



Building a World Class Utility

For the Fiscal Year Ended September 30, 2019
Comprehensive Annual Financial Report
Greenville Electric Utility System
Greenville, Texas



Comprehensive Annual Financial Report

Greenville Electric Utility System (GEUS)

(A component unit of the City of Greenville, Texas)

**For Fiscal Years Ended
September 30, 2019 and 2018**

**Prepared by
Finance Department**

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

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INTRODUCTORY SECTION





March 19, 2020

Mr. Barry Gluck, Chairman and
Members of GEUS Board of Trustees

Dear Board Members:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Greenville Electric Utility System (GEUS) for the fiscal years ended September 30, 2019 and 2018. The CAFR includes audited financial statements as required by Board Policy P112.01 as well as Texas state law. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America and audited by a firm of licensed certified public accountants, Whitley Penn, LLP.

This report consists of management's representations regarding GEUS finances. Accordingly, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making the representations, management of GEUS has established a comprehensive internal control framework that is designed both to protect GEUS' assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of GEUS' financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. Because the cost of internal controls should not outweigh their benefits, GEUS' 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Pursuant to the 2019A Utility System Revenue Refunding Bonds Ordinance, GEUS is required to have an annual audit of the financial statements related to the system and pledge revenues of the system. GEUS has complied with this requirement and the independent auditor's report by Whitley Penn, LLP is included in this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of GEUS for the fiscal years ended in September 30, 2019 and 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that GEUS' financial statements for the fiscal years ended September 30, 2019 and 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Serving Greenville for over 120 years!
903-457-2800 www.geus.org

GEUS Operations Center
Center
6000 Joe Ramsey Blvd.
Greenville, TX 75402

GEUS Consumer Services Center
David McCalla Building 2810 Wesley St.
Greenville, TX 75401

Steam Plant/Tom Darte Energy
4201 Power Lane
Greenville, Texas 75401

The Management's Discussion and Analysis (MD&A) included in the financial section of this report is required by GAAP to provide a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Utility

The history of the Greenville Electric Utility System (GEUS) began in 1888 when the City Council awarded a water and electric system franchise to Greenville Water and Electric Light Company. After the award, the Greenville Water and Electric Light Company building was constructed on the Sabine River where the diesel plant was formerly located. They dammed the river to provide water for the pumps but never installed generators. On November 3, 1890, the City of Greenville City Council passed a resolution authorizing the Mayor R.L Porter to let a contract with Wayne Electric Company build a small power plant on Town Branch between Wesley and St John Street. It became the first municipally-owned electric plant in Texas when it began producing power on March 4, 1891. The Power Plant began generating electricity for night time use with a steam engine and two dynamos. In 1908, the City power plant moved to the Sabine River, they added two steam generators and began generating power 24 hours a day. From 1945-1960 the electrical load on the City increased more than eight-fold. Growth in the excess of 10% per year was the norm for the City. During the mid-1960's, the City built a new steam generation plant containing two steam turbines. In 1977, a third steam turbine was added to the plant. On May 7, 1988, voters approved the separation of the management of the electric utility from the City of Greenville administration. The public voted to amend the City Charter to include Article XI-A which created a separate, fully autonomous Electric Utility Board and define transfers of revenue from the electric utility to the City of Greenville and on this day, the first Electric Utility Board was named. With limited high speed Internet available in rural areas, the GEUS Board of Trustees elected to bring fiber optic cable to the Greenville community. In June of 2000, GEUS Cable & Internet was formed. In 2010, GEUS added a new generation plant with three modern, quick start engine generators.

GEUS services an area of approximately 35 square miles inside the City of Greenville, Texas with a total service area of 97 square miles within Hunt County. Customer growth has increased 11.9% since 2010 and is up 9.1% over the past 5 years. As of September 30, 2019, the system supported 14,873 customers. The increase in customers from the end of fiscal year 2018 to the end of fiscal year 2019 total 104, or 0.7%. In FY 2019, GEUS sold 668,889,376 kilowatt hours (kWh) of electricity, a 5.8% increase compared to FY 2018 kWh sales.

In 1975 the City of Greenville, along with three other cities, formed Texas Municipal Power Agency (TMPA) to build a 462MW coal fired steam generation plant. The energy generated from the TMPA Gibbons Creek plant was split among the member cities based on their pro rata share. The City of Greenville had a 10% interest in TMPA and that interest currently remains with the Utility. As part of the TMPA arrangement, the member cities are obligated for payment of operating cost and retirement of debt.

Since GEUS operates autonomously of the City, all account, financial and statistical information relating to GEUS are included herein. GEUS, a component unit, is included in the City of Greenville's Comprehensive Annual Financial Report.

Factors Affecting GEUS' Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within, which GEUS operates.

Local Economy

GEUS is located in Greenville, Texas. GEUS serves the City of Greenville, the unincorporated town of Floyd, a portion of Jacobia and Dixon, as well as Greenville Club Lake and other outlying regions in Hunt County. The economy in GEUS' service territory is diversified with major industry segments that include aerospace industry, robotics, retail and services, tourism, hospitality and manufacturing.

Principal employers in the GEUS service area include industry leaders such as L3Harris Greenville, a leader in next the generation of ISR solutions; Solvay Composite Materials is a global provider of technologically advanced lightweighting material solutions used in the aerospace and automotive industries; Innovation First International is a leader in designing and supplying control systems to the largest educational robotics competitions worldwide. Located in Greenville, Hunt Regional Medical Center is a large regional hospital with an extensive list of outpatient and diagnostic services from surgery to cancer care to open imaging. With an enrollment of over 5,300 students, the Greenville Independent School District provides education for the youth of the community.

The City of Greenville is approximately 35 square miles in size and is the county seat for Hunt County. Conveniently located just 45 miles northeast of Dallas, intersected by three railroads, and numerous highways, including Interstate Highway 30, US highways 380, 69, and 67, and State Highways 224, 66, and 34. Hunt County is home to approximately 96,493 people with an estimated 28,263 living in the City of Greenville. Reported annual per capita income for Hunt County is \$25,077 with the City of Greenville being slightly lower at \$22,249. Statistics released by the Texas Workforce Commission indicate Hunt County's unemployment rate, not adjusted, was 3.3% in September 2019 and is favorable compared to the 3.7% unemployment rate in September 2018.

Long-term Financial Planning

In 2008, GEUS Board of Trustees authorized the issuance of \$16,615,000 in revenue bonds to begin construction on a new generation plant. Revenue bonds totaling \$52,410,000 were issued in 2010 and included \$29,415,500 in TMPA related costs. Both the 2008 and 2010 series bonds became callable in September 2018 and were refunded in 2019. In the refunding, GEUS issued two separate bond series. The 2019A refunding bonds were issued in the amount of \$41,610,000 and will be callable on February 15, 2024. The 2019B refunding bonds have a \$12,500,000 bullet maturity of February 15, 2024 and became callable July 1, 2019. In September 2019, GEUS redeemed \$3,200,000 of the 2019B series bonds. As of September 30, 2019, total GEUS debt is \$50,910,000.

GEUS maintains and updates a 10 year Capital Improvement Plan that is reviewed by the GEUS Board annually. Under the current operating environment, capital construction and improvement of infrastructure, equipment and existing generation plant detailed in the Capital Improvement Plan will be funded through operations.

In May 2018, the GEUS Board approved the change in Unrestricted Cash Reserve Policy increasing the minimum level from 60 days to 150 days. The target cash reserves on hand is a forward looking calculation based on budgeted expenses that include capital less depreciation divided by 365 days then multiplied by 150 days. As of September 30, 2019, unrestricted cash reserve was 144 days and includes cash to fund a portion of GEUS' Employee Paid Time Off (PTO) liability.

Driven by the 2008 and 2010 debt issues in conjunction with increased TMPA fixed costs, GEUS performed a cost of service rate study in 2014 followed by a rate increase that same year. Since 2014, GEUS has been able to maintain the rates set in 2014 while lowering TMPA fixed costs. This has allowed the Utility to improve its financial health and resume a capital improvement program needed to sustain a reliable system. The GEUS Board has authorized a new cost of service rate study in 2019 to review the current rate structure.

Awards

GEUS' established policies, practices and procedures were evaluated by the APPA's Reliable Public Power Provider (RP₃) board in the areas of reliability, safety, workforce development and system improvement. The RP₃ board confirmed GEUS met or exceeded industry-recognized best practices in all of these areas. GEUS achieved APPA's Reliable Public Power Provider (RP₃) Gold designation.

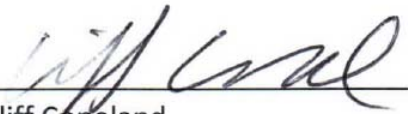
Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of GEUS. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Chairman and members of the Board of Trustees for their interest and support in planning and conducting the financial operations of GEUS in a responsible and progressive manner.

Respectively submitted,



Alicia Price
General Manager



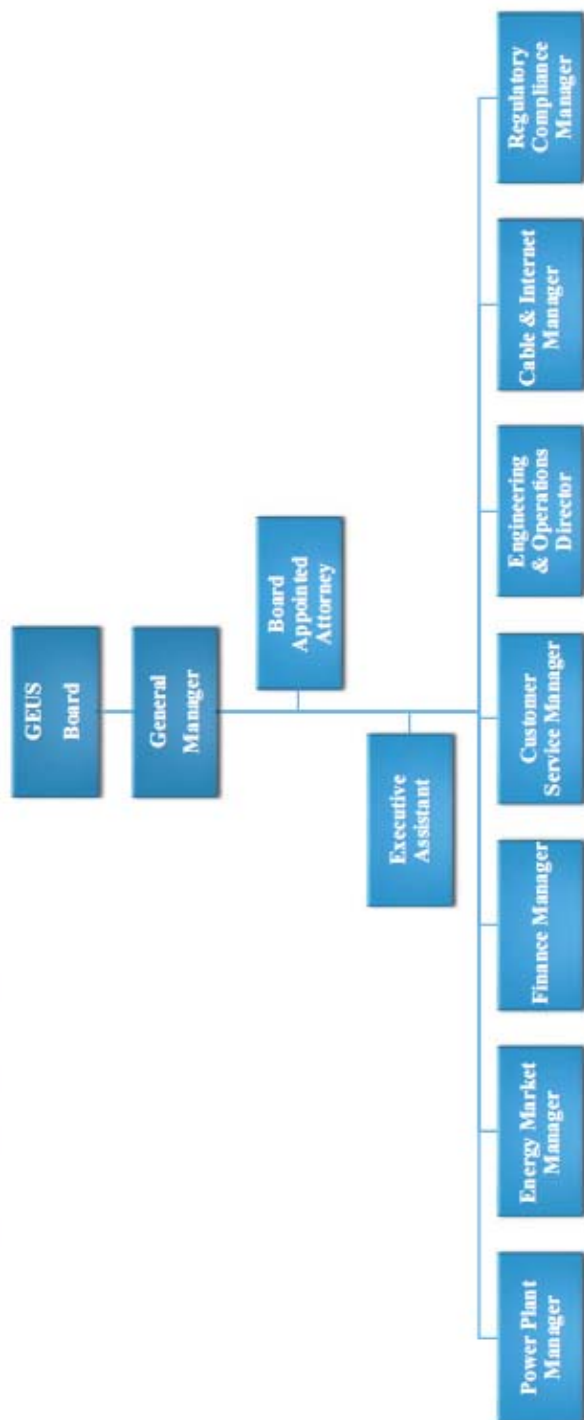
Cliff Copeland
Business Services Director

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS) ORGANIZATIONAL CHART



Electric and C&I

The management of GEUS is performed by a General Manager under Policy Direction of the GEUS Board of Trustees with the aid of his or her staff including a Cable & Internet Manager, Customer Service Manager, Finance Manager, Engineering and Operations Director, Energy Market Manager, Power Plant Manager, Regulatory Compliance Manager, and Executive Assistant. In addition, GEUS' contracted services from the City include accounting (i.e. investments, check issuing, etc.) which is overseen by the Administrative Services Director and personnel services overseen by the Human Resources Director. The Board appointed Attorney also reports to the General Manager.



GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
PRINCIPAL OFFICIALS



GEUS Board of Trustees

Barry Gluck, Chairman – Place 4

Renee Shelton, Vice-Chairman – Place 3

Sue Ann Harting, Secretary/Treasurer – Place 5

Glover George – Place 1

Dennisha Denney – Place 2

David Dreiling, City of Greenville Mayor – Ex Officio Member

Executive Staff and Department Heads

Alicia Price – General Manager

Cliff Copeland – Finance Manager

Ashley Cotton – Compliance Manager

Jimmy Dickey – Customer Service Manager

Jason Minter – Cable and Internet Manager

Mark Stapp – E&O Director

Steve Glasscock – Power Plant Manager

Bo Zhao – Energy Market Manager

FINANCIAL SECTION



Report of Independent Auditors

To the Board of Trustees
of Greenville Electric Utility System
Greenville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Greenville Electric Utility System (“GEUS”), a component unit of the City of Greenville, Texas, as of and for the year ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise GEUS’ basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

To the Board of Trustees
of Greenville Electric Utility System

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GEUS as of September 30, 2019 and 2018, and the changes in its financial position and its 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, pension and other post-employment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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 GEUS' basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Dallas, Texas
March 19, 2020

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019 and 2018

The management of GEUS encourages the readers to consider the following discussion and analysis in combination with the financial statements included in the Financial Section.

The objective of this discussion and analysis is to provide the reader information relevant to assess the financial condition and the results of operations of GEUS as determined by an evaluation of reported financial statement amounts.

Please refer to the accompanying basic financial statements and their related footnotes for more detailed information concerning the financial condition of GEUS. The basic financial statements are comprised of the statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and the related notes which are an integral part of the financial statements.

Financial Highlights

The assets and deferred outflows of resources of GEUS exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2019, by \$36,994,341 (net position). Of this amount, there is a positive unrestricted net position of \$882,888 due to the increase in cash and investments through operations. The increase in total current assets of \$6,576,336 was significantly reduced by the \$5,955,035 increase in long term liabilities. The increase in long term liabilities was in part due to the \$4,367,450 increase in net pension liability (see Note 8).

GEUS' total net position increased by \$14,763,639 from current year operations. This change in net position is mainly the result of increased energy sales into the Electric Reliability Council of Texas (ERCOT) market, increased fuel adjustment collection, electric consumption, and a decrease in electric operating expenses.

GEUS' revenue bond liabilities decreased by \$14,680,000 during the current fiscal year due to refunding of the Electric System Revenue Bonds, Series 2008 and the Electric System Revenue Refunding Bonds, Series 2010 and scheduled principal payments.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of GEUS. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

GEUS' financial statements utilize accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about their activities. The statements of net position include all of GEUS' assets, deferred outflows, liabilities, and deferred inflows and provide information about the nature and amounts of investments in resources and the obligations to creditors. It also provides the basis for evaluating the capital structure of GEUS and assessing the liquidity and financial flexibility of GEUS.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***September 30, 2019 and 2018*

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. These statements measure the success of GEUS' operations over the past year and can be used to determine whether GEUS has successfully recovered all of its costs through its rates and fees, profitability and credit-worthiness.

The final required financial statements are the statements of cash flows. The statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities as well as provide answers to such questions as where did cash come from, what was capital and related cash used for, and what was the change in the cash balance during the reporting period.

	September 30,		
	2019	2018	2017
Assets			
Current assets	\$ 37,185,114	\$ 30,608,778	\$ 24,695,668
Restricted assets	2,362,459	7,105,292	9,235,065
Prepaid electric costs	-	-	1,549,895
Electric plant, net	56,971,264	54,865,844	54,517,065
Cable and Internet equipment, net	6,590,040	6,678,035	7,116,782
Total assets	103,108,877	99,257,949	97,114,475
Deferred Outflow of Resources	15,931,498	878,877	2,829,094
Liabilities			
Current liabilities	3,941,442	4,544,922	3,917,971
Current liabilities payable from restricted assets	5,474,229	5,227,982	3,391,926
Long-term liabilities, less current maturities	71,912,272	65,957,237	73,774,027
Total liabilities	81,327,943	75,730,141	81,083,924
Deferred Inflows of Resources	718,091	2,175,983	210,144
Net Position			
Net investment in capital assets	36,111,453	28,436,832	26,814,332
Restricted for revenue bond debt service	-	4,536,273	5,152,752
Unrestricted	882,888	(10,742,403)	(13,317,583)
Total net position	\$ 36,994,341	\$ 22,230,702	\$ 18,649,501

Net Position

Net position increased by \$14,763,639, or 66.4% of beginning net position, for the year ended September 30, 2019. This increase was primarily due to increase in electric revenues and decrease in electric operating expenses. Electric operating expenses decreased due to retirement of Gibbons Creek Steam Electric Station ("GCSES"). TMPA is now engaged in the decommissioning of GCSES (see Note 11).

Net position increased by \$3,581,201 or 19% of beginning net position, for the year ended September 30, 2018. This increase was primarily due to increase in electric sales offset by \$804,454 prior period adjustment related to the implementation of GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

September 30, 2019 and 2018

Current Assets

The \$6,576,336 increase in current assets as of September 30, 2019, was mainly attributable to an increase in cash and investments.

The \$5,913,110 increase in current assets as of September 30, 2018, was mainly attributable to an increase in cash and accounts receivable. Texas Municipal Power Agency (TMPA) issued a refund to the member cities for overpayment of fiscal year 2018 TMPA fixed costs which was recorded in accounts receivable.

Property, Plant and Equipment

Property, plant and equipment net of accumulated depreciation, which includes production, transmission, distribution, general, cable and Internet equipment and other items owned by GEUS, increased by \$2.0 million from \$61.5 million as of September 30, 2018, to \$63.6 million as of September 30, 2019. The increase was related mostly to production and construction in progress. Asset purchases totaled \$5.9 million and depreciation expense of \$3.8 million was recorded.

Property, plant and equipment net of accumulated depreciation, which includes production, transmission, distribution, general, cable and Internet equipment and other items owned by GEUS, decreased approximately \$90,000 from \$61.6 million as of September 30, 2017, to \$61.5 million as of September 30, 2018. The decrease was related mostly to current year depreciation of assets. Asset purchases totaled \$3.6 million and depreciation expense of \$3.6 million was recorded.

Additional information on GEUS' capital assets can be found in Note 3 of this report.

Current Liabilities

Current liabilities decreased by \$603,480 from September 30, 2018 to September 30, 2019, primarily due to decrease in due to component units of the primary government and no amount due to primary government.

Current liabilities increased by \$626,951 from September 30, 2017 to September 30, 2018, primarily due to an increase in accounts payable, due to primary government, and accrued compensated absences payable.

Long-term Liabilities

GEUS' long-term liabilities increased by \$6.0 million for the year ended September 30, 2019, primarily due to asset retirement obligation as a result of the cessation of the production of power and energy from the GCSSES. GEUS' underlying debt is rated "A2" and "A+" by Moody's and Standard and Poor's, respectively.

GEUS' long-term liabilities decreased \$7.8 million for the year ended September 30, 2018, primarily due to a decrease in the net pension liability and scheduled debt payments including paying off Electric System revenue refunding bonds series 2015. GEUS' underlying debt is rated "A2" and "A+" by Moody's and Standard and Poor's, respectively.

Additional information on GEUS' long-term debt can be found in Note 4 of this report.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***September 30, 2019 and 2018***Revenues and Expenses**

	For the Years Ending September 30,		
	2019	2018	2017
Revenues			
Operating revenues	\$ 73,553,613	\$ 66,459,229	\$ 62,371,543
Nonoperating revenues - other	462,231	139,611	29,683
Total revenues	<u>74,015,844</u>	<u>66,598,840</u>	<u>62,401,226</u>
Expenses			
Other operating expense	52,379,291	55,376,707	59,329,705
Depreciation expense	3,826,990	3,634,614	3,977,782
Nonoperating expense	3,045,924	3,201,864	3,221,596
Total expenses	<u>59,252,205</u>	<u>62,213,185</u>	<u>66,529,083</u>
Impairment of Prepaid Electric Costs	<u>-</u>	<u>-</u>	<u>(34,093,046)</u>
Change in Net Position	14,763,639	4,385,655	(38,220,903)
Net Position, Beginning of Year restated	22,230,702	18,649,501	56,870,404
Prior period adjustment	<u>-</u>	<u>(804,454)</u>	<u>-</u>
Net Position, End of Year	<u>\$ 36,994,341</u>	<u>\$ 22,230,702</u>	<u>\$ 18,649,501</u>

GEUS' operating revenues increased approximately \$7.1 million for the year ended September 30, 2019, compared to September 30, 2018. The increase was due to a \$6.9 million increase in residential metered sales, off-system sales, and a \$1.9 million increase in fuel adjustment. Cable and Internet (C/I) revenues were consistent with the prior year.

GEUS' operating revenues increased approximately \$4.1 million for the year ended September 30, 2018, compared to September 30, 2017. The increase was due to a \$1.5 million increase in residential metered sales, \$1.3 million increase in fuel adjustment, and \$1.0 million increase in customer aid to construction. Cable and Internet (C/I) revenues were consistent with the prior year.

Operating expenses decreased by approximately \$3.0 million for the year ended September 30, 2019, compared to September 30, 2018. The decrease was primarily due to decreased fuel and purchased energy costs related to TMPA fixed cost as a result of cessation of GCSES' operations.

Operating expenses decreased by approximately \$4.0 million for the year ended September 30, 2018, compared to September 30, 2017. The decrease is primarily due to decreased fuel and purchased energy costs related to TMPA fixed cost.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

September 30, 2019 and 2018

Economic Factors and Next Year's Budget

The preparation for the fiscal year 2019-20 Operating Budget recognizes the need to continue improving system reliability. This reliability is maintained and improved through GEUS' capital improvement program slated for \$6.7 million in capital projects. To meet the future energy needs of the community, an Integrated Resource Plan is also in this Budget. Due to decreasing fixed TMPA costs, the 2019-20 Operating Budget includes plans for a Rate Study. Base rate changes were last approved by the GEUS Board of Trustees on August 21, 2014, effective October 1, 2014. The Budget reflects a 10.9% increase in revenues and includes 1.86% increase in metered sales, 11.7% increase in fuel pass through charges, and regulatory charges (Transmission Cost of Service recovery). Budget costs also increased 9.8% due in part to increased purchased power, transmission cost of service, and Engineering.

Requests for Information

This financial report is designed to provide a general overview of the GEUS' finances for all those with an interest in the utility's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to GEUS, Finance Department, 6000 Joe Ramsey Boulevard, Greenville, Texas 75402.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**STATEMENTS OF NET POSITION**

September 30, 2019 and 2018

Page 1 of 2

	2019	2018
Assets		
Current Assets		
Equity in pooled cash	\$ 9,359,889	\$ 9,132,694
Investments	13,419,288	6,850,677
Accounts receivable, net of allowance for uncollectible amounts of \$822,526 and \$809,841, respectively	11,128,253	11,263,086
Prepaid expense	108,934	139,381
Inventories	3,168,750	3,222,940
Total current assets	37,185,114	30,608,778
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	2,362,459	7,105,292
Total restricted assets	2,362,459	7,105,292
Property, Plant and Equipment:		
Production	51,920,021	50,338,935
Transmission	11,434,241	11,165,688
Distribution	27,241,702	26,880,601
General	10,885,878	10,185,682
Construction in progress	1,997,332	679,190
Cable and internet	17,667,282	17,491,945
Total property, plant and equipment	121,146,456	116,742,041
Less accumulated depreciation	57,585,152	55,198,162
Property, plant and equipment, net	63,561,304	61,543,879
Total noncurrent assets	65,923,763	68,649,171
Total assets	103,108,877	99,257,949
Deferred Outflow of Resources		
Deferred outflows - pension	3,203,670	817,498
Deferred outflows - OPEB	70,792	61,379
Unamortized expense on asset retirement obligation	12,657,036	-
Total deferred outflows of resources	15,931,498	878,877

See accompanying notes to financial statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**STATEMENTS OF NET POSITION**

September 30, 2019 and 2018

Page 2 of 2

	2019	2018
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,716,851	\$ 2,486,134
Accrued liabilities	389,100	281,435
Due to component units of the primary government	75,975	180,021
Due to primary government	-	900,105
Accrued compensated absences	759,516	697,227
Total current liabilities	3,941,442	4,544,922
Current Liabilities Payable from Restricted Assets		
Revenue bonds - current	1,935,000	2,260,000
Customer deposits	2,362,459	2,569,019
Accrued interest	298,064	398,963
Asset retirement obligation - current	878,706	-
Total current liabilities payable from restricted assets	5,474,229	5,227,982
Long-term Liabilities, Less Current Maturities		
Revenue bonds payable	48,975,000	63,330,000
Bond premium (discount), net	4,814,801	510,203
Accrued compensated absences	259,385	297,819
Net pension liability	5,275,445	907,995
Total OPEB liability	809,311	911,220
Asset retirement obligation	11,778,330	-
Total long-term liabilities, less current maturities	71,912,272	65,957,237
Total liabilities	81,327,943	75,730,141
Deferred Inflows of Resources		
Deferred inflows - pension	140,293	1,349,491
Deferred inflows - OPEB	162,703	3,792
Deferred gain on refunding	415,095	-
Deferred revenue - fuel adjustments	-	822,700
Total deferred inflows of resources	718,091	2,175,983
Net Position		
Net investment in capital assets	36,111,453	\$ 28,436,832
Restricted for debt service	-	4,536,273
Unrestricted	882,888	(10,742,403)
Total net position	\$ 36,994,341	\$ 22,230,702

See accompanying notes to financial statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019 and 2018

	2019	2018
Operating Revenues		
Electric	\$ 67,767,885	\$ 60,348,437
Cable and internet	5,785,728	6,110,792
Total operating revenues	73,553,613	66,459,229
Operating Expenses		
Electric	41,871,642	45,144,618
Cable and internet operations	4,893,587	5,147,590
Administrative	613,523	493,963
Insurance	285,436	238,625
City services	625,495	572,225
Pilot	368,274	360,593
General fund	3,037,799	2,849,244
Board of development	683,535	569,849
Total operating expenses	52,379,291	55,376,707
Operating Income Before Depreciation	21,174,322	11,082,522
Less Depreciation	3,826,990	3,634,614
Operating Income (Loss)	17,347,332	7,447,908
Nonoperating Revenue (Expenses)		
Investment earnings	462,231	139,611
Interest expense	(3,129,832)	(3,271,906)
Amortization	65,388	42,051
Other income (expense)	18,520	27,991
Total nonoperating revenue (expenses), net	(2,583,693)	(3,062,253)
Change in Net Position	14,763,639	4,385,655
Net Position, Beginning of Year restated	22,230,702	18,649,501
Prior Period Adjustment	-	(804,454)
Net Position, End of Year	\$ 36,994,341	\$ 22,230,702

See accompanying notes to financial statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Receipts from customers and users	\$ 72,659,186	\$ 64,275,994
Cash paid to employees	(10,601,616)	(10,817,633)
Cash paid to suppliers	(41,502,597)	(43,750,205)
Net cash provided by (used) in operating activities	<u>20,554,973</u>	<u>9,708,156</u>
Investing Activities		
Purchases of investments, net	(6,568,611)	2,095,290
Interest on investments	462,231	139,611
Net cash provided by (used in) investing activities	<u>(6,106,380)</u>	<u>2,234,901</u>
Capital and Related Financing Activities		
Purchase of capital assets	(5,851,325)	(3,569,884)
Proceeds from sale of capital assets	18,520	27,991
Principal payments	(10,172,334)	(3,733,000)
Interest and fiscal charges	(2,959,092)	(3,248,127)
Net cash provided by (used in) in capital and related financing activities	<u>(18,964,231)</u>	<u>(10,523,020)</u>
 Increase (Decrease) in Cash and Cash Equivalents	 (4,515,638)	 1,420,037
Cash and Cash Equivalents, Beginning of Year	<u>16,237,986</u>	<u>14,817,949</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 11,722,348</u></u>	<u><u>\$ 16,237,986</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 17,347,332	\$ 7,447,908
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,826,990	3,634,614
Provision for bad debts	12,686	68,685
Change in:		
Receivables	134,833	(3,090,263)
Prepaid assets	30,447	21,596
Inventories	54,190	(11,551)
Due to component units of the primary government	(104,046)	29,760
Due to primary government	(900,105)	148,801
Compensated absences	23,855	(23,300)
Deposits payable	(206,560)	84,328
Accounts payable and accrued liabilities	338,382	299,878
Deferred revenue - fuel adjustments	(822,700)	822,700
Net pension liability, net of changes in deferred resources	772,080	139,797
Total OPEB liability, net of changes in deferred resources	47,589	135,203
Net Cash Provided by (Used In) Operating Activities	<u><u>\$ 20,554,973</u></u>	<u><u>\$ 9,708,156</u></u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Equity in pooled cash	\$ 9,359,889	\$ 9,132,694
Restricted cash	2,362,459	7,105,292
Total cash and cash equivalents	<u><u>\$ 11,722,348</u></u>	<u><u>\$ 16,237,986</u></u>

See accompanying notes to financial statements.



GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

The accounting and reporting policies of GEUS, as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Boards. The following represents the more significant accounting and reporting policies and practices used by the utility.

Reporting Entity

GEUS provides electric, cable and Internet services to customers in an approximately 96-square-mile area, which includes the City of Greenville (City). Until 1989, the electric system was owned and operated by the City. Pursuant to Article XI-A of the *Charter of the City* (adopted at an election held on May 8, 1988) and Article 1115a, *Vernon's Texas Civil Statutes*, the City transferred management control and operation of the electric system to the newly created five-member Board of Trustees (Board) of GEUS. Among the powers delegated to the Board is the power to establish rates and charges for services supplied by the electric system, the power of condemnation for electrical use, as well as the power to issue revenue obligations. The Board has the primary responsibility for the payment of all obligations which are payable from the revenues of the electric system. In fiscal year 1989, obligations of the City relating to its electric system were transferred to GEUS. Although the City Council appoints all GEUS Board members, the Board members may only be removed by a vote of the citizens of the City. The City Charter was amended in May 2010, to include the Mayor as a nonvoting, ex-officio sixth member of the Board of Trustees. GEUS' operating and capital expenditures, including debt service, are financed entirely through electric rates. Financial transactions between GEUS and the City, reported in GEUS' financial statements, reflect contractual agreements between the parties for the provision of special services by the City to GEUS and by GEUS to the City. GEUS is included as a discretely presented component unit in the City's basic financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources 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.

Measurement Focus, Basis of Accounting and Basis of Presentation

GEUS maintains an enterprise fund to account for its operations. An enterprise fund is a proprietary fund, which is accounted using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of management is to finance the costs of providing services to the public primarily through user charges.

Accounting and Financial Reporting

GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, establishes financial reporting standards for state and local governments, including public utilities. GASB 34 establishes the basic financial statements and required supplementary information for general and special purpose governments. The management's discussion and analysis is included as GEUS' required supplementary information and precedes the basic financial statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)

Unbilled Revenues and Fuel Recovery

Customers are billed monthly on a cycle basis, with revenues being recorded when billed. At the end of the accounting period, an accrual is made for unbilled revenues, which consists of electric utility services provided, but not billed. Unbilled revenues are included in accounts receivable.

GEUS is allowed to recover fuel and purchased energy costs through fuel charges. GEUS defers or accrues any over recognized or under recovered fuel and purchased power costs in excess of the fuel charges until such costs are reflected in billings to customers. This fuel recovery allows for the pass-through of fuel costs to the customers and has no impact on net position. This deferral is included in accounts receivable.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost or acquisition value for assets contributed by developers. Expenditures for improvements and those that extend the lives of assets are capitalized. Maintenance and repairs are charged to expense. GEUS utilizes the straight-line depreciation method for all plant and equipment. The following is a summary of the useful lives assigned to the major classes of depreciable fixed assets:

Buildings	30 - 50 years
Improvements other than buildings	5 - 50 years
Machinery and equipment	5 - 35 years
Motor vehicles	10 years

Services Provided by the City of Greenville

GEUS contracts with the City of Greenville for certain administrative and operating services. GEUS' employees are on the payroll of the City and participate in City pension and employee benefit plans. Contributions were made by GEUS and its employees to the Texas Municipal Retirement System (TMRS), the deferred compensation plan, the medical self-insurance plan and the workers' compensation self-insurance plan of the City.

Specific expenses of GEUS are processed and paid by the City and charged to GEUS. In addition, GEUS made the following payments to the City:

	2019	2018
5% General fund transfer to City	\$ 3,037,799	\$ 2,849,244
1% Transfer to the City of BOD	683,535	569,849
Payment in lieu of property taxes	368,274	360,593
General and administrative	625,495	572,225
	<u>\$ 4,715,103</u>	<u>\$ 4,351,911</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

GEUS considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool in which GEUS participates. GEUS's portion of this pool is displayed on the statement of net position as "Equity in pooled cash".

In accordance with GASB Statement No. 31, the GEUS' general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

Investments

Investments consist of local government investment pools, United States (U.S.) treasury obligations, and U.S. agency securities with original maturities greater than three months from the date of acquisition. GEUS reports all investments at fair value, except for investment pools. GEUS' investment pools are valued and reported at amortized cost, which approximates fair value.

GEUS categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

Inventories

Inventories, which are expensed as they are consumed, are stated at weighted-average cost.

Bond Discounts (Premium)

Bond discounts (premium) are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts (premium) are presented as a reduction of (addition to) the face amount of bonds payable.

Prepaid Electric Costs

In September 2016, GEUS provided notice to TMPA that it would opt out of the Power Sales Contract, as amended. As a result of this notice, GEUS discontinued purchasing power from TMPA effective September 1, 2018. Due to the significant decline in the service utility of the prepaid electric cost asset, such assets were deemed impaired during 2017 and GEUS recognized a \$34,093,046 impairment loss in the fiscal year 2017 statement of revenues, expenses, and changes in net position which created an overall negative Unrestricted Net Position.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial 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/expenditure) until then. GEUS reports deferred amounts related to its net pension liability, total OPEB liability, and unamortized expense on asset retirement obligation in the statement of net position.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue/increase of net pension liability) until that time. GEUS reports deferred amounts related to its fuel adjustments, deferred gain on refunding, net pension liability and total OPEB liability in the statement of net position.

Pension

For purposes of measuring the net pension liability, deferred outflow/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

Other Post-employment Benefits (OPEB)

The City provides postemployment medical care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. Employees separating employment with the City who have had at least five years of service with the City and who are eligible for Texas Municipal Retirement System retirement benefits at the date of separation may purchase retiree health insurance through the City. An employee must participate in Health Compare Exchange Market Place to receive OPEB subsidies for health care. All medical care benefits are provided through a selected health care provider in Exchange Market Place. Retirees may remain covered until age 65 or eligibility for Medicare. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

Net Position Flow Assumption

Sometimes GEUS will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is GEUS' policy to consider restricted net position to have been depleted before unrestricted net position is applied.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Standards

The following standards have been issued, but have not been implemented as not yet effective.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities.

GASB Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

Note 2 - Deposits and Investments

Cash and investments as of September 30, 2019 and 2018, are classified in the accompanying financial statements as follows:

	<u>2019</u>	<u>2018</u>
Equity in pooled cash	\$ 9,359,889	\$ 9,132,694
Restricted cash	2,362,459	7,105,292
Investments	13,419,288	6,850,677
	<u>\$ 25,141,636</u>	<u>\$ 23,088,663</u>

Deposits and investments as of September 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 2,822	\$ 3,159
Demand deposits	6,495,491	4,427,891
Investments ***	18,643,323	18,657,613
Total deposits and investments	<u>\$ 25,141,636</u>	<u>\$ 23,088,663</u>

*** *Cash equivalents are included.*

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 2 - Deposits and Investments (continued)**

The table below identifies the investment types that are authorized for GEUS by the Texas *Public Funds Investment Act* (Act) (Government Code Chapter 2256). The table also identifies certain provisions of GEUS' investment policy that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Investment Policy		
	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agencies Securities	5 years	None	None
State of Texas Treasury Obligations	5 years	None	None
State of Texas Securities	5 years	None	None
Certificates of deposits	5 years	None	None
Money market	90 days	None	None
Repurchase agreements	90 days	30%	None
Mutual funds	2 years	None	None
Investment pools	90 days	None	None
Banker's acceptance	270 days	30%	None
Commercial paper	270 days	30%	None
Collateralized mortgage obligations	5 years	None	None

GEUS' investment policy limits the maximum maturity of investments and the weighted-average of the portfolio based on four major fund types which are general operating funds, debt service funds, reserve funds and capital improvement funds. The details relating to these limits may be obtained from the City of Greenville's Finance Department.

The Act also requires GEUS to have independent auditors perform test procedures related to investment practices as provided by the Act. GEUS is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that GEUS manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. GEUS monitors the interest rate risk inherent in its portfolio by measuring the weighted- average maturity of its portfolio. GEUS has no specific limitations with respect to this metric.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 2 - Deposits and Investments (continued)**

As of September 30, 2019, GEUS had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 25,797	34
Logic	30,177	49
Texas Daily	1,251,036	32
Texas Term	9,057,988	32
U.S. Treasury Obligations	3,735,821	369
U.S. Agencies Securities	4,542,504	168
Total	<u>\$ 18,643,323</u>	
Portfolio weighted-average maturity		133

As of September 30, 2018, GEUS had the following investments:

Investment Type	Amount	Days to Maturity
TexPool	\$ 480,621	28
Logic	483,953	31
Texas Daily	3,104,320	35
Texas Term	7,738,042	35
U.S. Treasury Obligations	2,737,501	307
U.S. Agencies Securities	4,113,176	398
Total	<u>\$ 18,657,613</u>	
Portfolio weighted-average maturity		155

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)**

September 30, 2019 and 2018

Note 2 - Deposits and Investments (continued)**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the *Public Funds Investment Act*, GEUS' investment policy, or debt agreements and the actual rating as of year-end for each investment type.

September 30, 2019			
Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
TexPool	\$ 25,797	N/A	AAA
Logic	30,177	N/A	AAA
Texas Daily	1,251,036	N/A	AAAm
Texas Term	9,057,988	N/A	AAAm
U.S. Treasury Obligations	3,735,821	N/A	AA+
U.S. Agencies Securities	4,542,504	N/A	AA+
Total	<u>\$ 18,643,323</u>		

September 30, 2018			
Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
TexPool	\$ 480,621	N/A	AAA
Logic	483,953	N/A	AAA
Texas Daily	3,104,320	N/A	AAAm
Texas Term	7,738,042	N/A	AAAm
U.S. Treasury Obligations	2,737,501	N/A	AA+
U.S. Agencies Securities	4,113,176	N/A	AA+
Total	<u>\$ 18,657,613</u>		

Investments' fair value measurements are as follows as of September 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Treasury Obligations	\$ 3,735,821	\$ 3,735,821	\$ -	\$ -
Government securities:				
Toyota Motor Credit	403,033	-	403,033	-
MUFG Bank	251,850	-	251,850	-
Credit Agricole	252,089	-	252,089	-
FNMA	2,877,761	-	2,877,761	-
FHLMC	757,771	-	757,771	-
Total	<u>\$ 8,278,325</u>	<u>\$ 3,735,821</u>	<u>\$ 4,542,504</u>	<u>\$ -</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 2 - Deposits and Investments (continued)*****Concentration of Credit Risk***

The investment policy of GEUS contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2019, other than external investment pools, investments that represent 5% or more of GEUS' total are as follows.

Investment	Investment Type	Amount
Treasury Notes	U.S. Treasury Obligations	\$ 3,735,821
Toyota Motor Credit	U.S. Agency Securities	403,033
MUFG Bank	U.S. Agency Securities	251,850
Credit Agricole	U.S. Agency Securities	252,089
FNMA	U.S. Agency Securities	2,877,761
FHLMC	U.S. Agency Securities	757,771
Total		<u>\$ 8,278,325</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Texas *Public Funds Investment Act* and GEUS' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2019, GEUS' deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

GEUS is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

GEUS invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)**

September 30, 2019 and 2018

Note 2 - Deposits and Investments (continued)***Custodial Credit Risk (continued)***

GEUS is invested in Texas Daily and TexasTERM, two portfolios within the TexasTERM Local Government Investment Pool (Pool) which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field. TexasTERM portfolios seek to provide investors with safety, flexibility and competitive yields.

TexasDAILY is a money market portfolio with daily liquidity. TexasTERM is a fixed-rate, fixed-term portfolio, that enables investors to lock in a fixed rate for a term of 60 days to 365 days. Both portfolios pool the funds of investors to invest in money-market instruments of larger denominations than possible for a single local government entity, which may result in higher yields. The fair value of both pools is the same as the net asset value of their shares.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Note 3 - Capital Assets

A summary of GEUS' capital assets at September 30, 2019, are as follows:

	Balance September 30, 2018	Increases	Decreases	Transfers	Balance September 30, 2019
Capital assets not being depreciated					
Production land	\$ 161,191	\$ -	\$ -	\$ -	\$ 161,191
Transmission land	53,501	-	-	-	53,501
Distribution land	218,418	-	-	-	218,418
General land	110,503	-	-	-	110,503
Construction in progress	679,190	1,318,142	-	-	1,997,332
Total capital assets not being depreciated	1,222,803	1,318,142	-	-	2,540,945
Capital assets being depreciated					
Production	50,177,744	1,597,826	(16,740)	-	51,758,830
Transmission	11,112,187	369,821	(101,268)	-	11,380,740
Distribution	26,662,183	1,049,964	(688,863)	-	27,023,284
General	10,075,179	912,174	(211,978)	-	10,775,375
Cable and internet	17,491,945	603,398	(428,061)	-	17,667,282
Total capital assets being depreciated	115,519,238	4,533,183	(1,446,910)	-	118,605,511
Accumulated depreciation					
Production	19,732,353	1,451,597	(16,740)	-	21,167,210
Transmission	5,973,633	286,280	(94,360)	-	6,165,553
Distribution	13,124,160	977,178	(688,863)	-	13,412,475
General	5,554,106	420,541	(211,976)	-	5,762,671
Cable and internet	10,813,910	691,394	(428,062)	-	11,077,242
Total accumulated depreciation	55,198,162	3,826,990	(1,440,001)	-	57,585,151
Total activities capital assets, net	\$ 61,543,879	\$ 2,024,335	\$ (6,909)	\$ -	\$ 63,561,305

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 3 - Capital Assets (continued)

Construction in progress and remaining commitments for construction projects at September 30, 2019, are as follows:

Project Description	Authorized Contract	Total in Progress	Remaining Commitment
LTV Substation Upgrade (SS1701)	\$ 2,260,800	\$ 1,693,713	\$ 567,087
LTV LTC Emergency Repair (SS19002)	96,559	96,845	(286)
DENT RD Tie (SS19001)	180,950	103,178	77,772
Digital Metering (AMI19001)	759,547	100,295	659,252
OPS Center Renovation	115,000	3,301	111,699
	<u>\$ 3,412,856</u>	<u>\$ 1,997,332</u>	<u>\$ 1,415,524</u>

A summary of GEUS' capital assets at September 30, 2018, are as follows:

	Balance September 30, 2017	Increases	Decreases	Transfers	Balance September 30, 2018
Capital assets not being depreciated					
Production land	\$ 161,191	\$ -	\$ -	\$ -	\$ 161,191
Transmission land	53,501	-	-	-	53,501
Distribution land	218,418	-	-	-	218,418
General land	110,503	-	-	-	110,503
Construction in progress	72,260	679,190	-	(72,260)	679,190
Total capital assets not being depreciated	<u>615,873</u>	<u>679,190</u>	<u>-</u>	<u>(72,260)</u>	<u>1,222,803</u>
Capital assets being depreciated					
Production	49,814,874	383,864	(39,189)	18,195	50,177,744
Transmission	10,580,973	608,432	(91,258)	14,040	11,112,187
Distribution	25,974,233	1,149,880	(491,596)	29,666	26,662,183
General	9,921,622	454,870	(311,672)	10,359	10,075,179
Cable and internet	18,113,177	293,648	(914,880)	-	17,491,945
Total capital assets being depreciated	<u>114,404,879</u>	<u>2,890,694</u>	<u>(1,848,595)</u>	<u>72,260</u>	<u>115,519,238</u>
Accumulated depreciation					
Production	18,479,760	1,291,782	(39,189)	-	19,732,353
Transmission	5,794,707	270,184	(91,258)	-	5,973,633
Distribution	12,660,879	954,875	(491,594)	-	13,124,160
General	5,455,164	385,777	(286,835)	-	5,554,106
Cable and internet	10,996,395	731,995	(914,480)	-	10,813,910
Total accumulated depreciation	<u>53,386,905</u>	<u>3,634,613</u>	<u>(1,823,356)</u>	<u>-</u>	<u>55,198,162</u>
Total activities capital assets, net	<u>\$ 61,633,847</u>	<u>\$ (64,729)</u>	<u>\$ (25,239)</u>	<u>\$ -</u>	<u>\$ 61,543,879</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 4 - Long-term Liabilities

A summary of changes in general long-term liabilities for GEUS for the year ended September 30, 2019:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019	Within One Year
Bonds payable					
Revenue bonds	\$ 13,180,000	\$ -	\$ (13,180,000)	\$ -	\$ -
Revenue refunding bonds	52,410,000	54,110,000	(55,610,000)	50,910,000	1,935,000
Less:					
Issuance premiums	613,300	4,968,173	(613,300)	4,968,173	-
Issuance discounts	(103,097)	(183,092)	132,816	(153,373)	-
Total bonds payable	66,100,203	58,895,081	(69,270,484)	55,724,800	1,935,000
Net pension liability	907,995	4,367,450	-	5,275,445	-
Total OPEB liability	911,220	-	(101,909)	809,311	-
Compensated absences	995,046	506,936	(483,081)	1,018,901	759,516
Total	\$ 68,914,464	\$ 63,769,467	\$ (69,855,474)	\$ 62,828,457	\$ 2,694,516

A summary of changes in general long-term liabilities for GEUS for the year ended September 30, 2018:

	Balance September 30, 2017	Additions	Deletions	Balance September 30, 2018	Within One Year
Bonds payable					
Revenue bonds	\$ 13,670,000	\$ -	\$ (490,000)	\$ 13,180,000	\$ 515,000
Revenue refunding bonds	55,653,000		(3,243,000)	52,410,000	1,745,000
Less:					
Issuance premiums	666,106	-	(52,806)	613,300	-
Issuance discounts	(113,851)	-	10,754	(103,097)	-
Total bonds payable	69,875,255	-	(3,775,052)	66,100,203	2,260,000
Net pension liability	3,919,141	-	(3,011,146)	907,995	-
Total OPEB liability		911,220		911,220	
Compensated absences	1,018,346	510,021	(533,321)	995,046	697,227
Total	\$ 74,812,742	\$ 1,421,241	\$ (7,319,519)	\$ 68,914,464	\$ 2,957,227

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 4 - Long-term Liabilities (continued)**

A summary of GEUS' long-term debt is as follows:

	<u>2019</u>	<u>2018</u>
Electric system revenue bonds, Series 2008, \$16,615,000 originally issued with rates ranging from 4.00% to 5.45% matures in September 2035	\$ -	\$ 13,180,000
Electric revenue refunding bonds, Series 2010, \$52,410,000 originally issued with rates ranging from 4.70% to 5.00%, matures in September 2040.	-	52,410,000
Electric system revenue refunding bonds, Series 2019A, \$41,610,000 originally issued with interest rate of 5% matures in February 2035.	41,610,000	-
Electric system revenue refunding bonds, Series 2019B \$12,500,000 originally issued with interest rate of 5% matures in February 2024.	9,300,000	-
	50,910,000	65,590,000
Current maturities	(1,935,000)	(2,260,000)
Total long-term debt	<u>\$ 48,975,000</u>	<u>\$ 63,330,000</u>

The City ordinances authorizing the electric revenue refunding bonds and subsequent ordinances assigning the bonds to GEUS stipulate that in addition to principal and interest requirements, GEUS will deposit the lesser of 10% of the outstanding principal or the average annual requirements for the payment of principal and interest or a surety bond with coverage sufficient to meet debt requirements.

On April 16, 2019, GEUS issued \$41,610,000 of Electric System Revenue Refunding Bonds, Series 2019A. GEUS used the proceeds to refund the following two bonds: (1) \$12.7 million Electric System Revenue Bonds Series 2008, (2) \$38.2 million Electric System Revenue Refunding Bonds Series 2010. Interest is payable on each February 15 and August 15 thereafter until the earlier of redemption or maturity. Interest rate is 5%. GEUS also issued \$12,500,000 Electric System Revenue Refunding Bonds Series 2019B to refund the remaining \$12.4 million Electric System Revenue Refunding Bonds Series 2010. Interest is also payable on each February 15 and August 15 thereafter until the earlier of redemption or maturity. Interest rate is 5%. The total \$54,110,000 Electric System Revenue Refunding Bonds, Series 2019AB generated a gross savings of \$13.9 million and a net present value savings of \$8.4 million. Annual savings of approximately \$0.4 million is seen over 22 years.

The revenue bonds are payable as to both principal and interest solely from, and are secured by a first lien on and pledge of, the revenues of GEUS, after deduction of reasonable operations and maintenance expenses.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 4 - Long-term Liabilities (continued)

The debt service requirements on the aforementioned bonded debt as of September 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total Principal and Interest
2020	\$ 1,935,000	\$ 2,375,875	\$ 4,310,875
2021	2,045,000	2,276,375	4,321,375
2022	2,140,000	2,171,750	4,311,750
2023	2,250,000	2,062,000	4,312,000
2024	11,670,000	1,774,625	13,444,625
2025-2029	13,785,000	6,063,125	19,848,125
2030-2034	16,170,000	2,184,000	18,354,000
2035-2039	915,000	22,875	937,875
	<u>\$ 50,910,000</u>	<u>\$ 18,930,625</u>	<u>\$ 69,840,625</u>

Note 5 - Commitments and Contingencies

Agreement with TMPA

In 1975, the City, along with the cities of Bryan, Denton and Garland, Texas (Cities), entered into a Power Sales Contract with the TMPA. GEUS provided a portion of the electric services for the City under this contract. TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities.

The Cities are obligated to cover operating cost and retirement of debt. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each of the Cities has guaranteed a portion of the unpaid debt, based generally upon its pro rata share of interest in TMPA assets. Should TMPA be dissolved, the TMPA Board of Directors would be responsible for the disposal of assets.

Under the Power Sales Contract, as amended, each City had the right to terminate the Power Sales Contract beyond September 1, 2018, if notice was sent to TMPA by September 30, 2016. GEUS provided such notice to TMPA in September 2016 and, as a result, GEUS discontinued purchasing power from TMPA effective September 1, 2018.

For the years ended September 30, 2019 and 2018, payments to TMPA totaled \$724,981 and \$12,585,648, respectively. As of September 30, 2019 and 2018, \$0 and \$1,808 of accounts payable, respectively, was due to TMPA.

As of September 30, 2019 and 2018, total TMPA outstanding debt was approximately \$217,658,000 and \$218,637,000 respectively, and GEUS' guaranteed percentage is approximately 10%. In the opinion of management, the possibility of a material payment under this guarantee is remote, in that TMPA's Transmission Revenues produce enough income to cover operating expenses and debt service obligations.

On June 6, 2019, the TMPA Board of Directors voted to retire the Gibbons Creek Steam Electric Station (GCSES). On October 30, 2019, GCSES transitioned into decommissioning status in the ERCOT system. Under GASB Statement No. 83 (GASB 83), TMPA was required to record a decommissioning liability and a corresponding discounted receivable from the Cities, who are ultimately responsible for funding this TMPA liability. As of September 30, 2019, GEUS recognized its allocation of \$12,657,036 as a GASB Statement No. 62 Regulatory Asset.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 5 - Commitments and Contingencies (continued)

Agreement with TMPA (continued)

Selected financial statement information of TMPA at September 30, is as follows (in thousands):

	2019	2018
Operating revenues	\$ 53,306	\$ 175,471
Operating expenses	152,062	68,769
Operating income (loss)	(98,756)	106,702
Interest charges	9,139	10,634
Current assets	57,220	56,479
Noncurrent assets	308,983	212,944
Total assets	366,203	269,423
Current liabilities	48,006	37,991
Noncurrent liabilities	333,670	217,217
Total liabilities	381,676	255,208
Total net position (deficit)	(15,473)	14,215

Board of Development Payment

Under GEUS' charter, 6% of adjusted revenues are to be transferred annually to the City of which 1% of adjusted revenues is for the benefit of the Board of Development. GEUS reflected expenses totaling \$683,535 and \$569,849 related to the Board of Development portion during the years ended September 30, 2019 and 2018, respectively.

Note 6 - Environmental Regulation

Electric utilities are subject to numerous environmental statutes, regulations, and other rules administered at the federal, state and local level. These environmental rules are subject to change and tend to increase and become more stringent over time. These changes may arise from continuing legislative, regulatory and judicial action regarding the promulgation and implementation of such standards and procedures. Consequently, there is no assurance that GEUS' Steam Plant and Engine Plant electric generating units or TMPA's Gibbons Creek Steam Electric Station will remain subject to the regulations currently in effect, will always be in compliance with present or future regulations or will always be able to obtain all required operating permits. In addition, more stringent environmental requirements may require significant upgrades in environmental controls, reduced operating levels or where the necessary upgrades are not economical, the complete shutdown of individual electric generating units.

The *Clean Air Act* (CAA), originating in 1967 with the *Air Quality Act*, has imposed increasingly stringent controls on air emissions from industrial facilities, including electric power generation facilities like GEUS' plants.

In February 2012, new standards were issued under the new name of Mercury and Air Toxics Standards (MATS), with a compliance deadline of April 16, 2015. TMPA requested and obtained the extension to April 15, 2016, in order to obtain sufficient time to adequately investigate and test mercury control technologies under different operating scenarios. Testing was successfully completed and TMPA is in compliance with the MATS rule.

On September 7, 2016, the EPA finalized an update to the Cross-State Air Pollution Rule (CSAPR) for the 2008 ozone National Ambient Air Quality Standards (NAAQS) by issuing the final CSAPR Update. Starting in May 2017, this rule will reduce summertime (May - September) nitrogen oxides (NO_x) emissions from power plants in 22 states in the eastern U.S. The rule will reduce air quality impacts of ozone pollution that crosses state lines and will help downwind areas meet and maintain the 2008 ozone air quality standard. GEUS is compliant with the new CSAPR cap and trade.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 7 - Electric Restructuring

The Texas Legislature enacted *Senate Bill 7* in 1999, which was a comprehensive electric deregulation and restructuring bill. This bill applies to GEUS and other municipal utilities in the state. Financial control of GEUS remains with the governing body, which for Greenville is the Board. Under the legislation, the Board will determine if and when the electric system will be open to competition at retail.

If GEUS is open to competition, then provisions are included for GEUS to collect its stranded costs through non-bypassable wire charges. The GEUS Board will retain authority to set electric rates that are sufficient to meet the financial obligations of the utility as specified in the Electric Utility Bond Ordinance.

The wholesale market, which is under the control of an independent system operator, the Electric Reliability Council of Texas (ERCOT), transitioned from a Zonal Market to a Nodal Market in December 2010. GEUS qualifies to receive PCRRs for GEUS' local generation, which was operational in 1999 (and excludes the Engine Plant) which adequately mitigates GEUS' congestion charge risk in the Nodal Market.

Note 8 - Employee Retirement Systems and Pension Plans

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of GEUS are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 8 - Employee Retirement Systems and Pension Plans (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated service credit:	100% repeating transfers
Annuity increase to retirees:	70% of CPI repeating
Supplemental death benefit – active employees and retirees	Yes

At the December 31, 2018 valuation and measurement date (the most current available), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	285
Inactive employees entitled to but not receiving benefits	161
Active employees	<u>321</u>
	<u>767</u>

There are six retirees for GEUS.

Contributions

Employees for GEUS were required to contribute 7% of their annual gross earnings during 2019 and 2018. Employer contributions are actuarially determined. For the fiscal years ended September 30, 2019 and 2018, GEUS contributed \$971,308 and \$848,263, respectively, which equaled its required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GEUS proportion is 40% based on retirement contributions.

Actuarial Assumptions

The total pension liability of the City and Components Units in the December 31, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions:

Inflation:	2.5%
Overall payroll growth	3.50% to 10.50% including inflation
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 8 - Employee Retirement Systems and Pension Plans (continued)

Actuarial Assumptions (continued)

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
U.S. equities	17.5%	4.55%
International equities	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real estate	10.0%	4.15%
Real return	10.0%	4.75%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan'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.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)**

September 30, 2019 and 2018

Note 8 - Employee Retirement Systems and Pension Plans (continued)**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (A)	Net Position (B)	Liability (A) - (B)
Changes for the plan year:			
Service cost	\$ 1,098,257	\$ -	\$ 1,098,257
Interest (on the Total Pension Liability)	3,112,844	-	3,112,844
Difference between expected and actual experience	164,743	-	164,743
Changes of assumptions	-	-	-
Contributions - employer	-	866,123	(866,123)
Contributions - employee	-	533,116	(533,116)
Net investment income	-	(1,363,109)	1,363,109
Benefit payments, including refunds of employee contributions	(2,454,460)	(2,454,460)	-
Administrative expense	-	(26,357)	26,357
Other changes	-	(1,378)	1,378
Net Changes	1,921,384	(2,446,065)	4,367,449
Balance at December 31, 2017	45,324,912	44,416,916	907,996
Balance at December 31, 2018	\$ 47,246,296	\$ 41,970,851	\$ 5,275,445

Sensitivity of GEUS' Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability (asset) of GEUS as of September 30, 2019, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Single Discount Rate Assumption (6.75%)	1% Increase (7.75%)
GEUS' proportionate share of the net pension liability	\$ 11,240,029	\$ 5,275,445	\$ 298,744

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS final report. That report may be obtained on the Internet at www.tmrs.com.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 8 - Employee Retirement Systems and Pension Plans (continued)****Pension Liabilities, Pension Expense and Deferred Outflows of Recourses Related to Pensions**

At September 30, 2019 and 2018, GEUS reported a liability of \$5,275,445 and \$907,995, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GEUS' proportion of the net pension liability was based on GEUS' actual contributions relative to the City's actual contributions for the respective fiscal years. At December 31, 2018 and 2017, GEUS' proportion was 41%.

For the years ended September 30, 2019 and 2018, GEUS recognized pension expense of \$1,696,152 and \$971,617, respectively.

At September 30, 2019 and 2018, GEUS reported deferred outflow/inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 118,467	\$ (140,293)	\$ -	\$ (250,566)
Changes of assumptions	-	-	196,455	
Net differences between projected and actual investment earnings	2,354,689	-	-	(1,098,925)
Contributions subsequent to the measurement date through year-end	730,514	-	621,043	-
Total	<u>\$ 3,203,670</u>	<u>\$ (140,293)</u>	<u>\$ 817,498</u>	<u>\$ (1,349,491)</u>

Deferred outflows of resources at September 30, 2019, related to pensions resulting from contributions subsequent to the measurement date of \$730,499 will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year September 30,	Net deferred outflows (inflows) of resources
2020	\$ 795,423
2021	318,398
2022	331,799
2023	887,242
Total	<u>\$ 2,332,862</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

TMRS Supplemental Death Benefits Fund

The City and Component Units contribute to a single employer defined benefit group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the pension trust fund described above. The TMRS Act requires the pension trust fund to allocate investment income to the SDBF on an annual basis.

The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for postemployment benefits other than pension benefits (OPEB). GEUS' contributions to SDBF for the fiscal years ended September 30, 2019, 2018 and 2017, were \$22,698, \$17,502 and \$17,283, respectively, which equaled the required contributions each year.

Payments from this fund are similar to group term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF.

Membership for the City and Component Units in the plan as of the measurement date of December 31, 2018 was as follows:

Inactive employees currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>321</u>
Total plan members	<u>541</u>

The GEUS' total OPEB liability of \$483,656 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017. GEUS' proportion was 41%.

The GEUS' total OPEB liability of \$458,607 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2016. GEUS' proportion was 40%.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.71% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

TMRS Supplemental Death Benefits Fund (continued)

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The City's Total OPEB Liability was measured at December 31, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2018

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Discount rate:	3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.
Retirees' share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

Notes: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)*****TMRS Supplemental Death Benefits Fund (continued)*****Changes in the Total OPEB Liability**

Service cost	\$	20,550
Interest on the total OPEB liability		27,302
Difference between expected and actual experience of the total OPEB liability		12,886
Changes of assumptions		(31,883)
Benefit payments		(3,806)
Net change in total OPEB liability		25,049
Total OPEB liability - beginning		458,607
Total OPEB liability - ending	\$	483,656
Covered payroll	\$	7,610,929
Total OPEB liability as a percentage of covered payroll		6.35%

Sensitivity Analysis

The following presents proportionate share of GEUS for the Total OPEB Liability of the employer, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease to 2.71%	Current Discount Rate 3.71%	1% Increase to 4.71%
\$ 569,645	\$ 483,656	\$ 415,792

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)****TMRS Supplemental Death Benefits Fund (continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity**

For the years ended September 30, 2019 and 2018, the GEUS recognized OPEB expense of \$39,670 and \$38,544, respectively, relating to the SDBF plan.

As of September 30, 2019 and 2018, the GEUS reported deferred outflows of resources related to OPEBs from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,319	\$ -	\$ -	\$ -
Changes assumptions	21,345	25,532	27,720	-
Contributions subsequent to the measurement date	17,586	-	2,672	-
Total	<u>\$ 49,249</u>	<u>\$ 25,532</u>	<u>\$ 30,392</u>	<u>\$ -</u>

GEUS contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2018) and prior to year-end (September 30, 2019) will be recognized in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2020	\$ 3,284
2021	3,284
2022	3,284
2023	(3,644)
2024	(76)
Total	<u>\$ 6,132</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retiree Health Care Plan (RHCP)

The City's and Component Units' defined benefit OPEB plan, Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

Benefits provided

RHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	12
Inactive, Nonretired Members	0
Active Members	<u>379</u>
Total	<u>391</u>

Total OPEB Liability

The proportionate share of GEUS for the total OPEB liability of \$325,656 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017. GEUS proportion is 34.00% based on health insurance contribution. The proportionate share of GEUS for the total OPEB liability of \$452,613 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2016. GEUS proportion is 33.83% based on health insurance contribution.

Actuarial assumptions and methods

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date: December 31, 2018

Methods and Assumptions:

Actuarial Cost Method:	Individual Entry-Age
Discount Rate:	3.71% as of December 31, 2018
Inflation:	2.50%
Salary Increases:	3.50% to 10.50% for TMRS and 2.10% to 7.50% for Firefighters, Including inflation.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retiree Health Care Plan (RHCP) (continued)

Actuarial assumptions and methods (continued)

Demographic Assumptions:	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality:	TMRS: For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates:	Increases to the City's retiree medical subsidy are assumed to be in-line with general inflation.
Participation Rates:	It was assumed that 30% of retirees would receive a retiree healthcare subsidy from the City.

Other Information:

Notes:	The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.
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Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.31% as of the prior measurement date.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)**

September 30, 2019 and 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**Retiree Health Care Plan (RHCP) (continued)****Changes in the Total OPEB Liability**

Service cost	\$	24,207
Interest on the total OPEB liability		17,502
Difference between expected and actual experience of the total OPEB liability		(122,241)
Changes of assumptions		(29,484)
Benefit payments		(16,942)
Net change in total OPEB liability		(126,958)
Total OPEB liability - beginning		452,613
Total OPEB liability - ending	\$	325,655
Covered payroll	\$	6,075,613
Total OPEB liability as a percentage of covered payroll		5.36%

The ending balance of the Total OPEB Liability was \$325,656 as of December 31, 2018. Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

Current Discount Rate		
1% Decrease to 2.71%	Assumption 3.71%	1% Increase to 4.71%
\$ 354,320	\$ 325,655	\$ 299,243

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

Current Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase
\$ 325,655	\$ 325,655	\$ 325,655

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**NOTES TO FINANCIAL STATEMENTS (continued)***September 30, 2019 and 2018***Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)****Retiree Health Care Plan (RHCP) (continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended September 30, 2019 and 2018, GEUS recognized proportionate share in OPEB expense of \$23,053 and \$37,813, respectively. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 111,158	\$ -	\$ 3,792
Changes assumptions	13,337	26,013	15,292	-
Contributions subsequent to the measurement date	8,206	-	15,695	-
Total	<u>\$ 21,543</u>	<u>\$ 137,171</u>	<u>\$ 30,987</u>	<u>\$ 3,792</u>

GEUS contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2018) and prior to year-end (September 30, 2019) will be recognized in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2021	\$ (16,332)
2022	(16,332)
2023	(16,332)
2024	(16,332)
Thereafter	(42,174)
Total	<u>\$ (123,834)</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 10 - Disclosures about fair value of assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Federal agency securities	\$ 4,542,504	\$ -	\$ 4,542,504	\$ -
U.S. Treasury obligations	3,735,821	-	3,735,821	-
Total investments by fair value level	<u>8,278,325</u>	<u>\$ -</u>	<u>\$ 8,278,325</u>	<u>\$ -</u>
Investments measured at net asset value				
LOGIC	30,177			
Texas DAILY	1,251,036			
Texas TERM	<u>9,057,988</u>			
Total investments measured at net asset value	<u>10,339,201</u>			
Investment measured at amortized cost	<u>25,797</u>			
Total investments	<u>\$ 18,643,323</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2019, no investments held by GEUS met the Level 3 hierarchy classification.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2019 and 2018

Note 11 - Asset Retirement Obligation - Decommissioning/Environmental Remediation Liability

GASB Statement No. 83 ("GASB 83"), *Certain Asset Retirement Obligations*, establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event and an internal obligating event. A government also recognizes a deferred outflow of resources when it recognizes an ARO liability. The ARO is measured at the best estimate of the current value of outlays expected to be incurred.

On June 6, 2019, the Board of Directors of TMPA approved the cessation of the production of power and energy from the Gibbons Creek Steam Electric Station ("GCSES"). On June 28, 2019, a notification to Electric Reliability Council of Texas ("ERCOT") was made to remove GCSES from the ERCOT system, effective October 23, 2019. The unit was actually removed from the ERCOT system on October 30, 2019. These actions triggered TMPA to record a decommissioning/environmental remediation liability and a corresponding discounted receivable from the Member Cities, as they are obligated to pay all associated costs. The liability due from GEUS is \$12.7 million based on 10.01% allocated to the City of Greenville.

Due within one year	\$	878,706
Due in one to five years		8,004,560
Due in more than five years		3,773,770
		<hr/> 12,657,036
Less unamortized discount		(2,006,153)
	\$	<hr/> 10,650,883

Note 12 - Litigation and Contingencies

Various claims and lawsuits are pending in which the GEUS is involved. Included among the various actions are those for which the discovery process is currently underway or which have yet to proceed to trial. In the opinion of the GEUS legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of GEUS.

Note 13 - Subsequent Event

In preparing the accompanying financial statements, management has reviewed all known events that have occurred after September 30, 2019, and through March 19, 2020, the date on which the financial statements were available to be issued, for inclusion in the financial statements and footnotes.

In December 2019, the Board of Directors of the Texas Municipal Power Agency authorized an annual refund of certain excess funds to the member cities. The excess funds allocated to the City of Greenville was \$2,941,684.

REQUIRED SUPPLEMENTARY INFORMATION

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF GEUS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FOUR MEASUREMENT YEARS
(UNAUDITED)

	Measurement Year			
	2018	2017	2016	2015
GEUS' proportion of the net pension liability	41%	40%	40%	40%
GEUS's proportionate share of the net pension liability	\$ 5,275,445	\$ 907,995	\$ 3,919,141	\$ 4,121,488
GEUS' covered payroll	\$ 7,610,929	\$ 7,147,780	\$ 6,907,272	\$ 6,875,419
GEUS' proportionate share of the net pension liability as a percentage of its covered payroll	69.31%	12.70%	56.74%	59.95%
Plan fiduciary net position as a percentage of total pension liability	89.09%	98.00%	91.06%	90.25%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, GEUS will present information for only years which information is available. Information has been determined as of GEUS' measurement date (December 31).

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF GEUS'S CONTRIBUTIONS
LAST FOUR FISCAL YEARS
(UNAUDITED)

	Fiscal Year			
	2019	2018	2017	2016
Actuarially determined contributions	\$ 995,591	\$ 848,263	\$ 775,827	\$ 761,630
Contribution in relation to the actuarially determined contribution	995,591	848,263	775,827	761,630
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
GEUS' covered payroll	\$ 8,893,885	\$ 7,376,983	\$ 6,935,676	\$ 7,187,526
Contributions as a percentage of covered payroll	11.19%	11.50%	11.19%	10.60%

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, GEUS will present information for only years which information is available. Information has been determined as of GEUS' most recent fiscal year-end (September 30).

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTAL INFORMATION
September 30, 2019 and 2018
(UNAUDITED)

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
GEUS PROPORTIONATE SHARE
TMRS SUPPLEMENTAL DEATH BENEFITS FUND
For the Last Two Measurement Years

	2018	2017
Total OPEB Liability		
Service cost	\$ 20,550	\$ 16,440
Interest on the total OPEB liability	27,302	15,209
Difference between expected and actual experience of the total OPEB liability	12,886	-
Changes of assumptions	(31,883)	34,615
Benefit payments	(3,806)	(3,574)
Net change in total OPEB liability	25,049	62,690
Total OPEB liability - beginning	458,607	395,917
Total OPEB liability - ending	<u>\$ 483,656</u>	<u>\$ 458,607</u>
 Covered payroll	 \$ 7,610,929	 \$ 7,147,780
 Total OPEB liability as a percentage of covered payroll	 6.35%	 6.42%

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which end the preceding

December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTAL INFORMATION***September 30, 2019 and 2018**(UNAUDITED)***SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS****GEUS PROPORTIONATE SHARE****RETIREE HEALTH CARE PLAN***For the Last Two Measurement Years*

	2018	2017
Total OPEB Liability		
Service cost	\$ 24,207	\$ 20,142
Interest on the total OPEB liability	17,502	16,099
Difference between expected and actual experience of the total OPEB liability	(122,241)	(4,294)
Changes of assumptions	(29,484)	17,317
Benefit payments	(16,942)	(20,929)
Net change in total OPEB liability	(126,958)	28,335
Total OPEB liability - beginning	452,613	424,278
Total OPEB liability - ending	<u>\$ 325,655</u>	<u>\$ 452,613</u>
 Covered payroll	 \$ 6,075,613	 \$ 6,197,147
 Total OPEB liability as a percentage of covered payroll	 5.36%	 7.30%

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which end the preceding

December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable.

Statistical Section

(Unaudited)

This part of Greenville Electric Utility System's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the utility's overall financial health. The tables herein, are unaudited.

Table of Contents	<u>Page</u>
Financial Trends	52
These schedules contain trend information to help the reader understand how GEUS' financial performance and well-being have changed over time.	
Debt Capacity	56
These schedules contain trend information to help the reader assess the affordability of GEUS' current levels of outstanding debt and GEUS' ability to issue additional debt in the future.	
Revenue Capacity	60
These schedules contains information to help the reader assess GEUS' revenue sources, the sale of electricity and cable and internet.	
Demographic and Economic Information	62
These schedules offer demographic and economic indicators to help the reader understand the environment within which the utility's financial activities take place.	
Operating Information	74
These schedules contain service and infrastructure data to help the reader understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF FUND NET POSITION BY COMPONENT
Last Ten Fiscal Years

Page 1 of 2

	2019	2018	2017	2016	2015
Net Investment in capital assets	\$ 36,111,453	\$ 28,436,832	\$ 26,814,332	\$ 28,004,217	\$ 29,311,545
Restricted	-	4,536,273	5,152,752	5,173,144	5,162,133
Unrestricted	882,888	(10,742,403)	(13,317,583)	23,693,043	24,711,704
Total fund net position	<u>\$ 36,994,341</u>	<u>\$ 22,230,702</u>	<u>\$ 18,649,501</u>	<u>\$ 56,870,404</u>	<u>\$ 59,185,382</u>

Source: Greenville Electric Utility System, Audited Financial Statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF FUND NET POSITION BY COMPONENT
Last Ten Fiscal Years

Page 2 of 2

2014	2013	2012	2011	2010
\$ 30,438,242	\$ 29,718,020	\$ 30,475,340	\$ 25,388,821	\$ 24,962,208
4,966,778	4,959,453	987,483	947,750	890,068
20,911,033	20,226,789	24,811,850	27,204,379	18,150,563
<u>\$ 56,316,053</u>	<u>\$ 54,904,262</u>	<u>\$ 56,274,673</u>	<u>\$ 53,540,950</u>	<u>\$ 44,002,839</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF CHANGES IN NET POSITION
Last Ten Fiscal Years

Page 1 of 2

	2019	2018	2017	2016	2015
Operating Revenues					
Electric	\$ 67,767,885	\$ 60,348,437	\$ 56,332,151	\$ 52,993,461	\$ 58,167,459
Cable & Internet	5,785,728	6,110,792	6,039,392	6,050,648	6,021,775
Total operating revenues	73,553,613	66,459,229	62,371,543	59,044,109	64,189,234
Operating Expenses					
Electric	41,871,642	45,144,618	48,954,429	43,884,348	45,250,943
Cable & Internet	4,893,587	5,147,590	4,983,896	4,832,073	4,722,986
Administrative	613,523	493,963	1,174,141	1,155,099	234,909
Insurance	285,436	238,625	229,442	230,415	234,816
City Services	625,495	572,225	695,621	685,369	647,480
Pilot	368,274	360,593	356,100	355,678	350,000
General Fund	3,037,799	2,849,244	2,446,730	2,627,770	2,698,026
Board of Development	683,535	569,849	489,346	525,554	539,605
Total operating expenses	52,379,291	55,376,707	59,329,705	54,296,306	54,678,765
Net (Expense) Revenue	21,174,322	11,082,522	3,041,838	4,747,803	9,510,469
Non-operating Revenues and Expenses					
Non-operating revenues:					
Investment earnings	462,231	139,611	29,683	74,877	78,011
Amortization	65,388	42,051	41,662	41,285	40,925
Insurance recoveries	-	-	-	-	506,550
Market value adjustment	-	-	-	-	-
Intergovernmental grants	-	-	-	-	-
Other income	18,520	27,991	-	33,255	20,876
Non-operating expenses:					
Depreciation	3,826,990	3,634,614	3,977,782	3,863,263	3,911,061
Interest expense	3,129,832	3,271,906	3,263,258	3,348,935	3,310,403
Bond issuance costs	-	-	-	-	62,530
Amortization	-	-	-	-	-
Market value adjustment	-	-	-	-	-
Other expense	-	-	-	-	-
Income Before Impairment	14,763,639	4,385,655	(4,127,857)	(2,314,978)	2,872,837
Impairment of Prepaid Electric Costs ¹	-	-	(34,093,046)	-	-
Change in Net Position	14,763,639	4,385,655	(38,220,903)	(2,314,978)	2,872,837
Net Position, Beginning of Year	22,230,702	18,649,501	56,870,404	59,185,382	56,316,053
Change in Accounting Principle ²	-	(804,454)	-	-	(3,508)
Net Position, End of Year	\$ 36,994,341	\$ 22,230,702	\$ 18,649,501	\$ 56,870,404	\$ 59,185,382

(1) In 1975, GEUS, along with the cities of Bryan, Denton and Garland, Texas (Cities), entered into a Power Sales Contract with the TMPA. GEUS provides electric services for the City under this contract. Under the Power Sales Contract, as amended, each City had the right to terminate the Power Sales Contract beyond September 1, 2018, if notice was sent to TMPA by September 30, 2016. GEUS provided such notice to TMPA in September 2016 and, as a result, GEUS discontinued purchasing power from TMPA effective September 1, 2018. Due to the significant decline in the service utility of the prepaid electric cost asset, such assets were deemed impaired during 2017 and GEUS recognized a \$34,093,046 impairment loss in the accompanying statement of revenues, expenses and changes in net position.

(2) 2018 – GASB 75, 2015 – GASB 68, 2013 – GASB 63

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF CHANGES IN NET POSITION
Last Ten Fiscal Years

Page 2 of 2

2014	2013	2012	2011	2010
\$ 59,813,332	\$ 54,576,496	\$ 49,655,678	\$ 69,171,343	\$ 53,386,518
5,620,376	5,239,826	5,143,745	4,953,237	4,830,617
65,433,708	59,816,322	54,799,423	74,124,580	58,217,135
50,177,109	44,802,901	35,973,563	49,205,811	42,965,761
4,549,820	4,175,756	3,965,543	3,705,186	3,563,394
311,705	139,203	436,887	262,050	291,196
245,118	621,871	541,756	-	-
773,273	231,883	698,272	725,181	823,809
350,000	350,000	350,000	319,600	263,609
2,448,772	2,419,687	2,442,075	2,793,511	2,185,591
489,755	483,936	492,559	562,223	1,041,698
59,345,552	53,225,237	44,900,655	57,573,562	51,135,058
6,088,156	6,591,085	9,898,768	16,551,018	7,082,077
35,176	39,342	75,101	59,774	88,854
40,580	42,319	-	15,563	-
2,500,000	-	-	-	-
-	-	-	-	9,304
-	-	-	75,212	-
-	-	-	10,987	-
3,797,529	3,811,878	3,529,617	3,499,636	3,081,374
3,325,365	3,303,682	3,401,754	3,661,168	2,600,916
-	-	-	-	-
-	-	152,470	-	48,742
-	-	-	13,639	-
129,227	6,017	156,305	-	23,100
1,411,791	(448,831)	2,733,723	9,538,111	1,426,103
-	-	-	-	-
1,411,791	(448,831)	2,733,723	9,538,111	1,426,103
54,904,262	56,274,673	53,540,950	44,002,839	42,576,736
-	(921,580)	-	-	-
<u>\$ 56,316,053</u>	<u>\$ 54,904,262</u>	<u>\$ 56,274,673</u>	<u>\$ 53,540,950</u>	<u>\$ 44,002,839</u>

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**Page 1 of 2****HISTORICAL STATEMENTS OF REVENUES, EXPENSES, DEBT SERVICE, AND DEBT SERVICE COVERAGE****Last Ten Fiscal Years**

	2019	2018	2017	2016	2015
Operating Revenues					
Charges for services	\$ 73,553,613	\$ 66,459,229	\$ 62,371,543	\$ 59,044,109	\$ 64,189,234
Interest Revenue	462,231	139,611	29,683	74,877	78,011
Total Operating Revenues	74,015,844	66,598,840	62,401,226	59,118,986	64,267,245
Operating Expenses (1):					
Fuel and Purchased Power,					
Operations and maintenance (2)	46,765,229	50,292,208	53,938,325	48,716,421	49,973,929
Administrative expenses	898,959	732,588	1,403,583	1,385,514	469,725
Intergovernmental	4,715,103	4,351,911	3,987,797	4,194,371	4,235,111
Total Operating Expenses	52,379,291	55,376,707	59,329,705	54,296,306	54,678,765
 Net Available for Debt Services	 21,636,553	 11,222,133	 3,071,521	 4,822,680	 9,588,480
 Debt Service Requirements	 8,256,251	 5,450,334	 3,807,879	 3,812,179	 3,803,935
 Coverage of Debt Service Requirements by Net Revenues Available for Debt Service	 3	 2.06	 0.81 ⁽³⁾	 1.27	 2.52
 Total Revenue Bond Debt Outstanding	 50,910,000	 66,100,203	 69,875,255	 70,391,916	 70,888,202
Number of Customers	14,873	14,769	14,297	14,028	13,669
Debt Per Capita	3,422.98	4,476	4,887	5,018	5,186
 Rate Covenant per Bond Ordinance	 1.25	 1.25	 1.25	 1.25	 1.25

(1) Excludes Depreciation.

(2) Includes Amortization of Prepaid Electric Costs (PEC)

FY 2018 Amortized PEC - \$1,549,897

FY 2015 Amortized PEC - \$1,434,549

FY 2017 Amortized PEC - \$1,549,897

FY 2014 Amortized PEC - \$1,333,742

FY 2016 Amortized PEC - \$1,549,896

FY 2013 Amortized PEC - \$1,137,816

(3) GEUS made additional payments to TMPA in the approximate amount of \$3,043,000 from operating income during FY 2017 for debt associated with electric generation instead of making the payment in FY 2016. If the payment had been made by GEUS from unrestricted cash in FY 2016 as intended, the cost of Fuel and Purchased Power, Operations in FY 2017 would have been reduced by approximately \$3,043,000 and the Coverage of Debt Service Requirements by Net Revenues Available for Debt Service would have been approximately 1.61x instead of .81x in FY 2017.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)*Page 2 of 2****HISTORICAL STATEMENTS OF REVENUES, EXPENSES, DEBT SERVICE, AND DEBT SERVICE COVERAGE******Last Ten Fiscal Years***

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 65,433,708	\$59,816,322	\$ 54,799,423	\$ 74,124,580	\$ 58,217,135
35,176	39,342	75,101	59,774	98,158
<u>65,468,884</u>	<u>59,855,664</u>	<u>54,874,524</u>	<u>74,184,354</u>	<u>58,315,293</u>
54,726,929	49,293,957	39,939,106	52,910,997	46,529,155
311,705	371,086	1,135,159	262,050	291,196
<u>4,306,918</u>	<u>3,560,194</u>	<u>3,826,390</u>	<u>4,400,515</u>	<u>4,314,707</u>
<u>59,345,552</u>	<u>53,225,237</u>	<u>44,900,655</u>	<u>57,573,562</u>	<u>51,135,058</u>
6,123,332	6,630,427	9,973,869	16,610,792	7,180,235
3,747,503	3,749,003	3,744,803	4,666,955	2,629,699
1.63	1.77	2.66	3.56	2.73
68,121,127	68,581,707	69,029,026	75,271,880	76,312,337
13,637	13,553	13,319	13,296	13,285
4,995	5,060	5,183	5,661	5,744
1.25	1.25	1.25	1.25	1.25

FY 2012 Amortized PEC - \$948,887

FY 2011 Amortized PEC - \$948,887

FY 2010 Amortized PEC - \$948,887



GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)**ELECTRIC SYSTEM REVENUE BONDS***For the Fiscal Year Ended September 30, 2019*

Year Ending 9/30	The Series 2019A Bonds			The Series 2019B Bonds ⁽¹⁾			Grand Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2020	\$ 1,935,000	\$ 2,032,125	\$ 3,967,125	\$ -	\$ 343,750	\$ 343,750	\$ 4,310,875
2021	2,045,000	1,932,625	3,977,625	-	343,750	343,750	4,321,375
2022	2,140,000	1,828,000	3,968,000	-	343,750	343,750	4,311,750
2023	2,250,000	1,718,250	3,968,250	-	343,750	343,750	4,312,000
2024	2,370,000	1,602,750	3,972,750	9,300,000	171,875	9,471,875	13,444,625
2025	2,490,000	1,481,250	3,971,250	-	-	-	3,971,250
2026	2,615,000	1,353,625	3,968,625	-	-	-	3,968,625
2027	2,750,000	1,219,500	3,969,500	-	-	-	3,969,500
2028	2,890,000	1,078,500	3,968,500	-	-	-	3,968,500
2029	3,040,000	930,250	3,970,250	-	-	-	3,970,250
2030	3,200,000	774,250	3,974,250	-	-	-	3,974,250
2031	3,360,000	610,250	3,970,250	-	-	-	3,970,250
2032	3,535,000	437,875	3,972,875	-	-	-	3,972,875
2033	3,710,000	256,750	3,966,750	-	-	-	3,966,750
2034	2,365,000	104,875	2,469,875	-	-	-	2,469,875
2035	915,000	22,875	937,875	-	-	-	937,875
	<u>\$41,610,000</u>	<u>\$17,383,750</u>	<u>\$ 58,993,750</u>	<u>\$ 9,300,000</u>	<u>\$ 1,546,875</u>	<u>\$ 10,846,875</u>	<u>\$ 69,840,625</u>

⁽¹⁾ Represents actual final maturity.⁽²⁾ On September 25, 2019, the City prepaid \$3,200,000 in principal and \$9,777.78 of accrued interest on the Series 2019B Bonds.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF REVENUE BY SOURCES
Last Ten Fiscal Years

Page 1 of 2

Description	2019	2018	2017	2016	2015
Residential	\$ 19,113,503	\$ 19,035,430	\$ 16,497,193	\$ 16,366,985	\$ 17,375,894
Commercial	32,591,568	31,684,764	30,624,462	29,839,218	31,920,738
Wholesale	13,970,011	6,692,021	7,438,673	4,766,015	6,627,222
Cable & Internet	5,785,728	6,110,792	6,039,392	6,050,648	6,021,775
Interest revenue	462,231	139,611	29,683	74,877	78,011
Miscellaneous	2,092,803	2,936,222	1,771,823	2,021,243	2,243,605
Total Revenue	\$ 74,015,844	\$ 66,598,840	\$ 62,401,226	\$ 59,118,986	\$ 64,267,245

Source: Greenville Electric Utility System, Audited Financial Statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF REVENUE BY SOURCES
Last Ten Fiscal Years

Page 2 of 2

2014	2013	2012	2011	2010
\$ 15,340,932	\$ 15,169,517	\$ 13,561,174	\$ 15,886,740	\$ 15,399,822
28,438,844	28,721,858	27,198,986	32,145,829	32,295,606
14,011,634	8,535,041	6,820,025	18,786,663	3,207,436
5,620,376	5,239,826	5,143,745	4,953,237	4,830,617
35,176	39,342	75,101	59,774	98,158
2,021,922	2,150,080	2,075,493	2,352,111	2,483,654
\$ 65,468,884	\$ 59,855,664	\$ 54,874,524	\$ 74,184,354	\$ 58,315,293

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Estimated Population^a	Personal Income	Per Capita Personal Income^b	School Enrollment^c	Unemployment Rate^d
2010	25,557	\$ 499,843,806	\$ 19,558	4,847	8.2%
2011	26,030	509,094,740	19,558	5,002	8.3%
2012	25,624	484,677,960	18,915	5,068	7.6%
2013	25,834	516,654,166	19,999	5,711	6.3%
2014	25,834	465,580,348	18,022	5,711	6.3%
2015	25,917	477,883,563	18,439	5,824	6.2%
2016	26,800	502,682,180	19,201	5,408	5.5%
2017	26,180	551,209,943	19,779	5,628	4.7%
2018	27,443	581,462,284	21,188	5,354	4.5%
2019	28,263	628,823,487	22,249	5,360	4.1%

Sources: ^aEstimated population <http://www.city-data.com/city/Greenville-Texas.html>

<http://worldpopulationreview.com/us-cities/greenville-tx-population/>

^bPer Capita Income <http://www.city-data.com/city/Greenville-Texas.html>

<https://www.census.gov/quickfacts/fact/table/greenvillecitytexas/PST045217>

^cSchool Enrollment <http://www.city-data.com/city/Greenville-Texas.html>

<https://schools.texastribune.org/districts/greenville-isd/>

^dUnemployment Rate http://reports.dfwjobs.com/monthly_report

<https://www.bestplaces.net/economy/city/texas/greenville>

Note: Previous years' (2006-2007) Per Capita Income taken from the Bureau of Economic Analysis

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

GREENVILLE ELECTRIC UTILITY SYSTEM
Principal Customers
Current Year and Nine Years Ago

2019			2010		
Customer	Rank	% of Revenue Base	Customer	Rank	% of Revenue Base
L3 Technologies Inc.	1	11.02%	L3 Technologies Inc.	1	12.54%
CYTEC Industries Inc.	2	2.68%	Rubbermaid	2	2.28%
FSTI Inc.	3	2.51%	CYTEC Industries Inc.	3	1.79%
Weatherford ArtificialLift#224	4	1.57%	Hunt RegionalMedical Cente	4	0.83%
Hunt RegionalMedical Center	5	1.37%	FSTI Inc.	5	0.89%
Fritz Industries Inc.	6	0.93%	Weatherford ArtificialLift#2	6	0.76%
International Grains & Cereal LLC	7	0.86%	Rock Tenn Corp	7	0.70%
Rock Tenn Corp	8	0.76%	Wal-Mart	8	0.90%
Wal-Mart	9	0.68%	Brookshires	9	0.60%
City Sewer Disposal Plant	10	0.57%	Masonite	10	0.54%
Totals		22.96%			21.82%

Source: Greenville Electric Utility System, Billing Register

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
NUMBER OF CUSTOMER ACCOUNTS AT YEAR-END
Last Ten Fiscal Years

Page 1 of 2

	2019	2018	2017	2016	2015
Electric					
Number	14,873	14,769	14,297	14,028	13,669
% Change	0.70%	3.30%	1.92%	2.63%	0.23%
Cable Only					
Number	1,155	3,270	3,604	3,765	3,887
% Change	-64.68%	-9.27%	-4.28%	-3.14%	-5.45%
Internet Only					
Number	2,247	2,160	1,967	1,801	1,657
% Change	4.03%	9.81%	9.22%	8.69%	10.25%
Cable and Internet					
Number	1,802	4,185	4,103	3,928	3,686
% Change	-56.94%	2.00%	4.46%	6.57%	2.11%

Source: Greenville Electric Utility System, Retail Sales Report and Cable and Internet Monthly Report

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
NUMBER OF CUSTOMER ACCOUNTS AT YEAR-END
Last Ten Fiscal Years

Page 2 of 2

2014	2013	2012	2011	2010
13,637	13,553	13,319	13,296	13,285
0.62%	1.76%	0.17%	0.08%	0.94%
4,111	4,475	4,543	4,511	4,594
-8.13%	-1.50%	0.71%	-1.81%	-2.96%
1,503	1,218	1,098	949	2,983
23.40%	10.93%	15.70%	-68.19%	2.79%
3,610	3,415	3,232	3,020	n/a
5.71%	5.66%	7.02%	n/a	n/a

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEN YEAR RATE ANALYSIS
Last Ten Fiscal Years

Page 1 of 4

Electric	2019	2018	2017	2016	2015
Residential					
Consumer Charge	\$ 10.79	\$ 10.79	\$ 10.79	\$ 10.79	\$ 10.79
Energy Charge: June - October billing months (Per kWh)	0.0745	0.0745	0.0745	0.0745	0.0745
Energy Charge: November - May billing months (First 1200 kWh)	0.0664	0.0664	0.0664	0.0664	0.0664
Energy Charge: November - May billing months (Over 1200 kWh)	0.0475	0.0475	0.0475	0.0475	0.0475
Energy Charge: November - May billing months (First 600 kWh)	N/A	N/A	N/A	N/A	N/A
Energy Charge: November - May billing months (Next 600 kWh)	N/A	N/A	N/A	N/A	N/A
Energy Charge: November - May billing months (Remainder kWh)	N/A	N/A	N/A	N/A	N/A
Fuel Adjustment Factor (Per kWh)*	0.0327	0.0310	0.0270	0.0230	0.0300
Regulatory Charge (Per kWh)*	\$ 0.0020	\$ 0.0020	\$ 0.0010	\$ 0.0008	\$ 0.0006
Greenville General Fund Transfer Fee	5%	5%	5%	5%	5%
Greenville Board of Development Transfer Fee	1%	1%	1%	1%	1%
General Service - Non-Demand					
Consumer Charge	\$ 17.93	\$ 17.93	\$ 17.93	\$ 17.93	\$ 17.93
Energy Charge:	0.0691	0.0691	0.0691	0.0691	0.0691
Fuel Adjustment Factor (Per kWh)*	0.0327	0.0310	0.0270	0.0230	0.0300
Regulatory Charge (Per kWh)*	\$ 0.0020	\$ 0.0020	\$ 0.0010	\$ 0.0008	\$ 0.0006
Greenville General Fund Transfer Fee	5%	5%	5%	5%	5%
Greenville Board of Development Transfer Fee	1%	1%	1%	1%	1%
General Service - Demand					
Consumer Charge	\$ 20.55	\$ 20.55	\$ 20.55	\$ 20.55	\$ 20.55
Demand Charge: (per kWh of billing demand)	12.33	12.33	12.33	12.33	12.33
Energy Charge: (First 600 kWh)	0.0323	0.0323	0.0323	0.0323	0.0323
Energy Charge: (Per kWh over 6000 kWh)	0.0104	0.0104	0.0104	0.0104	0.0104
Fuel Adjustment Factor (Per kWh)*	0.0327	0.0310	0.0270	0.0230	0.0300
Regulatory Charge (Per kw)*	\$ 0.5000	\$ 0.5000	\$ 0.3500	\$ 0.2000	\$ 0.1500
Greenville General Fund Transfer Fee	5%	5%	5%	5%	5%
Greenville Board of Development Transfer Fee	1%	1%	1%	1%	1%

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEN YEAR RATE ANALYSIS
Last Ten Fiscal Years

Page 2 of 4

2014	2013	2012	2011	2010
\$ 10.79	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
0.0745	0.0630	0.0630	0.0630	0.0630
0.0664	N/A	N/A	N/A	N/A
0.0475	N/A	N/A	N/A	N/A
N/A	0.0580	0.0580	0.0580	0.0580
N/A	0.0430	0.0430	0.0430	0.0430
N/A	0.0320	0.0320	0.0320	0.0320
0.3400	0.0280	0.0280	0.0330	0.0350
N/A	N/A	N/A	N/A	N/A
5%	5%	5%	5%	5%
1%	1%	1%	1%	1%
\$ 17.93	\$ 14.25	\$ 14.25	\$ 14.25	\$ 14.25
0.0691	0.0620	0.0620	0.0620	0.0620
0.3400	0.0280	0.0280	0.0330	0.0350
N/A	N/A	N/A	N/A	N/A
5%	5%	5%	5%	5%
1%	1%	1%	1%	1%
\$ 20.55	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
12.33	8.00	8.00	8.00	8.00
0.0323	0.0310	0.0310	0.0310	0.0310
0.0104	0.0100	0.0100	0.0100	0.0100
0.3400	0.0280	0.0280	0.0330	0.0350
N/A	N/A	N/A	N/A	N/A
5%	5%	5%	5%	5%
1%	1%	1%	1%	1%

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEN YEAR RATE ANALYSIS
Last Ten Fiscal Years

Page 3 of 4

Cable & Internet**	2019	2018	2017	2016	2015
Cable					
Economy	\$ 29.95	\$ 29.95	\$ 21.95	\$ 21.95	\$ 21.95
Economy Plus	72.95	72.95	67.95	57.95	57.95
Digital	\$ 87.95	\$ 87.95	\$ 75.95	\$ 67.95	\$ 67.95
Residential Internet					
Copper-R 5 Mbps	\$ 14.95	\$ 14.95	\$ 14.95	\$ 14.95	\$ -
Bronze-R 10 Mbps	24.95	24.95	24.95	24.95	-
Silver-R 20 Mbps	41.95	41.95	41.95	41.95	41.95
Residential - 30 Mbps	-	-	-	-	61.95
Gold -R 50 Mbps	61.95	61.95	61.95	61.95	
Residential - 60 Mbps	-	-	-	-	99.95
Platinum-R 100 Mbps	\$ 95.95	\$ 95.95	\$ 95.95	\$ 95.95	\$ -
Commercial Internet					
Swift-C 10 Mbps	\$ -	\$ -	\$ 75.95	\$ 75.95	\$ 75.95
Quick-C 20 Mbps	-	-	129.95	129.95	-
Rapid-C 30 Mbps	69.95	69.95	171.95	171.95	171.95
Express-C 60 Mbps	89.95	89.95	225.95	225.95	275.95
Top Fuel-C 100 Mbps	\$ 149.95	\$ 149.95	\$ 325.95	\$ 325.95	\$ -
Streaming Internet					
Gold Streaming Package	\$ 102.95	\$ 102.95	\$ 102.95	\$ -	\$ -
Silver Streaming	\$ 79.95	\$ 79.95	\$ -	\$ -	\$ -

* Rate at end of fiscal year

** Cable & Internet rates based on per month fee

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
TEN YEAR RATE ANALYSIS
Last Ten Fiscal Years

Page 4 of 4

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 21.95	\$ 15.95	\$ 15.95	\$ 15.95	\$ 15.95
57.95	45.95	46.95	45.95	45.95
\$ 67.95	\$ 55.95	\$ 60.95	\$ 57.95	\$ 55.95
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
41.95	41.95	41.95	41.95	41.95
61.95	61.95	61.95	-	-
-	-	-	-	-
99.95	99.95	99.95	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 75.95	\$ 75.95	\$ 75.95	\$ 75.95	\$ 75.95
-	-	-	-	-
171.95	171.95	171.95	171.95	171.95
275.95	275.95	275.95	275.95	275.95
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -



GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)

PRINCIPAL EMPLOYERS

For the Current Year and Nine Years Ago

Name of Employer	2019			2010		
	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
L-3 Communications Integrated Systems	6,500	1	57.65%	5,200	1	44.39%
Hunt Regional Medical Center	1,100	2	9.76%			
Greenville ISD	709	3	6.29%	736	3	6.28%
McKesson	500	4	4.43%	450	6	3.84%
Hunt County	387	6	3.43%	457	5	3.90%
Cytec Engineered Materials	350	7	3.10%			
Wal-Mart Supercenter	300	8	2.66%	400	7	3.41%
Masonite Corp	250	5	2.22%			
Weatherford International	225	9	2.00%			
Innovation First	225	10	2.00%			
Raytheon						
Presbyterian Hospital				815	2	6.96%
Rubbermaid				539	4	4.60%
City of Greenville				268	8	2.29%
Kelly Services				200	9	1.71%
Atrium by Woodgrain				100	10	0.85%
Total	10,546		93.53%	9,165		78.24%
Total employment within the City	11,275			11,714		

Source: Greenville Economic Development Corporation

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

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	2019	2018	2017	2016	2015
Administrative &	43	40	40	36	36
Engineering &	38	41	40	42	42
Production	28	28	28	28	28
Cable & Internet	17	17	17	17	17
Total	126	126	125	123	123

Source: Greenville Electric Utility System, Personnel Department Records.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

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2014	2013	2012	2011	2010
39	36	37	37	33
42	39	42	41	40
30	31	31	30	29
17	15	15	15	15
128	121	125	123	117

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Purchased electric energy:					
Purchases (kWh)	154,257,596	108,572,851	197,420,131	129,565,699	141,099,209
Purchased Power Cost per kWh	\$ 0.09056287	\$ 0.06163623	\$ 0.03767940	\$ 0.03678454	\$ 0.04696853
Energy sales:					
Residential					
kWh sales	160,135,849	164,173,285	143,973,588	148,211,427	147,741,108
Average kWh/customer	12,607.1	13,048	11,737	12,376	12,558
Average energy revenue per kWh	\$ 0.11935805	\$ 0.11594718	\$ 0.11458486	\$ 0.11042998	\$ 0.11761042
Average annual billing/customer	\$ 1,504.76	\$ 1,512.91	\$ 1,344.84	\$ 1,366.65	\$ 1,476.91
Customers, end of year	12,702	12,582	12,267	11,976	11,765
Customer increase (decrease) net	120	315	291	211	171
Commercial					
kWh sales	354,495,931	359,476,351	361,656,032	368,205,022	359,904,781
Average kWh/customer	163,287	164,370	178,156	179,437	189,026
Average energy revenue per kWh	\$ 0.09194	\$ 0.08814	\$ 0.08468	\$ 0.08104	\$ 0.08869
Customers, end of year	2,171	2,187	2,030	2,052	1,904
Customer increase (decrease) net	(16)	157	(22)	148	(139)
Totals					
kWh sales	514,631,780	523,649,636	505,629,620	516,416,449	507,645,889
Average energy revenue per kWh	\$ 0.10047003	\$ 0.09685903	\$ 0.09319402	\$ 0.08947469	\$ 0.09710831
Customers, end of year	14,873	14,769	14,297	14,028	13,669
Annual load factor	52.5%	52.0%	52.5%	51.3%	50.8%
Peak demand (MW)	112	115	110	115	114

Source: Greenville Electric Utility System, Audited Financial Statements.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
SCHEDULE OF OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Page 2 of 2

2014	2013	2012	2011	2010
308,375,907	207,592,597	118,298,663	255,830,160	43,953,750
\$ 0.04543686	\$ 0.04111438	\$ 0.05765091	\$ 0.07343412	\$ 0.07297298
152,308,394	147,662,193	142,920,827	154,608,614	151,023,900
13,137	12,914	12,502	13,738	13,603
\$ 0.10072283	\$ 0.10273122	\$ 0.09488592	\$ 0.10275456	\$ 0.10196944
\$ 1,323.18	\$ 1,326.70	\$ 1,186.25	\$ 1,411.65	\$ 1,387.12
11,594	11,434	11,432	11,254	11,102
160	2	178	152	24
351,652,747	359,011,355	369,246,607	404,921,880	394,810,362
172,126	169,425	195,679	198,297	180,857
\$ 0.08087	\$ 0.08000	\$ 0.07366	\$ 0.07939	\$ 0.08180
2,043	2,119	1,887	2,042	2,183
(76)	232	(155)	(141)	100
503,961,141	506,673,548	512,167,434	559,530,494	545,834,262
\$ 0.08687133	\$ 0.08662654	\$ 0.07958366	\$ 0.08584442	\$ 0.08738079
13,637	13,553	13,319	13,296	13,285
54.8%	52.6%	53.6%	52.8%	52.8%
105	110	109	121	118

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Page 1 of 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Electric Distribution:					
Number of Substations	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
Miles of Distribution	<u>703</u>	<u>703</u>	<u>703</u>	<u>703</u>	<u>703</u>
System Capacity MW	<u>247.2</u>	<u>247.2</u>	<u>247.2</u>	<u>247.2</u>	<u>247.2</u>

Source: Greenville Electric Utility System, Engineering Records.

GREENVILLE ELECTRIC UTILITY SYSTEM (GEUS)
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

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<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>
<u>703</u>	<u>703</u>	<u>703</u>	<u>703</u>	<u>703</u>
<u>247.2</u>	<u>247.2</u>	<u>247.2</u>	<u>247.2</u>	<u>202.4</u>

