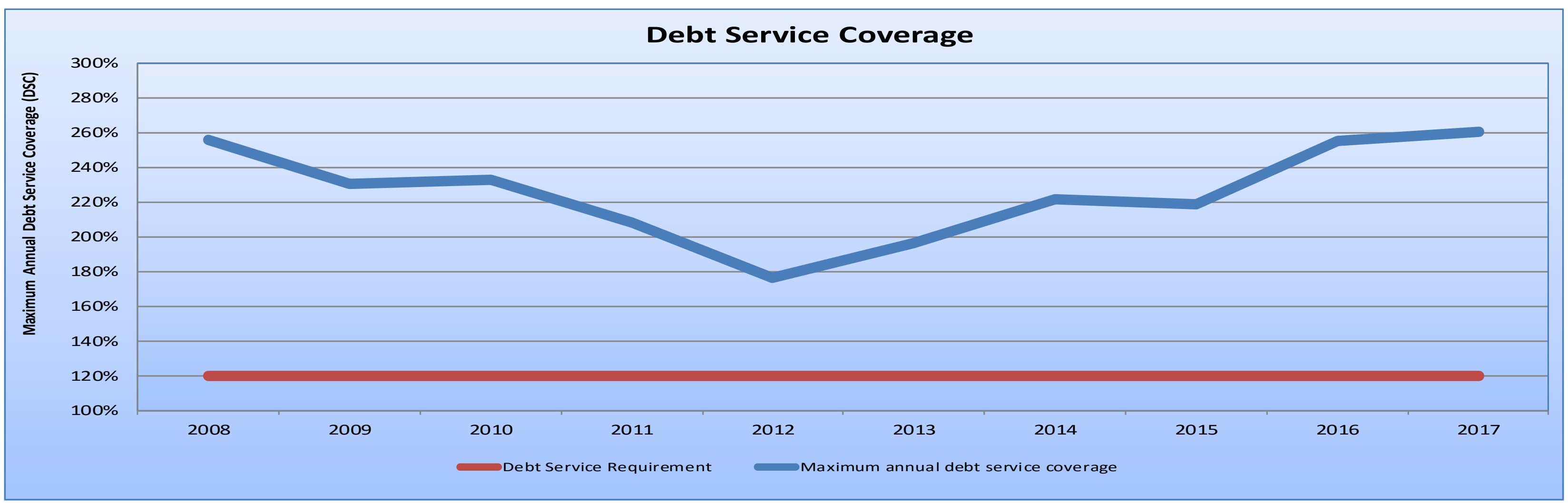
DEBT SERVICE COVERAGE

*LAST TEN FISCAL YEARS*[1]

| *(in thousands)* | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (Restated) | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Revenues*** | | | | | | | | | | |
| Revenues from operations | $ 80,158 | $ 71,585 | $ 75,350 | $ 70,632 | $ 67,499 | $ 74,650 | $ 83,785 | $ 82,436 | $ 84,398 | $ 85,673 |
| Non-operating revenues | 457 | 156 | 48 | 80 | 64 | 51 | 30 | 29 | 46 | 66 |
| Capacity fees [1] | 631 | 340 | 228 | 287 | 371 | 332 | 527 | 675 | 1,133 | 1,066 |
| **Total revenues** | 81,246 | 72,081 | 75,626 | 70,999 | 67,934 | 75,033 | 84,342 | 83,140 | 85,577 | 86,805 |
| ***Expenses*** | | | | | | | | | | |
| Total expenses | 75,885 | 68,670 | 71,380 | 68,080 | 68,335 | 71,774 | 79,219 | 78,224 | 78,086 | 79,391 |
| Depreciation and amortization expense | (6,288) | (7,079) | (7,472) | (7,124) | (7,710) | (7,810) | (8,029) | (8,289) | (8,464) | (8,673) |
| Depreciation - change in accouting estimate | - | - | - | - | (817) | - | - | - | - | - |
| Bond interest expense | (3,104) | (3,028) | (3,275) | (3,499) | (3,203) | (2,904) | (2,845) | (2,574) | (2,532) | (2,385) |
| Gain/loss on sale of assets | (109) | (149) | (600) | (178) | (93) | (140) | (34) | (26) | 44 | 88 |
| **Total expenses** | 66,384 | 58,414 | 60,033 | 57,279 | 56,512 | 60,920 | 68,311 | 67,335 | 67,134 | 68,421 |
| **Net revenues available for debt service** | **$ 14,862** | **$ 13,667** | **$ 15,593** | **$ 13,720** | **$ 11,422** | **$ 14,113** | **$ 16,031** | **$ 15,805** | **$ 18,443** | **$ 18,384** |
| Maximum annual debt service [2] | $ 5,818 | $ 5,938 | $ 6,708 | $ 6,600 | $ 6,486 | $ 7,186 | $ 7,239 | $ 7,229 | $ 7,229 | $ 7,057 |
| **Maximum annual debt service coverage** | **255%** | **230%** | **232%** | **208%** | **176%** | **196%** | **221%** | **219%** | **255%** | **261%** |

(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 |
|---|---|---|---|
| 2008 | 81,618,275 | 3,489 | 0.73% |
| 2009 | 83,022,355 | 3,307 | 0.70% |
| 2010 | 91,184,805 | 3,502 | 0.77% |
| 2011 | 89,935,693 | 3,525 | 0.63% |
| 2012 | 85,882,182 | 3,291 | 0.47% |
| 2013 | 86,059,528 | 3,230 | 0.45% |
| 2014 | 82,657,693 | 3,053 | 0.42% |
| 2015 | 79,303,204 | 2,729 | 0.34% |
| 2016 | 75,645,005 | 3,140 | 0.45% |
| 2017 | 71,887,006 | 2,861 | 0.39% |

# GREER COMMISSION OF PUBLIC WORKS

CUSTOMER STATISTICS

*LARGEST SYSTEM CUSTOMERS – CURRENT YEAR AND NINE YEARS AGO (CONTINUED)*

| | 2017 | | | | 2008 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Rank | Consumption | Revenues | Percentage Revenues | Rank | Consumption | Percentage Volume | Revenues | Percentage Revenues |
| *Water System (thousands of gallons)* | | | | | | | | | |
| Blue Ridge Water Company (Wholesale) | 1 | 787,335 | $ 1,582,342 | 18.84% | 1 | 686,359 | 25.03% | $ 1,037,193 | 17.28% |
| BMW of North America, LLC | 2 | 321,319 | 587,229 | 6.99% | 2 | 187,600 | 6.84% | 303,225 | 5.05% |
| Greer Commission of Public Works | 3 | 130,476 | 237,578 | 2.83% | 4 | 106,556 | 3.89% | 151,590 | 2.53% |
| Mitsubishi Polyester Film, LLC | 4 | 91,363 | 185,420 | 2.21% | 3 | 126,501 | 4.61% | 221,533 | 3.69% |
| Cliffstar Corporation | 5 | 37,138 | 69,556 | 0.83% | 5 | 75,798 | 2.76% | 102,528 | 1.71% |
| Greenville - Spartanburg International Airport | 6 | 29,417 | 141,471 | 1.68% | 7 | 32,366 | 1.18% | 74,445 | 1.24% |
| Upstate Affiliate Organziation | 7 | 17,171 | 36,295 | 0.43% | 9 | 19,926 | 0.73% | 27,899 | 0.46% |
| Greenville County School District | 8 | 12,908 | 38,395 | 0.46% | 10 | 18,382 | 0.67% | 26,357 | 0.44% |
| Preserve at West View Apartments | 9 | 10,822 | 51,394 | 0.61% | - | - | - | - | - |
| Aiken Chemical Company, Inc | 10 | 10,377 | 28,170 | 0.34% | - | - | - | - | - |
| Spartanburg Regional Hospital System | - | - | - | - | 6 | 38,799 | 1.41% | 56,195 | 0.94% |
| Honeywell International | - | - | - | - | 8 | 21,976 | 0.80% | 49,824 | 0.83% |
| *Sewer System (thousands of gallons)* | | | | | | | | | |
| BMW of North America, LLC | 1 | 152,561 | $ 641,362 | 10.23% | 2 | 87,971 | 12.59% | $ 339,509 | 8.14% |
| Mitsubishi Polyester Film, LLC | 2 | 118,509 | 274,441 | 4.38% | 1 | 153,512 | 21.97% | 287,040 | 6.89% |
| Greenville - Spartanburg International Airport | 3 | 43,210 | 148,977 | 2.38% | 5 | 35,420 | 5.07% | 97,157 | 2.33% |
| Upstate Affiliate Organziation | 4 | 41,224 | 98,135 | 1.57% | 3 | 51,553 | 7.38% | 100,186 | 2.40% |
| Greenville County School District | 5 | 32,481 | 86,716 | 1.38% | 4 | 40,253 | 5.76% | 80,381 | 1.93% |
| Preserve at West View Apartments | 6 | 20,863 | 88,986 | 1.42% | - | - | - | - | - |
| Spartanburg Regional Hospital System | 7 | 19,329 | 46,079 | 0.74% | 7 | 24,149 | 3.46% | 70,965 | 1.70% |
| WC Greenville, LLC | 8 | 17,014 | 75,068 | 1.20% | - | - | - | - | 0.00% |
| Exide Battery Corporation | 9 | 15,768 | 53,450 | 0.85% | 9 | 19,727 | 2.82% | 52,271 | 1.25% |
| Cliffstar Corporation | 10 | 15,247 | 19,490 | 0.31% | 6 | 32,413 | 4.64% | 31,764 | 0.76% |
| Crescent Apartments, LLC | - | - | - | - | 8 | 23,174 | 3.32% | 44,575 | 1.07% |
| Greer Housing Authority | - | - | - | - | 10 | 17,471 | 2.50% | 59,227 | 1.42% |
| Poplar Place Apartments | - | - | - | - | - | - | - | - | - |

# GREER COMMISSION OF PUBLIC WORKS

## CUSTOMER STATISTICS

### *LARGEST SYSTEM CUSTOMERS – CURRENT YEAR AND NINE YEARS AGO (CONTINUED)*

| | 2017 | | | | 2008 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Rank | Consumption | Revenues | Percentage Revenues | Rank | Consumption | Percentage Volume | Revenues | Percentage Revenues |
| *Electric System (megawatt hours)* | | | | | | | | | |
| Greer Commission of Public Works | 1 | 14,463 | 1,152,990 | 2.75% | 2 | 14,519 | 4.34% | 829,964 | 2.87% |
| Upstate Affiliate Organization | 2 | 12,543 | 1,153,235 | 2.75% | 1 | 16,996 | 5.09% | 1,170,608 | 4.05% |
| Greenville County School District | 3 | 11,004 | 1,266,934 | 3.02% | 3 | 13,330 | 3.99% | 1,090,192 | 3.77% |
| Wal-Mart Stores Inc | 4 | 8,021 | 717,439 | 1.71% | 5 | 5,229 | 1.56% | 351,916 | 1.22% |
| Spartanburg Regional Hospital System | 5 | 7,896 | 710,429 | 1.69% | 4 | 6,224 | 1.86% | 462,892 | 1.60% |
| Syncreon America, Inc | 6 | 4,612 | 434,092 | 1.03% | - | - | - | - | - |
| Cliffstar Corporation | 7 | 3,777 | 336,406 | 0.80% | 7 | 3,659 | 1.09% | 241,201 | 0.84% |
| Huntington Foam, LLC | 8 | 3,772 | 348,288 | 0.83% | - | - | - | - | - |
| Ingles | 9 | 3,489 | 302,986 | 0.72% | 6 | 3,748 | 1.12% | 246,833 | 0.85% |
| City Of Greer, SC | 10 | 3,348 | 374,782 | 0.89% | 9 | 2,425 | 0.73% | 233,473 | 0.81% |
| Lowe's | - | - | - | - | 8 | 3,525 | 1.05% | 242,224 | 0.84% |
| Target Stores | - | - | - | - | 10 | 2,067 | 0.62% | 146,848 | 0.51% |
| *Natural Gas System (mcf)* | | | | | | | | | |
| BMW of North America, LLC | 1 | 161,823 | 3,786,136 | 14.48% | 2 | 65,275 | 2.39% | 3,607,665 | 9.38% |
| Mitsubishi Polyester Film, LLC | 2 | 69,658 | 2,939,459 | 11.24% | 1 | 76,716 | 2.80% | 8,237,980 | 21.41% |
| Carotell Paper Board Corporation | 3 | 40,284 | 1,732,774 | 6.63% | 3 | 12,907 | 0.47% | 1,333,428 | 3.47% |
| Rogers Group Inc | 4 | 5,656 | 247,884 | 0.95% | 7 | 5,362 | 0.20% | 570,944 | 1.48% |
| Sloan Asphalt | 5 | 3,975 | 180,682 | 0.69% | - | - | - | - | - |
| Cliffstar Corporation | 6 | 3,811 | 335,732 | 1.28% | 5 | 6,227 | 0.23% | 877,860 | 2.28% |
| Greenville County School District | 7 | 3,159 | 311,971 | 1.19% | 8 | 4,588 | 0.17% | 212,927 | 0.55% |
| Greenville - Spartanburg International Airport | 8 | 2,784 | 274,561 | 1.05% | - | - | - | - | - |
| Sew Eurodrive Inc | 9 | 2,348 | 229,182 | 0.88% | 10 | 2,519 | 0.09% | 405,870 | 1.05% |
| Spartanburg Regional Hospital System | 10 | 2,267 | 219,390 | 0.84% | - | - | - | - | - |
| Springfield, LLC | - | - | - | - | 4 | 10,838 | 0.40% | 1,108,633 | 2.88% |
| Upstate Affiliate Organziation | - | - | - | - | 6 | 5,486 | 0.20% | 832,285 | 2.16% |
| Karastan Bigelow | - | - | - | - | 9 | 2,813 | 0.10% | 376,575 | 0.98% |

# GREER COMMISSION OF PUBLIC WORKS
## CAPITAL ASSETS STATISTICS BY UTILITY
## LAST TEN FISCAL YEARS

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Electric** | | | | | | | | | | |
| Substations | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 5 | 5 | 5 |
| Winter peak (megawatts) | 59 | 58 | 67 | 67 | 61 | 64 | 77 | 76 | 70 | 65 |
| Summer peak (megawatts) | 81 | 75 | 83 | 85 | 84 | 81 | 84 | 88 | 91 | 92 |
| Overhead distribution (miles) | 190 | 193 | 193 | 195 | 196 | 199 | 200 | 204 | 206 | 212 |
| Underground distribution (miles) | 176 | 183 | 184 | 184 | 184 | 188 | 200 | 204 | 216 | 227 |
| Poles | 9,986 | 10,135 | 11,793 | 11,938 | 12,045 | 12,152 | 12,302 | 12,443 | 12,557 | 13,012 |
| Transformers | 4,534 | 4,571 | 4,587 | 4,612 | 4,653 | 4,714 | 4,819 | 4,867 | 4,983 | 5,121 |
| Meters | 15,955 | 16,089 | 16,143 | 16,310 | 16,510 | 16,683 | 16,962 | 17,318 | 17,864 | 18,464 |
| Vehicles | 18 | 17 | 17 | 17 | 17 | 18 | 17 | 18 | 16 | 16 |
| **Natural Gas** | | | | | | | | | | |
| Transco pipeline connections | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| High-pressure transmission lines (miles) | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 43 | 43 | 43 |
| Intermediate and distribution lines (miles) | 704 | 710 | 712 | 714 | 717 | 721 | 729 | 739 | 749 | 764 |
| Pressure reducing regulator stations | 139 | 139 | 139 | 131 | 131 | 131 | 131 | 131 | 131 | 110 |
| Meters | 19,639 | 19,880 | 20,078 | 20,275 | 20,569 | 20,891 | 21,255 | 21,883 | 22,615 | 23,361 |
| Vehicles | 19 | 21 | 21 | 21 | 20 | 21 | 20 | 20 | 21 | 18 |
| **Water** | | | | | | | | | | |
| Water treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water treatment plant capacity (million gallons per day) | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Average daily flow (million gallons per day) | 9 | 8 | 9 | 8 | 10 | 9 | 8 | 9 | 8 | 8 |
| Peak flow (million gallons per day) | 16 | 14 | 14 | 13 | 19 | 13 | 12 | 15 | 13 | 13 |
| Ground storage capacity (million gallons) | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Elevated tank storage capacity (million gallons) | 4 | 4 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Transmission lines (miles) | 31 | 31 | 32 | 31 | 32 | 32 | 33 | 32 | 32 | 32 |
| Distribution lines (miles) | 373 | 373 | 379 | 379 | 368 | 371 | 370 | 368 | 382 | 404 |
| Fire hydrants | 1,446 | 1,459 | 1,476 | 1,423 | 1,438 | 1,455 | 1,484 | 1,506 | 1,539 | 1,622 |
| Meters | 17,438 | 17,607 | 17,717 | 17,899 | 18,126 | 18,302 | 18,522 | 18,816 | 19,267 | 19,643 |
| Vehicles | 8 | 10 | 10 | 10 | 9 | 12 | 12 | 13 | 13 | 12 |
| **Sewer** | | | | | | | | | | |
| Treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Treatment plant capacity (million gallons per day) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Average daily flow (million gallons per day) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Maximum daily flow | 4 | 6 | 5 | 4 | 4 | 7 | 6 | 7 | 4 | 4 |
| Gravity collection lines (miles) | 214 | 215 | 216 | 214 | 216 | 216 | 222 | 223 | 232 | 236 |
| Force main collection lines (miles) | 21 | 21 | 22 | 28 | 20 | 20 | 22 | 21 | 23 | 24 |
| Lift stations | 18 | 18 | 17 | 17 | 17 | 17 | 19 | 17 | 21 | 21 |
| Sewer valves | 52 | 52 | 52 | 52 | 52 | 52 | 58 | 65 | 75 | 78 |
| Manholes | 5,452 | 5,532 | 5,582 | 5,606 | 5,615 | 5,590 | 5,798 | 5,891 | 6,089 | 6,283 |
| Vehicles | 11 | 13 | 13 | 13 | 14 | 15 | 15 | 11 | 16 | 16 |

**GREER COMMISSION OF PUBLIC WORKS**

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

*LAST TEN FISCAL YEARS*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water system** | | | | | | | | | | |
| Water production | 10 | 9 | 9 | 9 | 9 | 8 | 7 | 8 | 9 | 8 |
| Water distribution | 8 | 8 | 7 | 7 | 7 | 7 | 8 | 8 | 8 | 8 |
| Lake wardens | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 |
| **Total water system** | **21** | **20** | **19** | **19** | **19** | **18** | **18** | **19** | **19** | **19** |
| **Electric distribution system** | **19** | **19** | **19** | **18** | **18** | **18** | **18** | **16** | **18** | **17** |
| **Natural gas distribution system** | **21** | **23** | **23** | **23** | **22** | **22** | **22** | **23** | **23** | **21** |
| **Sewer system** | | | | | | | | | | |
| Collection | 8 | 9 | 9 | 7 | 6 | 5 | 6 | 7 | 7 | 8 |
| Treatment | 7 | 7 | 7 | 6 | 9 | 9 | 9 | 8 | 8 | 9 |
| **Total sewer system** | **15** | **16** | **16** | **13** | **15** | **14** | **15** | **15** | **15** | **17** |
| **Shared support** | | | | | | | | | | |
| General administration | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 |
| Customer service | 13 | 12 | 12 | 12 | 12 | 11 | 10 | 11 | 12 | 11 |
| Billing | 4 | 3 | 3 | 2 | 2 | 2 | 2 | 3 | 3 | 3 |
| Finance and accounting | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 4 | 4 | 4 |
| Meter Technicians | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 |
| Engineering | 3 | 4 | 4 | 4 | 4 | 4 | 5 | 7 | 7 | 7 |
| Warehouse and facilities maintenance | 5 | 5 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 5 |
| Human resources | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Operations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 2 |
| Information systems | 8 | 8 | 8 | 8 | 7 | 4 | 6 | 5 | 4 | 3 |
| Locators | 4 | 4 | 2 | 3 | 2 | 3 | 3 | 4 | 5 | 5 |
| Measurement | - | - | - | - | - | 2 | 2 | 2 | 2 | - |
| Communications | - | - | - | - | - | - | - | 1 | 1 | 1 |
| Vehicle maintenance | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Total shared support** | **57** | **56** | **53** | **53** | **51** | **50** | **52** | **57** | **57** | **55** |
| **Total employees** | **133** | **134** | **130** | **126** | **125** | **122** | **125** | **130** | **132** | **129** |

**GREER COMMISSION OF PUBLIC WORKS**

DEMOGRAPHICS AND ECONOMIC STATISTICS

*LAST TEN FISCAL YEARS*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population [1, 2] | 23,395 | 25,105 | 26,040 | 25,515 | 26,098 | 26,645 | 27,169 | 27,697 | 28,905 | 29,145 |
| Mean household income [4] | $ 41,864 | $ 40,764 | $ 41,864 | $ 52,660 | $ 66,940 | $ 68,687 | $ 68,518 | $ 53,692 | $ 62,300 | $ 69,017 |
| Personal income (000's) [6] | $ 480,674 | $ 475,614 | $ 456,898 | $ 563,703 | $ 706,917 | $ 723,518 | $ 735,519 | $ 804,958 | $ 696,293 | $ 732,326 |
| Per capita personal income [4] | $ 20,546 | $ 18,945 | $ 17,546 | $ 22,093 | $ 27,087 | $ 27,154 | $ 27,072 | $ 29,063 | $ 24,089 | $ 25,127 |
| Median age [4] | 35.7 | 35.2 | 34.5 | 33.9 | 34.1 | 35.3 | 37.2 | 35.9 | 36.3 | 36.5 |
| Median school years completed [5] | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.0 | 13.0 | 13.0 |
| Unemployment rates [2, 3, 4] | 4.3% | 9.6% | 9.3% | 9.5% | 7.0% | 7.0% | 5.8% | 5.1% | 4.4% | 3.4% |

Source:

(1) Census of Population

(2) US Census Bureau

(3) South Carolina Department of Commerce

(4) Greer Development Corporation

(5) City of G's 2017 CAFR

(6) Computed using population multiplied by per capital income (show n in thousands)

# INDEPENDENT AUDITOR'S 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 Honorable Chairman and Members of the Commission**
**Greer Commission of Public Works**
**Greer, South Carolina**

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 the **Greer Commission of Public Works** (the "Commission"), as of and for the year ended December 31, 2017, 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 10, 2018.

**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 opinion 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.

508 HAMPTON STREET, 1ST FLOOR • POST OFFICE BOX 36 • COLUMBIA, SOUTH CAROLINA 29201 • 803-799-5810 • FAX 803-799-5554 • www.mjcpa.com
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**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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
April 10, 2018

## GREER COMMISSION OF PUBLIC WORKS
## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED DECEMBER 31, 2017

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### SECTION I
### SUMMARY OF AUDIT RESULTS

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: Material weaknesses identified? | ____ Yes __X__ No |
| Significant deficiencies identified not considered to be material weaknesses? | ____ Yes __X__ No |
| Noncompliance material to financial statements noted? | ____ Yes __X__ No |

***Federal Awards***

There was not an audit of major federal award programs as of December 31, 2017 due to the total amount expended being less than $750,000.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES

None.

### SECTION III
### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.