



Greenville Water



ANNUAL REPORT
Year Ending July 31, 2012

GREENVILLE WATER

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA**

Years ended July 31, 2012 and 2011

GREENVILLE WATER

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Independent Auditors' Report

The Commissioners of Public Works
Greenville Water

We have audited the accompanying balance sheets of Greenville Water (the "System") as of and for the years ended July 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of July 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, 2012 on our consideration of the System'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary data on pages 28 through 34 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Cheng, Bebaert + Holland, L.L.P.

Greenville, South Carolina
November 5, 2012

Management's Discussion and Analysis

As management of Greenville Water (the "System"), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended July 31, 2012. Please consider this information in conjunction with the financial statements and related notes, which follow this section.

Financial Highlights

- Net assets increased by \$18.2 million, or 4.8%, to \$397.3 million as a result of current year operations, as compared to an increase of 2.6% from 2010 to 2011.
- Total revenues were \$59.2 million during 2012, which was \$5.6 million or 10.5% more compared to \$53.6 million in 2011.
- Total expenses were \$41.1 million, a decrease of \$2.8 million (6.4%) in 2012 when compared to \$43.9 million in 2011.
- Net capital assets were \$459 million in 2012, which was \$1.1 million or .2% more compared to \$457.9 million in 2011.
- Long term debt decreased to \$107 million during 2012, which was \$7.2 million or 6.3 % less when compared to \$114.2 million in 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the System. The basic financial statements include the balance sheets; the statement of revenues, expenses and changes in net assets and the statements of cash flows; with the related notes to provide additional details.

The Balance Sheets present information that includes the System's assets and liabilities, with the difference reported as net assets.

The Statements of Revenues, Expenses and Changes in Net assets present the current and prior fiscal years' results of operations.

The Statements of Cash Flows may be used to obtain comparative information on the sources and uses of cash and the change in cash balance for each of the last two fiscal years.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Condensed Financial Information

The Balance Sheet and the Statement of Revenue, Expenses and Changes in Net Assets provide an indication of the System's financial condition.

The following provides a summary of the activities of the fiscal years 2012 and 2011 (in millions):

Balance Sheet

	July 31,		Change	
	2012	2011	\$	%
Assets:				
Current unrestricted assets	\$ 45.6	\$ 37.4	\$ 8.2	22.0%
Current restricted assets	26.0	25.7	0.3	1.0%
Capital assets	459.0	457.9	1.1	0.2%
Other noncurrent assets	1.0	0.9	0.1	11.4%
	<u>531.7</u>	<u>521.9</u>	<u>9.7</u>	<u>1.9%</u>
Liabilities:				
Current liabilities	12.7	13.5	(0.8)	(6.0%)
Long-term liabilities	121.7	129.4	(7.7)	(5.9%)
Total liabilities	<u>134.4</u>	<u>142.9</u>	<u>(8.5)</u>	<u>(5.9%)</u>
Net assets:				
Invested in capital assets, net of related debt	355.2	347.6	7.6	2.2%
Restricted for capital projects	12.1	11.8	0.3	2.5%
Unrestricted	30.0	19.7	10.4	52.7%
Total net assets	<u>\$ 397.3</u>	<u>\$ 379.1</u>	<u>\$ 18.2</u>	<u>4.8%</u>
Total liabilities and net assets	<u>\$ 531.7</u>	<u>\$ 521.9</u>	<u>\$ 9.8</u>	<u>1.9%</u>

The System's overall financial position improved during fiscal year 2012 as net assets increased 4.8% as a result of current year operations. The increase in capital assets is primarily due to in-progress improvements and extensions to the water supply and distribution system. These improvements included upgrades to the Adkins Plant, a 72 inch main rehabilitation, and various main upgrades.

Statement of Revenue, Expenses, and Changes in Net Assets

	July 31,		Change	
	2012	2011	\$	%
Revenues:				
Water supply and distribution	\$ 51.8	\$ 47.8	\$ 4.0	8.4%
Sewer handling charges	2.1	1.5	0.6	38.9%
Other operating revenues	4.5	3.4	1.1	32.4%
Total operating revenues	58.4	52.7	5.7	10.8%
Investment income	0.8	0.9	(0.1)	(8.7%)
Total revenues	\$ 59.2	\$ 53.6	\$ 5.6	10.5%
Expenses:				
Operations and maintenance	\$ 16.4	\$ 18.8	\$ (2.4)	(12.9%)
General and administrative	8.5	8.6	(0.1)	(0.9%)
Depreciation and amortization	11.6	11.3	0.3	3.0%
Provision for doubtful accounts	0.3	0.7	(0.4)	(54.4%)
Interest expense	4.3	4.4	(0.1)	(1.2%)
(Gain)/Loss on disposal of capital assets	(0.0)	0.2	(0.2)	(108.1%)
Total expenses	\$ 41.1	\$ 43.9	\$ (2.8)	(6.4%)
Capital contributions	0.2	0.1	0.1	35.5%
Change in net assets	18.2	9.8	8.4	86.2%
Net assets – beginning	379.1	369.3	9.8	2.7%
Net assets – ending	\$ 397.3	\$ 379.1	\$ 18.2	4.8%

The largest source of the System's operating revenue is water sales which account for \$50.8 million and represent an 8.4% increase over 2011 which was \$46.8 million. Additional sources of revenue include income received from delinquent service charges, administrative service charges, and miscellaneous income.

Total expenses decreased by \$2.8 million (6.4%) in 2012. Operating expenses are the expenses necessary to perform the normal business operations and include (but are not limited to) salaries, benefits, costs of materials, supplies, insurance, power, chemicals, and depreciation. Other expenses include interest on bonds.

Capital Asset and Debt Administration

The System's capital assets include land and rights of way, buildings, equipment and furnishings, and water supply and distribution systems. Such amounts are detailed as follows (in millions):

	July 31,		Change	
	2012	2011	\$	%
Land and rights of way	\$ 10.1	\$ 8.8	\$ 1.3	14.8%
Water supply and distribution	351.9	344.9	7.0	2.0%
Buildings	221.5	218.3	3.2	1.5%
Equipment and furnishings	22.2	21.7	0.5	2.3%
Construction in progress	16.4	16.6	(0.2)	(1.2%)
Total	622.1	610.3	11.8	1.9%
Less accumulated depreciation	163.1	152.4	10.7	7.0%
Total, net	\$ 459.0	\$ 457.9	\$ 1.1	0.2%

The net increase in the System's capital assets during fiscal year 2012 was \$1.1 million or .2%. Capital additions for 2012 were \$11.8 million including \$.2 million attributed to contributed capital and \$.4 million in capitalized interest. Additional information on the System's capital assets can be found in Note 4 in the Notes to the Basic Financial Statements.

The System uses a combination of debt and pay as you go financing to fund capital improvement requirements.

At July 31, 2012, the total outstanding debt of the System was \$107.0 million, consisting of serial and term bonds, compared to \$114.2 million for fiscal year 2011. The total outstanding long-term debt at July 31, 2012 was as follows (in thousands):

<u>Issue date</u>	
2012	\$ 15,500
2010	40,290
2005	49,710
2003	1,485
Total long-term debt	\$ 106,985

In April 2012, the System issued \$15,500,000 of Waterworks System Refunding Revenue Bonds, Series 2012, to pay the costs of advance refunding a portion of the outstanding Series 2005 Bonds. The issuance consisted of serial bonds with stated rates ranging between 3.0% and 5.0% and maturing from 2013 to 2025

In July 2010, the System issued \$40,485,000 of Waterworks System Refunding Revenue Bonds, Series 2010, to pay the costs of advance refunding a portion of the outstanding Series 2002 and 2003 Bonds. The issuance consisted of serial bonds with stated rates ranging between 2.0% and 5.0% and maturing from 2011 to 2023.

In February 2005, the System issued \$85,790,000 of Waterworks System Refunding and Capital Improvement Revenue Bonds, Series 2005, to pay the costs of advance refunding a portion of the outstanding Series 1997 Bonds and other capital improvements. The issuance consisted of serial bonds with stated rates ranging between 2.2% and 5.0% and maturing from 2006 to 2025.

In February 2003, the System issued \$32,100,000 of Waterworks System Revenue Bonds, Series 2003, to pay a portion of the costs to expand the Adkins Water Filtration plant and other capital improvements. This issuance consisted of serial bonds with stated rates ranging between 2.5% and 5.25% and maturing from 2004 to 2020 and term bonds with a 4.750% stated interest rate and maturing in 2023.

In connection with the issuance of the 2012 bonds the System's bond ratings were reaffirmed by all three rating agencies; AAA by S&P, Aaa by Moody's Investors Service, and AAA by Fitch.

Economic Factors

The System changed from a quarterly to monthly billing, and transitioned to an on-time billing cycle in 2012.

The System continued to expand, and the number of new accounts grew by 1.0% for the fiscal year ended July 31, 2012 as compared to .6% for the previous fiscal year.

The System continued an annual water conservation awareness program in 2012. The purpose of the program is to inform our customers about common sense ways to conserve water. Long term conservation efforts are helpful to defer the need for major plant capacity expansions.

A cost of service analysis was completed in October 2010. Based on a revision to the report, the Commission approved an increase to the base rate in 2011 and adjustments to rate blocks two and three for volume charges for 2011.

Request for Information

This financial report is provided as an overview of the System's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Greenville Water, Finance Department, 407 West Broad Street, Greenville, South Carolina 29601.

GREENVILLE WATER

BALANCE SHEETS

JULY 31, 2012 AND 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,706,403	\$ 10,891,673
Investments	15,585,615	16,062,338
Accounts receivable, less allowances for doubtful accounts of \$683,142 in 2012 and \$308,626 in 2011	5,455,163	8,974,432
Resale and maintenance inventory and supplies	729,010	1,054,425
Prepaid expenses	144,695	421,925
Total current unrestricted assets	45,620,886	37,404,793
Restricted assets:		
Cash and cash equivalents	2,233,898	2,067,208
Investments	23,761,688	23,663,676
Total current restricted assets	25,995,586	25,730,884
Total current assets	71,616,472	63,135,677
Capital assets:		
Land and rights of way	10,110,581	8,807,981
Water supply and distribution systems	351,860,173	344,907,266
Buildings	221,460,152	218,257,448
Equipment and furnishings	22,223,796	21,720,253
Construction in process	16,448,778	16,604,658
Gross capital assets	622,103,480	610,297,606
Less accumulated depreciation	(163,056,287)	(152,433,017)
Capital assets, net	459,047,193	457,864,589
Debt issuance costs	1,045,730	898,410
Total noncurrent assets	460,092,923	458,762,999
Total assets	\$ 531,709,395	\$ 521,898,676

Liabilities and Net Assets	2012	2011
Current liabilities:		
Accounts payable	\$ 3,957,233	\$ 2,242,172
Liabilities payable from current restricted assets	30,574	646,829
Current portion of bonds payable	7,570,000	7,410,000
Accrued expenses	1,129,732	3,158,510
Total current liabilities	<u>12,687,539</u>	<u>13,457,511</u>
Long-term liabilities:		
Deposits, net of current portion	5,913,263	5,960,550
Compensated absences, net of current portion	1,340,064	1,259,913
Accrued postretirement benefits	11,081,109	10,868,283
Bonds payable, net	103,367,635	111,264,302
Total long-term liabilities	<u>121,702,071</u>	<u>129,353,048</u>
Total liabilities	<u>134,389,610</u>	<u>142,810,559</u>
Net assets:		
Invested in capital assets, net of related debt	355,170,511	347,620,973
Restricted	12,122,673	11,857,971
Unrestricted	30,026,601	19,609,173
Total net assets	<u>397,319,785</u>	<u>379,088,117</u>
Total liabilities and net assets	<u>\$ 531,709,395</u>	<u>\$ 521,898,676</u>

The accompanying notes to the financial statements are an integral part of this statement.

GREENVILLE WATER

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED JULY 31, 2012 AND 2011

	2012	2011
Operating revenues:		
Water supply and distribution:		
Water sales	\$ 50,783,217	\$ 46,834,776
Tapping, installation, and service fees	610,069	586,097
Private fire protection charges	379,999	419,332
Sewer handling charges	2,126,880	1,531,149
Other operating revenues	4,472,626	3,334,044
Total operating revenues	58,372,791	52,705,398
Operating expenses:		
Operation of distribution system	8,137,048	8,630,528
Repair and maintenance of plant	8,161,416	10,102,736
General and administrative expenses	8,492,897	8,569,316
Depreciation	11,632,018	11,289,644
Provision for doubtful accounts	301,973	658,076
Total operating expenses	36,725,352	39,250,300
Operating income	21,647,439	13,455,098
Nonoperating revenues (expenses):		
Interest income	776,116	849,805
Interest expense on revenue bonds, net of capitalized interest of \$403,468 and \$443,412 in 2012 and 2011, respectively	(4,300,008)	(4,353,434)
Amortization of bond expense	(99,735)	(102,577)
(Loss) gain on disposal of fixed assets	17,277	(208,708)
Total nonoperating expenses	(3,606,350)	(3,814,914)
Income before capital contributions	18,041,089	9,640,184
Capital contributions	190,579	140,710
Change in net assets	18,231,668	9,780,894
Net assets at beginning of year	379,088,117	369,307,223
Net assets at end of year	\$ 397,319,785	\$ 379,088,117

The accompanying notes to the financial statements are an integral part of this statement.

GREENVILLE WATER

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 61,844,773	\$ 52,125,932
Payments to suppliers	(13,842,172)	(16,239,613)
Payments to employees	(11,285,512)	(11,794,553)
Net cash provided by operating activities	<u>36,717,089</u>	<u>24,091,766</u>
Cash flows from investing activities:		
Purchases of investments	(16,836,829)	(17,617,891)
Proceeds from sale of investments	17,215,540	25,951,469
Interest received on investments	688,937	837,894
Interest received on checking accounts	87,179	11,911
Net cash provided by investing activities	<u>1,154,827</u>	<u>9,183,383</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(12,870,139)	(17,871,495)
Proceeds from sale of capital assets	263,373	5,000
Proceeds from issuance of bonds	17,448,247	-
Pre-payment of interest on refunding of bond issue	(1,928,774)	-
Debt issuance costs	(247,055)	(111,013)
Interest payments on bonds	(4,871,148)	(5,086,058)
Principal payments on bonds	(22,685,000)	(7,020,000)
Net cash used in capital and related financial activities	<u>(24,890,496)</u>	<u>(30,083,566)</u>
Increase in cash and cash equivalents	12,981,420	3,191,583
Cash and cash equivalents at beginning of year	<u>12,958,881</u>	<u>9,767,298</u>
Cash and cash equivalents at end of year	<u>\$ 25,940,301</u>	<u>\$ 12,958,881</u>
Reconciliation to Balance Sheet:		
Cash and cash equivalents	\$ 23,706,403	\$ 10,891,673
Restricted cash and cash equivalents	2,233,898	2,067,208
Total cash and cash equivalents	<u>\$ 25,940,301</u>	<u>\$ 12,958,881</u>

The accompanying notes to the financial statements are an integral part of this statement.

GREENVILLE WATER

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JULY 31, 2012 AND 2011

Reconciliation of operating income to net cash

provided by operating activities:

Operating income	\$ 21,647,439	\$ 13,455,098
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,632,018	11,289,644
Provision for losses on accounts receivable	301,973	658,076
Changes in operating assets and liabilities:		
Accounts receivable	3,217,296	(1,125,059)
Inventories	325,415	295,249
Prepaid expenses	277,230	(37,015)
Accounts payable	1,715,061	(1,873,399)
Liabilities payable from current restricted assets	(616,255)	317,141
Accrued expenses	(2,028,778)	(46,501)
Deposits, net of current portion	(47,287)	(112,483)
Compensated absences, net of current portion	80,151	(110,275)
Accrued postretirement benefits	212,826	1,381,290
Net cash provided by operating activities	\$ 36,717,089	\$ 24,091,766

Supplemental noncash disclosure:

Contributed capital assets	\$ 190,579	\$ 140,710
(Loss) gain on disposal of capital assets	\$ 17,277	\$ (208,708)
Amortization of bond expense	\$ (99,735)	\$ (102,577)
Amortization of bond premium	\$ 1,130,178	\$ 1,227,370
Amortization of bond valuation	\$ (559,038)	\$ (494,746)

The accompanying notes to the financial statements are an integral part of this statement.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 1—Summary of Significant Accounting Policies

Organization – Greenville Water (the “System”) was established in 1918 when the original nucleus of the present system was purchased from the Paris Mountain Water Company. The acquisition was authorized by a City of Greenville Referendum that also approved the issuance of general obligation bonds and the establishment of a "Board of Commissioners of Public Works". The System is governed by the Board of Commissioners of Public Works composed of five members, three elected for staggered six-year terms and two Ex-officio Commissioners, consisting of the Mayor and one City Council Member.

The System is a water utility that serves customers in the upstate region of South Carolina. Substantially all of the System's accounts receivable are unsecured and are due from residential and commercial customers in that area. Credit losses have consistently been within management's expectations.

Method of Accounting – The System'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. The System accounts for its activities similar to those found in private business enterprises. The Financial Accounting Standards Board (“FASB”) and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. The System has elected not to apply the standards issued by those organizations after November 30, 1989 and has applied all applicable pronouncements issued by GASB.

Risk Management – The System 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 System carries commercial insurance for these risks of loss, including employee health and accidental insurance. Health insurance was provided under a self-insured program with stop loss coverage in place both for individual claims as well as claims in the aggregate. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. During fiscal year 2011, management obtained third-party insurance and concluded the self-insured portion. There are no significant reductions in insurance coverage from the previous year.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposits with original maturities of three months or less. Unrestricted cash is invested each night through participation in a bank investment plan and bears interest at a variable rate. Under this agreement, the bank sells United States Treasury and Federal Agency securities to the System each night and repurchases the investments the next business day. The balance in these investments at July 31, 2012 and 2011 was zero for both years.

The System has a compensating balance agreement with a bank. Under this agreement, the System is required to reserve 10% of its monthly collected balance or be subject to various bank service charges.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 1—Summary of Significant Accounting Policies (Continued)

Investments – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the System reports all equity and debt securities at fair value in the balance sheets and all changes in fair value as income or loss in the statements of revenues, expenses, and changes in net assets. Such fair values are based on quoted market prices.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method; market is based on current replacement cost.

Capital Assets – Capital assets are stated at historical cost. The System capitalizes purchases of assets greater than \$2,500. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Estimated useful lives</u>
Buildings	40-50 years
Water supply and distribution system	25-100 years
Equipment and furnishings	5-20 years

The System records impairment losses, if any, on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

Capitalized Interest – Interest costs, less related interest income, are capitalized into construction in progress during an extended period of construction. Total interest expense for the years ended July 31, 2012 and 2011 was \$4,703,476 and \$4,796,846, respectively. Interest capitalized in 2012 and 2011 was \$403,468 and \$443,412, respectively.

Contributed Capital – The System received donations of land and rights of way, buildings, and water and distribution systems, principally water lines, from contractors as well as grants from the state and contributions from individual residents for the construction of certain water lines. The System accounts for these contributions under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that contributions be reported in the statements of revenues, expenses, and changes in net assets.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 1—Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs – Debt issuance costs at July 31, 2012 and 2011 of \$1,045,730 and \$898,410, respectively, (net of accumulated amortization of \$377,435 and \$277,700, respectively) are being amortized over the term of the respective bonds using a method which approximates the effective interest method.

Premium on Bonds Payable – The premium on bonds payable at July 31, 2012 and 2011 of \$10,764,595 and \$9,946,529, respectively, (net of accumulated amortization of \$4,720,887 and \$3,590,706, respectively) is being amortized over the term of the respective bonds using a method which approximates the effective interest method.

Operating Revenues and Operating Expenses – Operating revenues consist of customer payments for services of the System. Revenues are recognized on water sales when customers consume the water. All other revenues are recognized when the services are performed. Operating expenses consist of depreciation, repair and maintenance, operation of the System, administration costs, and bad debt expense.

Income Taxes – The System is recognized as a public utility for federal income tax purposes. As such, gross income of the System is excluded from federal income taxes under Internal Revenue Code Section 115.

Restricted Cash and Investments – Certain cash and investment balances are restricted for debt service or capital expenditures by the System's Bond Ordinance. As of July 31, 2012, investments of \$17,657,912 were restricted for debt service and cash and cash equivalents and investments of \$8,337,674 were restricted for capital expenditures. As of July 31, 2011, investments of \$17,577,913 were restricted for debt service and cash and cash equivalents and investments of \$8,152,971 were restricted for capital expenditures. When an expense is incurred for purposes where both restricted and unrestricted assets are available, it is the System's policy to apply the restricted resources first.

Compensated Absences – The System has a general leave program which provides employees with "annual paid general leave days" that can be used for vacation, holidays, illness of employee, or employee's family personal business. The number of days that an employee is entitled to each year is determined by the employee's length of service. General leave days are earned each month (the number of days depends on length of service) beginning on the first day of the month following their employment date. Employees can carry a maximum of ninety days. The Water System has accrued \$1,490,064 and \$1,399,913 for this liability at July 31, 2012 and 2011, respectively. The current portion, \$150,000 and \$140,000 at July 31, 2012 and 2011, respectively, of compensated absences is included in accrued expenses in the accompanying balance sheets.

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.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 1—Summary of Significant Accounting Policies (Continued)

Reclassifications – Certain reclassifications have been made to the fiscal year 2011 financial statement presentation to correspond to the fiscal year 2012 presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

New Pronouncements – The GASB has issued several statements which have not yet been implemented by the System. Those statements which may have a future impact on the System include:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources requiring segregation of deferred outflows and inflows from assets and liabilities for both governmental financial statements and accrual basis financial statements. The standard amends the net asset reporting requirements in GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, identifies deferred outflows and inflows that are to be separated from assets and liabilities under GASB Statement No. 63 and provides for immediate recognition of certain costs and fees. This standard also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014, replaces the requirements of Statement No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position, with obligations for employers with cost sharing plans based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense, specifies requirements for discount rates and actuarial methods and changes disclosure requirements.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 2—Cash Deposits

The System places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. The System from time to time may have amounts on deposit in excess of the insured limits.

At July 31, 2012, the carrying value of cash deposits totaled \$25,935,151 with corresponding bank balances of \$25,951,115. At July 31, 2011, the carrying value of cash deposits totaled \$12,953,231 with corresponding bank balances of \$15,562,165. Of the bank balance at July 31, 2012, \$2,598,992 was insured by federal depository insurance and \$23,352,123 was collateralized with securities held by the financial institution in the System's name. Due to timing of receipt of customer payments as well as payments of System expenses, bank balances could exceed collateralized amounts from time to time.

As of July 31, 2012 and 2011, cash on hand was \$5,150 and \$5,650, respectively.

Note 3—Investments

As of July 31, 2012, the System had the following investments and maturities:

		Less than 6 months	6-12 months	1-3 years
SC Investment Pool	\$ 24,537,512	\$ 24,537,512	\$ -	\$ -
Money Market Funds	<u>14,809,791</u>	<u>14,809,791</u>	<u>-</u>	<u>-</u>
	<u>\$ 39,347,303</u>	<u>\$ 39,347,303</u>	<u>\$ -</u>	<u>\$ -</u>

As of July 31, 2011, the System had the following investments and maturities:

		Less than 6 months	6-12 months	1-3 years
SC Investment Pool	\$ 24,217,693	\$ 24,217,693	\$ -	\$ -
Money Market Funds	<u>15,508,321</u>	<u>15,508,321</u>	<u>-</u>	<u>-</u>
	<u>\$ 39,726,014</u>	<u>\$ 39,726,014</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the System limits its investments to the State Investment Pool and by purchasing securities with maturities of less than five years.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 3—Investments (Continued)

Credit risk: The deposits and investments of the System are invested pursuant to statutes established by the State of South Carolina. The statutes allow for the investment of money in the following investments:

- a) Obligations of the United States and its Agencies
- b) General obligations of the State of South Carolina or any of its political units. Savings and loan association deposits to the extent they are insured by the Federal Deposit Insurance Corporation
- c) Certificates of deposit which are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an Agency of the Federal government
- d) Collateralized repurchase agreements which are collateralized by securities as set forth in (a) and (b)
- e) South Carolina Pooled Investment Fund established and maintained by the State Treasurer

The South Carolina Pooled Investments are not evidenced by securities that exist in physical or book entry form and are unrated. The fair value of the South Carolina pooled investment is the same as the value of the pooled shares and is not rated. Regulatory oversight is provided by the South Carolina State Treasurer.

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

Concentration of Credit Risk: The System places no limit on the amount that the System may invest in any one issuer. More than 5% of the System's investments are in the South Carolina investment pool and in Money Market funds. These investments are 61% and 39%, respectively, of the System's 2012 total investments (61% and 39%, respectively, in 2011).

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 4—Capital Assets

The following is a summary of capital assets activity for the fiscal year ended July 31, 2012:

	Balance July 31, 2011	Increases	Decreases	Balance July 31, 2012
Capital assets not being depreciated:				
Lands and rights of way	\$ 8,807,981	\$ 1,302,600	\$ -	\$ 10,110,581
Construction in process	<u>16,604,658</u>	<u>2,917,094</u>	<u>3,072,974</u>	<u>16,448,778</u>
Total capital assets not being depreciated	<u>25,412,639</u>	<u>4,219,694</u>	<u>3,072,974</u>	<u>26,559,359</u>
Other capital assets:				
Water supply and distribution systems	344,907,266	7,493,171	540,264	351,860,173
Buildings	218,257,448	3,202,704	-	221,460,152
Equipment and furnishings	<u>21,720,253</u>	<u>1,218,123</u>	<u>714,580</u>	<u>22,223,796</u>
Total other capital assets at historical cost	<u>584,884,967</u>	<u>11,913,998</u>	<u>1,254,844</u>	<u>595,544,121</u>
Less accumulated depreciation for:				
Water supply and distribution systems	73,587,813	4,968,811	308,353	78,248,271
Buildings	63,278,121	5,397,214	-	68,675,335
Equipment and furnishings	<u>15,567,083</u>	<u>1,265,993</u>	<u>700,395</u>	<u>16,132,681</u>
Total accumulated depreciation	<u>152,433,017</u>	<u>11,632,018</u>	<u>1,008,748</u>	<u>163,056,287</u>
Other capital assets, net	<u>432,451,950</u>	<u>281,980</u>	<u>246,096</u>	<u>432,487,834</u>
Capital assets, net	<u>\$ 457,864,589</u>	<u>\$ 4,501,674</u>	<u>\$ 3,319,070</u>	<u>\$ 459,047,193</u>

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 4—Capital Assets (Continued)

The following is a summary of capital assets activity for the fiscal year ended July 31, 2011:

	Balance July 31, 2010	Increases	Decreases	Balance July 31, 2011
Capital assets not being depreciated:				
Lands and rights of way	\$ 8,807,915	\$ 66	\$ -	\$ 8,807,981
Construction in process	7,579,563	9,025,095	-	16,604,658
Total capital assets not being depreciated	16,387,478	9,025,161	-	25,412,639
Other capital assets:				
Water supply and distribution systems	337,057,594	8,295,296	445,624	344,907,266
Buildings	218,257,448	-	-	218,257,448
Equipment and furnishings	21,028,505	691,748	-	21,720,253
Total other capital assets at historical cost	576,343,547	8,987,044	445,624	584,884,967
Less accumulated depreciation for:				
Water supply and distribution systems	69,316,821	4,502,908	231,916	73,587,813
Buildings	57,922,025	5,356,096	-	63,278,121
Equipment and furnishings	14,136,443	1,430,640	-	15,567,083
Total accumulated depreciation	141,375,289	11,289,644	231,916	152,433,017
Other capital assets, net	434,968,258	(2,302,600)	213,708	432,451,950
Capital assets, net	\$ 451,355,736	\$ 6,722,561	\$ 213,708	\$ 457,864,589

Land and rights of way, buildings, and water supply and distribution systems are stated at cost, except certain assets totaling \$49,099,640 and \$48,908,640 as of July 31, 2012 and 2011, respectively. These assets, acquired through P.W.A. grants, through agreements with various water districts, and through donations by property developers and others are stated at amounts authorized by the Commissioners representing estimated fair values at dates of acquisition. Equipment and furnishings are stated at cost.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 5—Disaggregate Payables

The following is a table of the details of certain of the current liabilities as of July 31:

	<u>2012</u>	<u>2011</u>
Accounts payable	\$ 3,957,233	\$ 2,242,172
Accounts payable from currently restricted assets	30,574	646,829
Miscellaneous accrued expense	304,519	446,708
Accrued employee benefits	63,919	894,054
Accrued payroll expense	409,436	286,093
Payable to other sewer authorities	(35,559)	1,158,091
Current portion, compensated absences	150,000	140,000
Current portion, deposits	<u>237,417</u>	<u>233,564</u>
Total payables and accrued expenses	<u>\$ 5,117,539</u>	<u>\$ 6,047,511</u>

Note 6—Bonds Payable and Other Liabilities

In April 2012, the System issued Waterworks System Refunding Revenue Bonds, Series 2012, to pay the costs of advance refunding a portion of the Series 2005 bond. The reacquisition price exceeded the net carrying amount of the old debt by \$1,928,774. This amount is being netted against the new debt and amortized over the old debt's life, which is shorter than the life of the refunding debt. The transaction also resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$1,032,072. The System issued Waterworks System Revenue Bond, Series 2005, primarily for the refunding a portion of the 1997 Bond, which was extinguished in prior years. The bonds are secured by a pledge of, and lien upon, gross revenues less amounts required to fund the operation and maintenance of the System. The System's bond ordinance also restricts additional indebtedness and requires a certain net earnings level as defined.

During the year ending July 31, 2012, \$15,275,000 of the Series 2005 bond was defeased 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 included in the financial statements.

In prior years, the System defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. According, the trust account assets and the liability to the defeased debt is not included in these financial statements. At July 31, 2012, \$17,364,754 of defeased debt is outstanding in irrevocable trusts.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 6—Bonds Payable and Other Liabilities (Continued)

Changes in the total bonds payable during the fiscal year ended July 31, 2012 are summarized below:

	Balance July 31, 2011	Additions	Deletions	Balance July 31, 2012
Revenue Bonds				
\$37,255,000 Waterworks System Revenue Bonds, Series 2002: Serial bonds, 3.0% to 5.25% interest maturing through 2020	\$ 1,715,000	\$ -	\$ 1,715,000	\$ -
\$32,100,000 Waterworks System Revenue Bonds, Series 2003: Serial bonds, 2.5% to 5.25% interest, maturing through 2020	2,915,000	-	1,430,000	1,485,000
\$85,790,000 Waterworks System Revenue Bonds Series 2005: Serial bonds, 2.2% to 5% interest, maturing through 2025.	69,105,000	-	19,395,000	49,710,000
\$40,485,000 Waterworks System Revenue Bonds Series 2010: Serial bonds, 2% to 5% interest, maturing through 2023.	40,435,000	-	145,000	40,290,000
\$15,500,000 Waterworks System Revenue Bonds Series 2012: Serial bonds, 3% to 5% interest, maturing through 2025.	-	15,500,000	-	15,500,000
Total bonds payable	114,170,000	15,500,000	22,685,000	106,985,000
Premium on bonds payable	13,537,235	1,948,247	-	15,485,482
Amortization of bond premium	(3,590,706)	-	1,130,181	(4,720,887)
Unamortized deferral on revenue bond refundings	(5,442,227)	(1,928,774)	(559,041)	(6,811,960)
Current portion of bonds payable	(7,410,000)	(7,570,000)	(7,410,000)	(7,570,000)
Bonds payable, net	\$ 111,264,302	\$ 7,949,473	\$ 15,846,140	\$ 103,367,635

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 6—Bonds Payable and Other Liabilities (Continued)

Changes in the total bonds payable during the fiscal year ended July 31, 2011 are summarized below:

	Balance July 31, 2010	Additions	Deletions	Balance July 31, 2011
Revenue Bonds				
\$37,255,000 Waterworks System Revenue Bonds, Series 2002: Serial bonds, 3.0% to 5.25% interest maturing through 2020	\$ 3,365,000	\$ -	\$ 1,650,000	\$ 1,715,000
\$32,100,000 Waterworks System Revenue Bonds, Series 2003: Serial bonds, 2.5% to 5.25% interest, maturing through 2020	4,290,000	-	1,375,000	2,915,000
\$85,790,000 Waterworks System Revenue Bonds Series 2005: Serial bonds, 2.2% to 5% interest, maturing through 2025.	73,050,000	-	3,945,000	69,105,000
\$40,485,000 Waterworks System Revenue Bonds Series 2010: Serial bonds, 2% to 5% interest, maturing through 2023.	<u>40,485,000</u>	<u>-</u>	<u>50,000</u>	<u>40,435,000</u>
Total bonds payable	121,190,000	-	7,020,000	114,170,000
Premium on bonds payable	13,537,235	-	-	13,537,235
Amortization of bond premium	(2,363,336)	-	1,227,370	(3,590,706)
Unamortized deferral on revenue bond refundings	(5,936,973)	-	(494,746)	(5,442,227)
Current portion of bonds payable	<u>(7,020,000)</u>	<u>(7,410,000)</u>	<u>(7,020,000)</u>	<u>(7,410,000)</u>
Bonds payable, net	<u>\$ 119,406,926</u>	<u>\$ (7,410,000)</u>	<u>\$ 732,624</u>	<u>\$ 111,264,302</u>

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 6—Bonds Payable and Other Liabilities (Continued)

Changes in other liabilities during the fiscal year ended July 31, 2012 are summarized below:

	Balance July 31, 2011	Additions	Deletions	Balance July 31, 2012
Deposits	\$ 6,194,114	\$ 350,097	\$ (393,531)	\$ 6,150,680
Less current portion	(233,564)	(237,417)	233,564	(237,417)
Deposits, net of current portion	<u>\$ 5,960,550</u>	<u>\$ 112,680</u>	<u>\$ (159,967)</u>	<u>\$ 5,913,263</u>
 Accrued postretirement benefits	 <u>\$ 10,868,283</u>	 <u>\$ 624,400</u>	 <u>\$ (411,574)</u>	 <u>\$ 11,081,109</u>
Compensated absences payable	\$ 1,399,913	\$ 90,151	\$ -	\$ 1,490,064
Less current portion	(140,000)	(150,000)	140,000	(150,000)
Compensated absences, net of current portion	<u>\$ 1,259,913</u>	<u>\$ (140,000)</u>	<u>\$ 29,725</u>	<u>\$ 1,340,064</u>

Changes in other liabilities during the fiscal year ended July 31, 2011 are summarized below:

	Balance July 31, 2010	Additions	Deletions	Balance July 31, 2011
Deposits	\$ 6,277,029	\$ 446,550	\$ (529,465)	\$ 6,194,114
Less current portion	(203,996)	(233,564)	203,996	(233,564)
Deposits, net of current portion	<u>\$ 6,073,033</u>	<u>\$ 212,986</u>	<u>\$ (325,469)</u>	<u>\$ 5,960,550</u>
 Accrued postretirement benefits	 <u>\$ 9,486,993</u>	 <u>\$ 1,777,874</u>	 <u>\$ (396,584)</u>	 <u>\$ 10,868,283</u>
Compensated absences payable	\$ 1,507,796	\$ -	\$ (107,883)	\$ 1,399,913
Less current portion	(137,608)	(140,000)	137,608	(140,000)
Compensated absences, net of current portion	<u>\$ 1,370,188</u>	<u>\$ (140,000)</u>	<u>\$ 29,725</u>	<u>\$ 1,259,913</u>

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 6—Bonds Payable and Other Liabilities (Continued)

The annual requirements to amortize to maturity all bonds payable outstanding, including interest payable, is as follows:

Fiscal year:	Revenue Bonds		
	Principal	Interest	Total
2013	\$ 7,570,000	\$ 4,781,095	\$ 12,351,095
2014	7,915,000	4,563,388	12,478,388
2015	8,275,000	4,217,738	12,492,738
2016	8,650,000	3,842,538	12,492,538
2017	9,065,000	3,424,350	12,489,350
2018-2022	58,100,000	10,549,313	68,649,313
2023-2025	7,410,000	628,050	8,038,050
Total	<u>\$ 106,985,000</u>	<u>\$ 32,006,472</u>	<u>\$ 138,991,472</u>

Management believes the System is in compliance with all significant financial debt covenants.

Note 7—Employee Benefit Plans

Employees of the System participate in the South Carolina Retirement System's ("SCRS") employees' retirement plan, a defined benefit, cost-sharing, multiple-employer, public employee retirement system. All full-time permanent System employees are required to participate in the SCRS.

Under PERS, employees who retire at or after age 65 or have 30 years of service are entitled to a retirement benefit, payable monthly for life, equal to 1.82% of average final compensation times years of credited service. Final average compensation is the employee's salary over the twelve highest consecutive quarters. Benefits are fully vested after five years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The SCRS also provides death and disability benefits. Benefits are established by state statute.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits, and employee/employer contributions for the plan. By law, the employee contribution requirement is 6.50% of annual salary and based on actuarial calculations, the System contributed 10.45% and 9.39% of the employee's annual salary through July 31, 2012 and 2011, respectively.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 7—Employee Benefit Plans (Continued)

The System's required contributions in dollars and the percentage of those amounts contributed for the current year and the preceding two years were as follows:

Fiscal Years Ended					
July 31, 2012		July 31, 2011		July 31, 2010	
Required	%	Required	%	Required	%
Contributed	Contributed	Contributed	Contributed	Contributed	Contributed
\$ 1,074,000	100%	\$ 1,102,000	100%	\$ 1,088,000	100%

The South Carolina Retirement System issues a publicly available Comprehensive Annual Financial Report that includes required supplementary information for the SCRS. The report may be obtained by writing to:

The South Carolina Retirement System
 Fontaine Business Center
 202 Arbor Lake Drive
 Columbia, South Carolina 29223

Note 8—Postretirement Benefits

Plan Description. The System's postretirement medical, dental and life insurance plan is a single employer defined benefit health and welfare plan administrated by the System. The Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses.

Funding Policy. The contribution requirements of the Plan are established and may be amended by the System. The required contribution is based on projected pay-as-you-go financial requirements. For the fiscal years ended July 31, 2012 and 2011, the System contributed \$411,574 and \$396,584 to the Plan, respectively. The Plan participants contributed \$132,158 or approximately 16% and \$132,556 or approximately 25% of the total cost for the fiscal years ended July 31, 2012 and 2011, respectively.

Annual OPEB Cost and Net OPEB Obligation. The Plan's annual Other Post-Employment Benefits ("OPEB") cost is calculated based on the System's Annual Required Contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. 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.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 8—Postretirement Benefits (Continued)

The following table shows the components of the System’s annual OPEB cost for the fiscal years ended July 31, 2012, 2011 and 2010, the amount actually contributed to the Plan and the changes in the net OPEB obligation to the Plan:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ARC at year-end	\$ 629,500	\$ 1,864,803	\$ 1,864,803
Interest on Net OPEB obligation	400,700	428,908	356,384
Adjustment to ARC	<u>(405,800)</u>	<u>(515,837)</u>	<u>(428,613)</u>
Annual OPEB cost at year-end	624,400	1,777,874	1,792,574
Contribution made during the year	<u>(411,574)</u>	<u>(396,584)</u>	<u>(431,888)</u>
Increase in Net OPEB obligation	212,826	1,381,290	1,360,686
Net OPEB obligation at the beginning of the year	<u>9,428,346</u>	<u>8,047,056</u>	<u>6,686,370</u>
Net OPEB obligation at year-end	<u>\$ 9,641,172</u>	<u>\$ 9,428,346</u>	<u>\$ 8,047,056</u>

The System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation of the years ended July 31, 2012, 2011 and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB cost	\$ 624,400	\$ 1,777,874	\$ 1,792,574
Percentage of annual OPEB cost contributed to the Plan	65.9%	22.3%	24.1%
Net OPEB obligation	\$ 9,641,172	\$ 9,428,346	\$ 8,047,056

Funded Status and Funding Progress. The Plan’s funded status as of the most recent actuarial valuation dates are shown below:

	<u>August 1, 2011</u>	<u>August 1, 2010</u>	<u>August 1, 2009</u>
Actuarial Accrued Liability (AAL)	\$ 11,301,300	\$ 18,449,052	\$ 17,723,107
Actuarial Value of Asset	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ (11,301,300)	\$ (18,449,052)	\$ (17,273,107)
Covered payroll for active employees	N/A	N/A	N/A
Ratio of UAAL to covered payroll	N/A	N/A	N/A

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 rate, etc. The amounts determined regarding the funded status of the Plan and the ARC of the System are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

GREENVILLE WATER

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012 AND 2011

Note 8—Postretirement Benefits (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan participants to that point. The actuarial cost method 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.

In the August 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The significant actuarial methods and assumptions were as follows:

Investment discount rate	4.25%
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Amortized with a 2.5% annual increase
Amortization period	Open 30 year period
Medical trend	Initial rate of 8.5% declining to an ultimate rate of 5.0% over 7 years

Medicare Prescription Drug Act

With respect to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, the System accounts for the effect of the Act as of August 1, 2004. The Actuary's analysis indicates that the System's Plan is actuarially equivalent to the Medicare Part D plan and qualifies for the federal subsidy.

Note 9—Related-Party Transactions

The System paid the City of Greenville \$500,000 and \$271,350 for the years ended July 31, 2012 and 2011, respectively, for use in an economic development partnership with the City.

Note 10—Commitments

As of July 31, 2012, the System is obligated under contract for \$5,118,343 in construction projects. Of this amount, \$2,071,359 of the projects were incomplete as of July 31, 2012.

GREENVILLE WATER

Operated by the

COMMISSIONERS OF PUBLIC WORKS
OF THE
CITY OF GREENVILLE, SOUTH CAROLINA

SYSTEM INFORMATION

Prepared by

GREENVILLE WATER

COMMISSIONERS

Debra M. Sofield, Chair
Phillip A. Kilgore, Vice Chair
Knox H. White, Mayor/Ex-Officio
J. David Sudduth, Commissioner/Ex-Officio

EXECUTIVE STAFF

David H. Bereskin, Chief Executive Officer
Murray W. Dodd, Chief Operations Officer

GREENVILLE WATER

OPERATING DATA

Fiscal Year 2012

Supply and Usage Data:

	<u>Million Gallons per Day</u>
Supply Available, Years of Drought	
Table Rock	16
North Saluda	26
Keowee (Future Expansion to 150 MGD)	<u>60</u>
Total Supply Available, Years of Drought	102
Combined Transmission Capacity, Gravity	46
Combined Transmission Capacity, Pumping	135
Average Water Treatment:	
Table Rock/North Saluda Plant	31
Keowee	<u>27</u>
Total System, Average Daily Usage	58

Comparative General Statistics for Past Four Fiscal Years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Miles of Pipe (2"-72")	2,565	2,606	2,623	2,626
No. of Public Hydrants	9,845	10,008	10,064	10,107
Private Fire Protection Accounts	1,562	1,692	1,758	1,778
No. of Metered Accounts	164,102	165,910	166,820	168,425
Total Annual Sales (Million Gallons)	19,085	18,439	18,961	21,934
Total Annual Operating Revenue (Thousand Dollars)	50,042	48,466	52,705	58,373
* Avg. No. of Bills:				
Residential	137,402	143,363	138,070	136,438
Others	<u>17,564</u>	<u>18,095</u>	<u>17,781</u>	<u>18,105</u>
	154,966	161,458	155,851	154,543
*Avg. Gallons per Acct.	30,789	28,550	30,416	9,120
*Avg. Bill per Account (\$)				
Residential	49.20	45.73	50.70	15.89
All Accounts	71.78	67.36	74.76	23.74

*2009-2011 represent quarterly billing information, 2012 represents monthly billing.

Number of Meters:

Number of metered accounts, exclusive of private fire protection accounts, at the end of each of the fiscal years indicated:

2001	136,597	2005	151,205	2009	164,102
2002	140,388	2006	155,960	2010	165,910
2003	144,038	2007	161,990	2011	166,820
2004	147,563	2008	164,047	2012	168,425

Included in the 168,425 accounts listed above are 15 wholesale accounts that obtain their water supply from the Greenville Water.

Average Daily Water Finished:

Combined quantities (MGD) of finished water supplied by the Stovall and Adkins (Keowee) Treatment Plants for the fiscal years indicated:

2001	61.30	2005	53.34	2009	55.00
2002	61.33	2006	59.40	2010	56.18
2003	56.74	2007	59.31	2011	57.36
2004	56.57	2008	62.85	2012	56.42

Operational Earnings of the System:

Gross Operating Revenues, Operating Expenses (exclusive of depreciation) and Operational Income (exclusive of depreciation) for each of the fiscal years indicated:

<u>Fiscal Year</u>	<u>Gross Operating Revenue</u>	<u>Operating Expenses</u>	<u>Operating Income</u>
2001	33,410,349	16,562,683	16,847,666
2002	33,837,632	17,394,675	16,442,957
2003	34,566,911	18,683,974	15,882,937
2004	36,233,883	19,869,970	16,363,913
2005	38,218,561	20,346,271	17,872,290
2006	49,324,486	22,980,256	26,344,230
2007	48,201,200	23,147,303	25,053,897
2008	53,908,661	25,945,208	27,963,453
2009	50,041,907	28,008,833	22,033,074
2010	48,466,248	27,290,903	21,175,345
2011	52,705,395	27,960,656	24,744,739
2012	58,372,791	25,093,334	33,279,457

Capital Improvements from Earnings:

Amounts used or set aside (transferred to General Improvements Fund) for capital improvements to the System from System earnings during each of the fiscal years indicated:

2001	4,960,104	2005	5,212,417	2009	16,271,712
2002	6,476,517	2006	6,312,297	2010	15,757,674
2003	2,853,134	2007	11,754,877	2011	14,332,422
2004	6,759,962	2008	17,113,846	2012	11,615,295

GREENVILLE WATER

History

The City has owned the System since 1918 when the original nucleus of the present System was purchased from a private water company for the sum of \$800,000. The acquisition was authorized by a City referendum that also approved the issuance of \$1,000,000 of general obligation bonds and the establishment of a "Board of Commissioners of Public Works" vested with the authority to acquire, operate and control the System. The proceeds of the bond issue were used to purchase the facilities and to finance the development of a supplementary water supply on the Enoree River. From the beginning, the Commissioners have operated the System as a self-sustaining utility, and the original bonds, together with subsequent issues, have been retired solely from System earnings. To more accurately identify the Commissioners in the public mind with this responsibility and service, the Commissioners adopted the name Greenville Water System for all purposes except legal transactions. In 2011, the Commissioners elected to utilize the trade name "Greenville Water."

Organization

The commission is composed of three elected Commissioners, elected for staggered six-year terms, and two ex-officio Commissioners, consisting of the Mayor and one City Council member. All Commissioners serve without compensation. There is one vacant seat which will be filled in the upcoming year. The present Commissioners, their terms of office and length of service are set forth below.

<u>NAME</u>	<u>TERM EXPIRES</u>	<u>YEARS OF SERVICE</u>
Debra M. Sofield, Chair	2013	14
Phillip A. Kilgore, Vice Chair	2017	10
Knox H. White, Ex-Officio	2015	18
J. David Sudduth, Ex-Officio	2013	6

The Commissioners are the policy making body and approve all major operating procedures, expenditures, capital improvements, rates and charges, and make recommendations to the City Council for the issuance of bonds. The Commissioners appoint the Chief Executive Officer. As a matter of policy, the Commissioners continually review recommendations of management relating to capital improvements, water usage trends and projections, along with revenue requirements to meet these needs.

The responsibility for day-to-day operations and management of the System is vested in its Chief Executive Officer. The present Chief Executive Officer, David Bereskin, was hired on January 18, 2011. Mr. Bereskin is a Registered Civil Engineer and a graduate of the University of Illinois. He brings over 20 years of experience in the water utility profession, ranging from Construction Engineer, to Manager of Engineering, to Director of Utilities, to Chief Executive Officer. The Chief Executive Officer is assisted by Murray W. Dodd, P.E., Chief Operations Officer.

As Chief Operations Officer, Mr. Dodd is responsible for the management of Greenville Water's Watersheds, Treatment Plants, Laboratory, Engineering Department, and Field Operations Department. Mr. Dodd holds a Bachelor of Science in Engineering and a Master of Business Administration from Clemson University. He holds South Carolina Environmental Systems Operations Licenses in the areas of Distribution and Water Treatment. His career began in 1993 as a Project Manager for a private construction company. In 1995, he began working with Greenville Water as a Staff Engineer. He served as Director of Engineering from 1997 until 2011, when he was promoted to Chief Operations Officer.

Except for the design of major engineering projects, for which consultants are employed, the Engineering and Operations Division designs and supervises construction in connection with the maintenance and extension of the distribution system. Construction and maintenance work is performed by the System's Construction and Maintenance personnel who maintain material inventories, test and repair meters, and service and maintain the System's vehicles and equipment. The Finance Division maintains all financial records involving operations and plant accounting. Business Services is responsible for meter reading, meter testing, repairs, customer service activities, customer accounting, billing, and accounts receivable functions. The Laboratory Department performs required bacteriological and chemical analyses daily on the samples from the treatment plants and the distribution system in order to ensure water quality in compliance with the standards of the Federal EPA and the State Department of Health and Environmental Control. State-certified personnel of the Plants Department are responsible for water treatment operations, and Watershed personnel protect and maintain the System's watershed and miles of transmission pipeline right-of-way.

Presently, the System has an approved staffing pattern of 247 employees, which include engineers, accountants, chemists, bacteriologists, data processing technicians, skilled office workers, State-certified water treatment plant operators, skilled mechanics and equipment operators. The main office, located at 407 West Broad Street, was completed and occupied in December of 1991. As a convenience to customers, it provides a main office drive-in window and night deposit box. The use of computers for direct inquiry into, and update of, customer information provides customers with fast and accurate service. All treatment plants, shops, offices and approximately 80 service vehicles are radio-equipped for instant communication.

Description of the System

Purchased by the City nearly 94 years ago, the System has been developed by the Commissioners into a modern water utility which currently serves most of Greenville County and portions of three adjoining counties.

The City presently receives most of its water from two large mountain "watersheds," comprising a total of 26,000 acres and located about 25 miles north and northwest of the City in the foothills of the Blue Ridge Mountains. Rainfall over these forested areas is filtered by nature as it seeps through the forest floors. The out-cropping springs gradually gather into streams which flow into either of two man-made reservoirs: one on the headwaters of the South Saluda River (Table Rock) and the other on the headwaters of the North Saluda River. No one lives in the Commission-owned watershed areas and patrolmen keep trespassers out to provide security and guard against contamination of the water supply. Since there is no cultivated land within these drainage areas, silt and mud are not carried by rainfall into the reservoirs. As a result of this and the absence of agricultural or industrial waste entering the supplying streams, water in the reservoirs is clean, clear and relatively pure. These watersheds are further protected by a conservation easement with The Nature Conservancy.

The Table Rock Reservoir was placed in service in 1930 with a 30-inch pipeline serving the City. In 1939, a second 30-inch pipeline was installed to increase the gravity flow capacity to 18 million gallons per day. In 1954, a booster pumping station was installed to increase the capacity of these two lines to 30 million gallons per day. The North Saluda Reservoir was placed on-line in 1961 with a 48-inch pipeline supplying the Greenville area. This line has a gravity capacity of 28 million gallons per day and, with the addition of the pumping station in 1973, the line capacity is 63 million gallons per day. The combined transmission capacities from the supply reservoirs, including the supply from the Keowee Facility (described below), amount to 46 and 135 million gallons per day by gravity and by pumping, respectively. Because of the high quality of their source of water, these two sources needed only disinfection at treatment plants near each reservoir until requirements of the Surface Water Treatment Rule became effective. The L.B. Stovall Water Treatment Plant is a 75 million gallon per day filtration plant; which provides filtration for all water derived from Table Rock and North Saluda. The plant incorporates Dissolved Air Flotation (DAF) Technology in place of customary sedimentation basins and is currently one of the largest plants of this type in the United States. The filtration plant also houses new and expanded central laboratory facilities and offices.

There are two distribution reservoirs within the System located on the slopes of Paris Mountain and Roper Mountain at sufficient elevations to maintain adequate distribution system pressure during periods of high usage and to provide reserve capacity for fire protection. The existing transmission, feeder and distribution mains below the two distribution reservoirs are continually being extended, improved and fortified to meet the demands of the growing service area. The System is 100% metered to ensure that all customers are paying only for their actual water usage. A meter maintenance and replacement program ensures that meter accuracy is maintained. Fire hydrants are provided throughout the System to meet the particular fire service rating classification of each area.

In addition to the two large mountain "watersheds," the System receives water from the Keowee Facility. This facility, operational since 1985 and located in Pickens County, includes a raw water intake structure and pumping station at Lake Keowee, approximately two miles of raw water pipeline, the 30 million gallon per day Adkins Water Filtration Plant, 27 miles of 72-inch transmission main extending from the treatment plant to the existing distribution system, and two eight million gallon reservoirs located at the high point of the transmission main. In 2001, the South Carolina Department of Health and Environmental Control approved the System's application to operate the existing filters at the Adkins Plant at a higher rate. As a result, the original Adkins Water Filter Plant treatment capacity was increased from 30 to 45 million gallons per day. A long term agreement is in place with the owner of Lake Keowee, Duke Energy Company, to enable up to a maximum day capability of 150 million gallons, to meet the projected long-range needs. In 2006, the treatment plant was expanded to a total filtration capacity of 60 million gallons per day and will be further expanded to 90 million gallons per day by the addition of more pumps within the next five to ten years.

The combined "effective" capacity of Table Rock and North Saluda reservoirs is 15 billion gallons and, allowing for downstream releases, their conjunctive safe yield is 44.8 million gallons per day in years of extreme drought. During years of normal rainfall, their combined dependable yield is estimated at 90 million gallons per day.

Trained and State-certified treatment plant operators make hourly chemical and physical examinations of the water passing through each treatment facility for treatment control. Microbiological and chemical analyses are performed by certified personnel at a modern and well-equipped laboratory. Analytical results of water samples taken from various locations throughout the distribution system consistently indicate that the water received by System customers is free of bacteriological contamination and has chemical and physical characteristics

that meet established quality standards for drinking water and industrial uses. To provide additional protection for the safety of the water supplied throughout the widespread distribution system, a booster chlorinating station is located at each of two distribution reservoirs which are located about seven miles north and northeast of Greenville.



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Board of Commissioners of
Greenville Water
Greenville, South Carolina

We have audited the financial statements of Greenville Water (the "System") as of and for the year ended July 31, 2012 and have issued our report thereon dated November 5, 2012. 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.

Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commissioners of Public Works, management of the System, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Greenville, South Carolina

November 5, 2012



**Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

To the Board of Commissioners of
Greenville Water
Greenville, South Carolina

Compliance

We have audited Greenville Water's (the "System") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended July 31, 2012. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the System's management. Our responsibility is to express an opinion on the System's compliance based on our audit.

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

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2012.

Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the System's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

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

This report is intended solely for the information and use the Commissioners of Public Works, management of the System, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bebaert + Holland, L.L.P.

Greenville, South Carolina
November 5, 2012

GREENVILLE WATER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JULY 31, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes x no
 - Significant deficiencies identified that are not considered to be a material weaknesses _____ yes x no
- Noncompliance material to financial statements noted _____ yes x no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? _____ yes x no
 - Significant deficiencies identified that are not considered to be material weaknesses _____ yes x no
- Noncompliance material to federal awards _____ yes x no

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

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

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? _____ yes x no

GREENVILLE WATER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JULY 31, 2012

Section II. Financial Statement Findings

Finding: There were no audit findings.

Section III. Federal Award Questioned Costs & Findings

Finding: There were no audit findings.

Greenville Water

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JULY 31, 2012

	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Federal disbursements/ expenditures</u>	<u>Total</u>
Environmental Protection Agency: Passed through the South Carolina Water Quality Revolving Fund Authority				
Capitalization Grants for Drinking Water State Revolving Funds	* 66.468	F3-10-2310001-01	\$ 928,493	\$ 928,493
			<u>\$ 928,493</u>	<u>\$ 928,493</u>

* Major Program

GREENVILLE WATER

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JULY 31, 2012

Note 1 - Basis of presentation

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