

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The County is presenting its financial statements as required by Governmental Accounting Standards Board Statement No. 34 (GASB #34), "Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments." This discussion and analysis of Greene County's (County) financial performance presents a narrative overview for the fiscal year ended December 31, 2010. It should be read in conjunction with the accompanying basic financial statements and the notes to those statements.

Financial Highlights

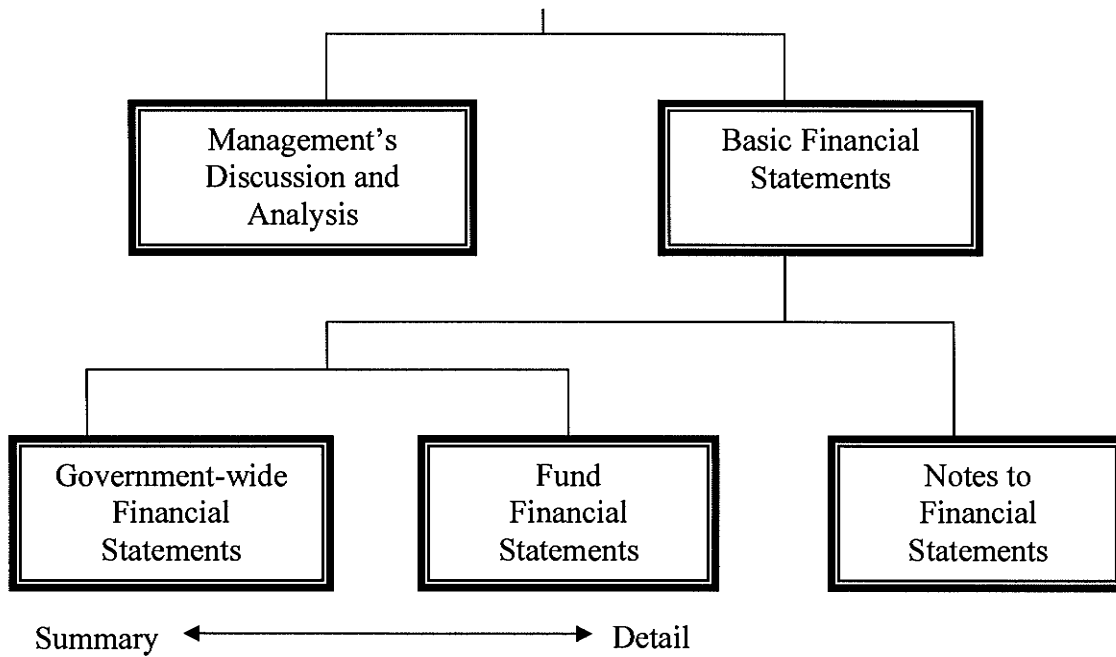
- The County paid off the 2003 bond issue and called bonds due on 12/1/2012 on the IDA revenue bonds; a contingent liability for the County. The IDA paid a portion of this payment and the County paid the remainder, approximately \$35,000. Plans were made to call the remainder of the IDA bonds in early 2011 and to refinance the 2006 Bonds when the market rates allowed.
- In anticipation of the refinancing mentioned above, the County was reviewed by Standard & Poor's and received an *A* rating with a *stable* outlook.
- The County's net assets increased by \$2,170,400 in 2010. Assets decreased approximately \$1 million while liabilities decreased \$3.2 million.
- The County General Fund revenues exceeded expenditures and the fund balance increased by \$1,146,450. Decreased state and federal funding were offset late in 2010 by unanticipated revenues from several sources but predominantly the advance on royalties from County-owned Marcellus shale natural gas assets and increased charges for service in the County Jail and the Recorder of Deeds Office.
- The Board of Commissioners increased the real estate tax rates for general fund and debt millage for 2010 by 1.22 mills. This was implemented after 6 years without an increase and in response to the preceding years state budget crisis, loss of state and federal funding, and the need to fully fund debt service for the 2006 bonds. County charges for service were also reviewed and in many cases raised, where allowed by law, for the same reasons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole (government-wide statements) and present a long-term view of the County's finances. Fund Financial Statements follow and show how services were financed in the short-term and report the County's Operations in more detail than the government-wide statements. The remaining statements provide financial information about activities which the County acts solely as a trustee or agent for the benefit of those outside of the government. The following diagram shows the relationship of these statements:

REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT



The first two statements are government-wide financial statements that provide information about the County's overall financial status, as well as the financial status of the County's component unit. The remaining statements are fund financial statements that focus on individual parts of County government, reporting the County's operations in more detail than the government-wide statements. The fund financial statements include:

- *Governmental funds statements* which explain how services were financed in the short term, as well as what remains for future spending. A general fund budgetary comparison statement is provided to demonstrate compliance.
- *Fiduciary Funds statements* which reflect activities involving resources that are held by the County as a trustee or agent for individuals, private organizations, or other governmental units. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

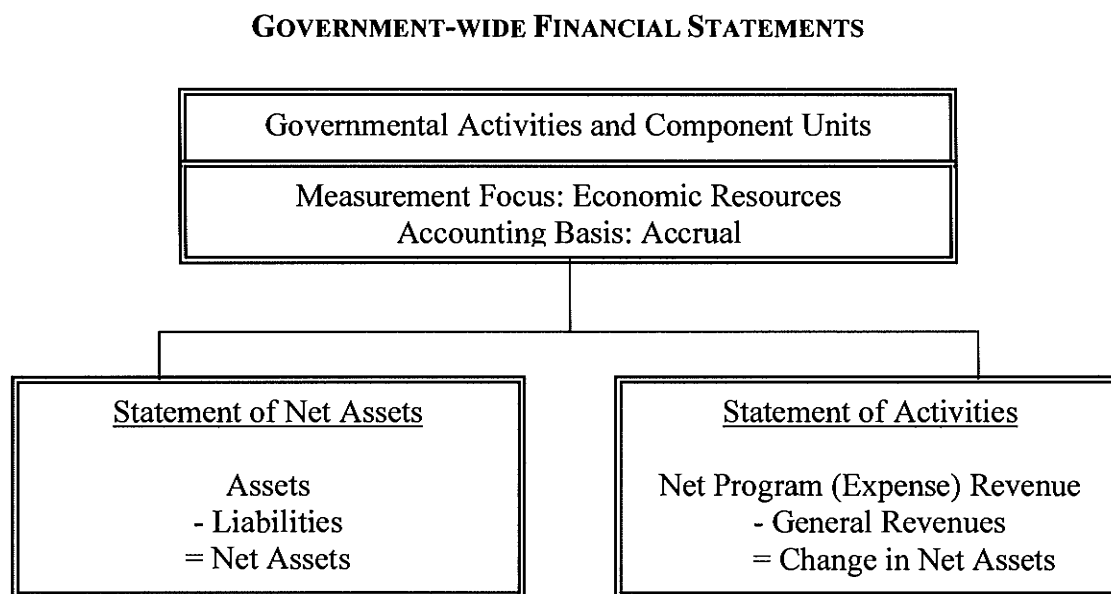
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The financial statements also include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding the County's budget. In addition to these required elements, a section is included with detailed individual statements about non-major funds.

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The primary features are reflected in the following diagram.



The statement of net assets includes all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance of a private-sector business. The statement of activities focuses on how the County's net assets changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not generated by a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

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Net assets are one way to measure the County's financial position. Over time, increases or decreases in the County's net assets are one indicator of whether the County's financial position is improving or deteriorating. However, other non-financial factors must be considered to assess the overall position of the County.

The County's government-wide financial statements are divided into two categories:

- *Governmental activities* – include the County's basic services, segregated by type. General government activity is comprised of both administrative and judicial functions. This differs from the fund statements presentation which presents administrative government as general government, and judicial government is presented separately.
- *Component unit* – reflecting the activity of the Greene County Industrial Development Authority (IDA), a legally separate entity for which the County provides financial support and appoints board members.

- Statement of Net Assets

	Governmental Activities			
	2010	2009	2008	2007
Assets:				
Current and other Assets	\$ 14,003,169	\$ 14,958,605	\$ 12,833,668	\$13,813,897
Capital Assets	36,637,176	36,774,931	36,800,933	34,197,762
Total Assets	50,640,345	51,733,536	49,634,601	48,011,659
Liabilities:				
Current Liabilities	5,664,401	8,928,003	7,097,632	\$7,190,832
Other Liabilities	12,375,389	12,375,378	13,579,220	13,248,134
Total Liabilities	18,039,790	21,303,381	20,676,852	20,438,966
Net Assets:				
Invested in capital assets, net of related debt	25,759,579	25,839,161	25,808,781	23,296,147
Restricted	2,796,805	2,895,778	3,186,794	2,845,005
Unrestricted	4,044,171	1,695,216	(37,826)	1,431,541
Total Liabilities and Net Assets	\$50,640,345	\$51,733,536	\$49,634,601	\$47,993,659

As the component unit (The IDA) is only indirectly managed by the County, it has been removed from this condensed statement. However, the financial information for the IDA is available in the accompanying basic financial statements and the notes to those statements. Four years are shown for comparative purposes.

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	2010	2009	2008	2007
Asset-to-Liability Ratio's	2.81 : 1	2.43 : 1	2.4 : 1	2.35 : 1

The County owns approximately 36.6 million dollars in assets and the County debt directly related to these assets is just under 11 million. The difference of almost 26 million is the equity the County has in those assets. The chart below shows that for every dollar of debt the county has, we have 3.37 dollars of assets to match it. This upward trend is an indication of how sensibly bond money is spent and how well bond money is leveraged to obtain matching grant funds.

	2010	2009	2008	2007
Asset-to-Debt Ratio's	3.37 : 1	3.36 : 1	3.35 : 1	3.14 : 1

The County's liabilities fall into two categories; long-term and short-term. Our long-term liabilities are the 2008, 2006, and 2003 bonds and this decreased over \$600,000. The 2003 bonds were paid off in 2010 and the 2006 Bonds were set to be refinanced, though a drop in the rates late in the year caused the Board of Commissioners to put a hold on completing the issuance of those bonds. A specified portion of the collected taxes are paid into funds each year to make the payments on these bonds and the full schedule of bonds can be seen in the notes accompanying the financial statements. Long-term liabilities related to debt

The short-term liabilities, generally speaking, can be divided into two categories: money the county owes, but has not yet paid out; and money the county has received for a specific purpose, but not yet spent. These deferred revenues make up the largest portion of the first category. In 2010 the County cut its accounts payable considerably, in part due to a slowdown in capital projects; but also due to several large pass-thru grants that had increased the 2009 numbers. The chart below reflects the accounts payable levels over the past 4 years. The County has refined its payment terms to Net 28 and makes timely payments on all Accounts Payable.

	2010	2009	2008	2007
Accounts Payable	1,780,389	3,448,466	2,957,380	3,646,428

While the County's equity in capital assets has been discussed above in relation to assets, the Net Assets portion of the statement also contains restricted and unrestricted net assets. The County's restricted net assets are twofold: Capital projects, which is the remaining bond money; and Debt Service, which is the money dedicated to paying off the County bonds.

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To put all the sections and numbers of the Statement of Net Assets in perspective, consider the following:

1. In the simplest terms, the Statement of Net Assets shows what the County has in cash and the value of the properties it owns, what the County owes, and the difference between those two numbers. As an analogy, a person has their cash in the bank, their car and the house, but they also have bills, a car loan, and a mortgage to pay. If the County was a person, he would have almost 3 times more money in the bank than bills and loans to pay, and his house would be worth over three times what was left to pay on the mortgage.
2. A local lending institution in Waynesburg, when making a home loan, requires that a person's debt payments be less than 35% of what they make. The County has to allocate only 8% of its revenue for debt.
3. Greene County's asset-to-liability ratio is 2.81:1. This means for every \$1 we owe, we hold \$2.81 in cash or assets. The County asset-to-debt ratio is 3.37:1, which again means that for every \$1 of debt we have, we hold \$3.37 in assets. These ratios are exceptional and the chart below compares Greene County numbers to some other counties in southwestern PA.

	Greene	Allegheny	Westmoreland	Beaver
Asset to Liability Ratio's	2.81 : 1	0.92 : 1	.95 : 1	.36 : 1
Asset to Debt Ratio's	3.37 : 1	1.04 : 1	0.69 : 1	1.02 : 1

*based on 2010 CAFR,
Governmental Activities*

- Statement of Activities

When the benefit of a service provided by the County goes to an individual or a corporation, the County charges a fee to the individual (fines are also in this same line item) and this is known as program revenue. The Statement of Activities requires program revenue, and any operating or capital grants and contributions to be associated with the major department that generated the revenue and also shows separately stated general revenues. Expenses for the departments are shown as well and this statement therefore shows what parts of county government are being funded with tax dollars and what parts are funded by user fees and grants.

The statement below is condensed to allow comparative year data to be shown. As with the Statement of Net Assets, the IDA portion of this statement has been removed but can be seen in the accompanying basic financial statements and the notes to those statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2010			2009		
	Expenses	Program Revenues	General revenue required (provided)	Expenses	Program Revenues	General revenue required (provided)
Primary Government:						
General Gov.	8,245,343	4,585,522	(3,659,821)	7,974,840	2,568,147	(5,406,693)
Public safety	3,814,865	1,358,822	(2,456,044)	3,496,410	1,135,507	(2,360,903)
Public works	898,021	469,445	(428,577)	602,739	653,741	51,002
Human services	9,177,790	8,993,591	(184,199)	11,405,103	11,334,916	(70,187)
Culture & Rec	2,056,656	1,314,268	(742,388)	1,947,456	1,510,091	(437,365)
Community & Econ Dev	3,684,808	676,837	(3,007,971)	5,806,448	4,701,222	(1,105,226)
Unallocated Deprec.	136,624	-	(136,624)	136,624	0	(136,624)
Interest-Long-term debt	474,602	-	(474,602)	481,891	0	(481,891)
Total activities	28,488,709	17,398,485	(11,090,227)	31,851,511	21,903,624	
General revenues:						
Property taxes, levied for general purposes			10,581,412			9,947,999
Property taxes, levied for debt service			1,172,220			981,550
Property taxes, levied for library expenditures			102,262			99,516
Interest			110,932			80,384
Rental income			820,782			341,125
Special/Misc - transfers			273,981			
Gain (loss) on sale of assets			497			(81,396)
Reimbursement of prior period expenditures			198,539			51,115
Total general revenues			13,260,623			11,420,293
Change in net assets			2,170,400			1,472,406
Net Assets:						
Beginning of year			30,430,155			28,957,749
End of year			<u>32,600,555</u>			<u>30,430,155</u>

The Statement of Activities shows that the County supported its operations with approximately \$10.9 million in general revenues; of which \$10.5 million was general tax revenue. In general, charges for service, and general revenues increased while operating and capital grants decreased from 2009 to 2010 as seen below.

Program Revenue Source	2010	2009
Charges for Services	\$ 3,333,589	\$ 2,948,309
Operating Grants and Contributions	\$ 11,829,412	\$ 14,382,249
Capital Grants and Contributions	\$ 2,235,483	\$ 4,573,006
General Revenues	\$ 13,260,625	\$ 11,420,293

Due to State budget issues, operating and capital grants decreased sharply in across almost all activity types. This trend, along with the fact that the general fund millage had not been increased over a 6 year period, necessitated the increase in millage for 2010 and the \$1.8 million in additional general revenues allowed the county to continue operations, albeit at a reduced level in some non-critical areas. Unexpected revenues at the very end of 2010 allowed for a continued increase in Net Assets.

Changes in Net Assets	2010	2009	2008	2007	2006	2005	2004
	7%	5%	5%	44%	25%	6%	6%

FUND FINANCIAL STATEMENTS

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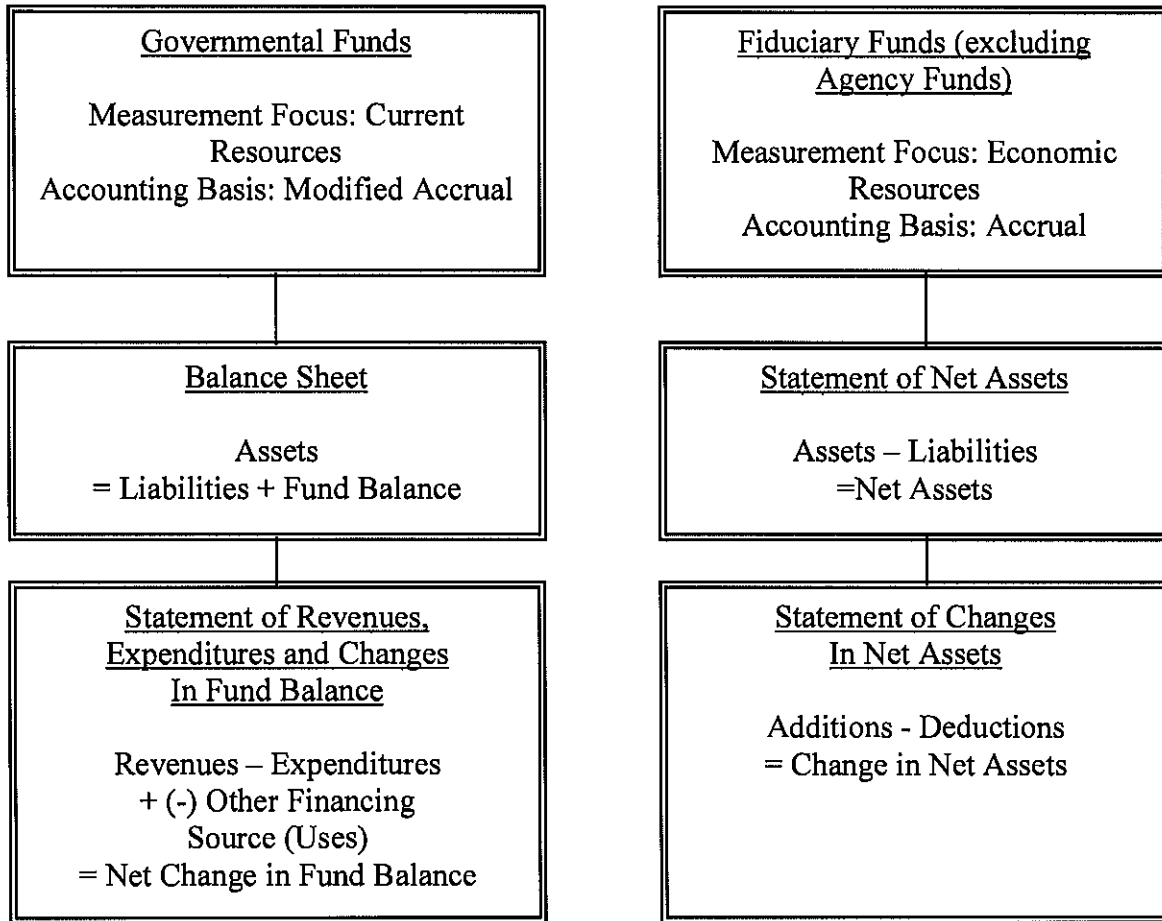
The fund financial statements provide more detailed information about the County's most significant funds (determined by GASB #34), not the County as a whole. Funds are accounting groups that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. The County has two kinds of funds:

- *Governmental funds* – The County's basic services are included in governmental funds, which focus on: (1) the in and out flow of cash and other financial assets that can be readily converted into cash, and; (2) the balance left at year-end that is available for spending. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance County programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements. The County adopts an annual budget for the General Fund and the Liquid Fuels Tax Fund. Because it is considered one of the County's major funds, a budgetary comparison schedule is presented for the General Fund, reflecting the following: (1) the original budget; (2) the final amended budget; (3) actual revenues and expenditures, and; (4) the variance between the final budget and actual revenues and expenditures. The other County major funds rely on the availability of federal and state support and, in certain cases, County support which is budgeted in the General Fund. For this reason no budget is incorporated for these other major funds.

- *Fiduciary funds* – The County is the trustee, or fiduciary, for the Employee's Retirement System. In addition, the County is also responsible for certain agency funds, which are clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the County's government-wide financial statements because the County cannot use these assets to finance operations.

The following diagram presents the major features of the fund financial statements, including the information contained therein.

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Governmental Funds

Greene County has 3 funds this year that are considered *Major* funds for the purpose of GASB #34 reporting; the General fund, Capital Projects, and the Behavioral Health fund. There are 27 *other* funds that make up the “Other Governmental Funds” on the Governmental Funds Balance Sheet and Statement of Revenue and Expenditures.

- Major Funds Balance Sheet

The following statement is the major funds balance sheet in its entirety. The General Fund is the primary fund for the County as a whole; it is the fund where property taxes are reported and where most of the non-Human Services/Capital expenditures are recorded.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	GENERAL	CAPITAL PROJECTS	BEHAVIORAL HEALTH	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 2,803,478	\$ 1,363,831	\$ 1,504,241	\$ 4,207,735	\$ 9,879,285
Investments	-	1,126,427	-	17,534	\$ 1,143,961
Due From Other Funds	1,853,957	130,568	100,816	282,946	\$ 2,368,287
Due From Other Governments	132,200	-	-	774,122	\$ 906,322
Taxes Receivable	1,318,143	-	-	84,416	\$ 1,402,559
Accounts Receivable	141,885	61,828	10,009	50,178	\$ 263,700
Other Assets	-	-	-	795	\$ 795
TOTAL ASSETS	\$ 6,249,463	\$ 2,682,654	\$ 1,615,066	\$ 5,417,726	\$ 15,964,909
LIABILITIES & FUND BALANCE					
Accounts Payable	\$ 340,888	\$ -	\$ 757,412	\$ 632,126	\$ 1,730,426
Accrued Liabilities and Withholdings	256,547	-	-	-	\$ 256,547
Due To Other Funds	538,569	-	188,363	1,613,393	\$ 2,340,325
Due To Other Governments	-	-	-	21	\$ 21
Deferred Revenue	2,207,953	285,286	669,291	1,180,987	\$ 4,343,517
Bonds/Notes Payable	-	-	-	-	-
TOTAL LIABILITIES	\$ 3,343,957	\$ 285,286	\$ 1,615,066	\$ 3,428,527	\$ 8,670,836
Nonspendable				795	795
Restricted Fund Balance	2,020	2,397,368		1,799,833	4,199,221
Committed Fund Balance	-	-	-	190,571	190,571
Assigned Fund Balance	15,086	-	-	-	15,086
Unassigned Fund Balance	2888400	-	-	-	2,888,400
TOTAL FUND BALANCE	2,905,506	2,397,368	-	1,991,199	7,294,073
BALANCE	\$ 6,249,463	\$ 2,682,654	\$ 1,615,066	\$ 5,417,726	\$ 15,964,909

The General Fund balance sheet shows the cash available at the end of 2010 for operations in the unassigned fund balance of almost \$2.9 million dollars. This fund balance allows County operations, in conjunction with the TAN Loan, to continue at the beginning of the year (prior to tax collection) and allows the General Fund to assist the other funds of the County regulate cash flow. The fund balance is also used to cushion Accounts Receivable and *Due from* when the State or Federal Government is slow to reimburse the County for expenditures.

The Fund Balance increased in 2010 by \$1.15 million. At the beginning of 2010 the Board of Commissioners raised taxes to compensate for anticipated reductions in state and federal funding and, as shown above, that did occur. However the county did receive reimbursements for the District attorneys salary from the state for 2008 and other prior period monies for various departments. The County also sold various assets and successfully negotiated with Tanglewood Exploration for royalties on the extraction of Marcellus Shale natural gas under county property. This resulted in the significant increase in fund balance seen above.

The *Due from other funds* line for the General Fund directly correlates to the *Due to other funds* for the 29 other County funds (2 major, 27 other).

As major funds can change from year to year, comparative figures are not shown; but the General Fund assets increased while the liabilities decreased in 2010, with the increase in assets being spread fairly evenly and moderately across all line items. The general fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

Accounts payable increased moderately while *Accrued liabilities*, *DueTo's* and *Deferred Revenues* all decreased, in some cases significantly. Grant revenue is deferred when the funds remaining in the grant were not expended in the current year.

The Capital Projects fund remains on the major funds list for 2010. Bond spending has continued but assets and liabilities have decreased significantly. In 2009 several large grants were run through the Capital Projects funds which augmented those numbers. This year's numbers are more "normal" for a period in which the majority of the proceeds from a bond issue have been expended and no major grants have been received by this fund, other than pass-thru grants.

The Behavioral Health fund shows no fund balance as, by law, it cannot "carry" funds from one year to the next. However; unspent monies are not sent back to the issuing agency but are instead shown as deferred revenue. It should be noted that this fund is funded completely by state revenues and decreased over \$650 thousand from 2009.

- Revenue & Expenditures & Change in Fund Balance (R&E)

The statement below is a very condensed version of the Governmental Statement of Revenue, Expenditures, and Changes in Fund Balances for 2010. This statement shows the three major funds, what revenues they generated, what expenditures were incurred, any other activity, and then the change in fund balance from the previous year.

The General Fund

The revenue shown for the General fund is all normal revenue types that the County collects. Additional revenue, such as the money received from the sale of an asset, is shown under Other Financing Sources (Uses).

The Other Financing Sources (Uses) section shows specifically *Transfers In*, *Other Sources*, and *Transfers Out* and *Other Uses*. *Transfers In* are made up of administrative fees paid to the General Fund by departments that have their own source of revenues and that are allowed to reimburse the County for specific expenses (i.e. Phone Service, Office Space, Payroll Services and Computer Services). These include all Human Services departments, Tourism, Domestic Relations, the 911 Center and a portion of Adult Probation.

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	General Fund	Capital Projects	Behavioral Health
Revenues:			
Taxes	\$ 10,460,166	0	0
Intergovernmental	1,524,153	1,829,760	2,930,617
Charges for services, Fines, & Permits	2,134,717	0	0
Interest	30,759	67,674	1,218
Rental income	820,782	0	0
Donations	43,714	0	0
Total revenues	<u>15,014,291</u>	<u>1,897,434</u>	<u>2,931,835</u>
Expenditures:			
Administration	4,806,578	141,159	0
Judicial	2,800,022	0	0
Public safety:	3,378,273	0	0
Public works:	406,400	172,890	0
Human services:	0	0	2,931,042
Culture and recreation:	1,248,320	3,957	0
Conservation & economic development:	1,206,564	1,831,949	0
Debt service:	58,174	0	0
Total expenditures	<u>13,904,331</u>	<u>2,149,955</u>	<u>2,931,042</u>
Excess (Deficiency) of Revenues			
Over Expenditures	1,109,960	(252,521)	793
Other Financing Sources (Uses):			
Transfers in	622,948	0	100,816
Other sources from sale of assets/ prior period reimbursement	229,710	13,000	0
Transfers out and Other	(815,361)	(112,029)	(101,609)
Other uses	(807)	0	0
Total other financing sources (uses)	<u>36,490</u>	<u>(99,029)</u>	<u>(793)</u>
Net Change in Fund Balance	1,146,450	(351,550)	0
Beginning of year	<u>1,759,056</u>	<u>2,748,918</u>	<u>0</u>
End of year	<u>2,905,506</u>	<u>2,397,368</u>	<u>0</u>

Other Sources from the sale of assets and prior period reimbursements in 2010 consists mainly of Grant reimbursements from the state for the District Attorney, Adult Probation, Elections, and Solid Waste. The County also sold property at Baily's Crossroads.

Rental Income rose sharply due to total payments from Tanglewood to the County totaling \$531 thousand.

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Transfers Out, payments made to other county funds, increased while *Transfers In*, money coming in from state-funded departments, decreased. This once again illustrates the reductions in funding, for mandated programs, by the state and federal government.

The calculation of the fund balance increase is shown at the bottom of this statement and is then carried over to the Balance Sheet. For 2010, the fund balance increased \$1.146 million for the General Fund and decreased \$351,550 for the Capital Projects fund. While the Balance Sheet tells us what the fund balance is, the Revenue and Expense Statement tells us how it changed for 2010. This MD&A tells us *why* it changed.

Behavioral Health

These funds cover Mental Health and Mental Retardation. The revenue section shows that the majority of the funding for these programs comes from State and Federal sources. Expenditures basically match revenue and as noted above in the Balance Sheet section, these funds are not allowed to show a fund balance, i.e. they have no "equity", only money that they are given to spend that they may have not spent in the current year. The *Other Financing Sources (Uses)* section of this statement shows the county contribution to these programs (*Transfers In*) and the reimbursement from the programs to the county for services (*Transfers Out*).

The Capital Projects Fund

The Bond proceeds are not part of the revenue shown for Capital Projects. The actual Bond proceeds were received in 2006 and are not shown for 2010. This revenue is from pass-thru grants for the United Mineworkers Training Center (\$1.5 million) and the Evergreen Technical Park (\$248,000), and other smaller grants received in previous years and just expended in 2010.

Pass-through grants are monies that flow through the County but which have a specific purpose not set by the County and where the actual expenditures are not administered by the County.

This statement clearly shows where the bond and capital grants are being spent within County government. The largest expenditure for 2010 is in *Economic Development* and is related to the pass-through grant mentioned above.

Bond funds of almost \$173,000 were expended on the actual water and sewage projects under *Public Works*. *General Government – Administration* is the third largest use and is related almost entirely to the replacement of the Courthouse steps and additional work on the roof of the Fort Jackson building funded by grants.

Unlike the General Fund, the Capital Projects fund is a multi-year fund and does not "close out" at the end of the year. There are no deferred revenues with respect to the bond (though there are deferred revenues with respect to the grants) and the budget does not end until the bond money is spent or all the projects are complete. With this in mind, the

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Fund Balance for the Capital Projects Fund simply reflects the remaining bond funds at the end of the year.

Other Governmental Funds

The 27 funds that make up this group are not shown on the above statements and are too numerous to list and discuss. Activity for all these funds can be seen in the accompanying basic financial statements and the notes to those statements. It is worth noting here, and of concern to management, that the Debt Service fund, ended 2009 with a negative change in fund balance of \$105,352 after a negative change in Fund Balance in 2008 of \$94,214 and for 2007 of \$376,000. The County increased debt millage in 2010 and this situation is beginning to improve and the fund balance of this fund increased \$252,577 for 2010.

Fiduciary Funds

The County reports 3 funds under the Statement of Net Assets – Fiduciary Funds. Of these, 2 are *Agency* funds (the Tax Claim Bureau, and Other Escrow Accounts) and, at the end of the year, the assets will equal the liabilities.

The 3rd fund in this group is a *Trust* fund; the County Pension Plan. The chart below shows the growth and decline of the Pension Net Assets in relation to the S&P 500 Index as well as showing the County contribution to the fund over the past several years.

County Pension Plan	2010	2009	2008	2007	2006
S&P Index growth (decline)	12.78%	23.00%	-35.61%	2.16%	13.48%
Pension Net Assets growth (decline)	18.36%	24.31%	-15.68%	6.13%	18.10%
County Contribution	\$755,000	\$528,000	\$413,000	\$451,000	\$454,000

The County of Greene regularly contributes to the Pension fund when, as in the past few years, the investment performance is not sufficient to provide excess interest. This contribution is based on an actuarial valuation and is partially reimbursed by state programs such as Children & Youth Services and Human Services. Expected contributions for 2011 are budgeted at \$736,803.

The Plan is, and will continue to be, a significant financial consideration for the County.

GENERAL FUND BUDGETARY HIGHLIGHTS And MANAGEMENT DISCUSSION & ANALYSIS SUMMARY

The County budget process for any given year starts 5 months before the year begins and continues throughout the 12 months of that year. For 2010, when the preliminary budget was passed in 2009, the County did not yet have many of the benefit rates for the

MANAGEMENT'S DISCUSSION AND ANALYSIS

upcoming year, various assessment issues had not been finalized, and several grants for various departments were not yet guaranteed.

Budget & Actual – General Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Budget Amounts		Actual	Variance With Final Budget
	Original	Final		
Taxes	10,375,130	10,381,994	10,460,166	78,172
License and Permits	19,300	19,300	19,610	310
Fines & Forfeits	200,000	200,000	166,995	(33,005)
Federal	161,707	161,707	322,098	160,391
State	542,471	577,017	700,316	123,299
local	510,672	510,672	501,739	(8,933)
Charges for Services	1,307,100	1,310,400	1,948,112	637,712
Interest	32,392	32,392	30,759	(1,633)
Rental Income	362,542	762,453	820,782	58,329
Donations	25,636	25,636	25,636	
Misc.	6,500	18,078	18,078	
Total Revenues	<u>13,543,450</u>	<u>13,999,649</u>	<u>15,014,291</u>	<u>1,014,642</u>
Expenditures				
General Government-Administration	6,120,365	5,606,118	4,806,578	799,540
General Government- Judicial	2,368,079	2,766,418	2,800,022	(33,604)
Public Safety:				
Public Safety- Corrections	2,282,152	2,675,553	2,975,099	(299,546)
Public Safety- EMA/ 911	312,502	348,677	403,174	(54,497)
Public Works:				
Public Works- Solid Waste			16,817	(16,817)
Public Works- Airport	103,708	119,229	389,583	(270,354)
Conservation And Economic Development:				
Community & Economic Dev.	907,979	963,531	980,285	(16,754)
Conservation	100,895	110,074	107,866	2,208
Community Development /Housing	139,989	145,700	104,480	41,220
Culture and Recreation:				
Parks & Recreation	967,327	1,106,211	1,248,317	(142,106)
Tourism	13,541	15,088	13,933	1,155
Debt Service:				
Debt Interest				
Debt Principal Payment	58,173	58,173	58,173	
Total Expenditures	<u>13,374,710</u>	<u>13,914,772</u>	<u>13,904,327</u>	<u>(10,445)</u>
Excess(Deficiency) of Revenues over Expenditures				
Transfers in	413,855	413,655	622,948	209,293
Debt Proceeds				
Other Sources from Assets/PrPd Reimb	165,225	249,286	229,710	(19,576)
Transfers out	(747,819)	(747,819)	(815,362)	67,543
Other Uses			(807)	807
Total Other Financing Sources (Uses)	<u>(168,739)</u>	<u>(84,878)</u>	<u>36,489</u>	<u>121,367</u>
Net Change in Fund Balance	(544,085)	(544,085)	114,673	
Fund Balance:				
Fund Balance Beginning Of Year	1,759,056	1,759,056	1,759,056	
Fund Balance End Of Year	<u>1,759,057</u>	<u>1,759,055</u>	<u>2,905,509</u>	

During the course of the year, as these issues were resolved and the budget was amended to reflect these changes accurately. Additionally, unanticipated revenues and reductions

MANAGEMENT'S DISCUSSION AND ANALYSIS

in revenue were incorporated along with additions or reductions in spending in accordance with the County Code.

As Benefit rates were finalized, budget moves to allocate the funds to the departments and out of the "holding lines" in general administration account for the reduction in the budget of administration and some of the increases in the other sections.

The above chart is a condensed version of the Budget & Actual Statement that is contained in the accompanying basic financial statements.

In the Revenue section of this statement, it can be seen that very few revenue additions/subtractions were made in 2010 with the notable exception being the budgeting of the advance on royalties discussed earlier.

The actual revenue for grants, both state and federal, was the result of prior period reimbursements. Unbudgeted revenue was also up significantly for the Register and Recorders office, where gas leases are researched, and the Jail, which rents out excess capacity to other Pennsylvania Counties.

Even with changes to the budget during the course of the year, actual revenues exceeded budgeted revenues by over 1 million.

With cuts to the state budget in 2010, the County, having some warning (as opposed to the situation that existed in 2009), was able to be proactive and did lay off a portion of the workforce and freeze hiring until we could see the full effects of the state budget. Additionally some of the revenue increases mentioned above were added to general government expenses with no intent to spend, but just to keep the revenues and liabilities even. This is reflected in the \$799,540 variance in the *General Government – Administration* line.

Actual expenditures at the county airport exceeded budget as unbudgeted grant funds were expended. Under *Parks and Recreation*, expenses maintained in a separate fund were merged into the general fund which brought the department in over-budget by \$142,106.

Due to this activity happening late in the year, the budget was not adjusted.

The difference between the original and final amended General Fund budget was increased revenues and expenditures of \$456,199. The actual General Fund revenue came in over the budget figure by \$1,014,640 while expenditures (and other items) were over budget by \$121,366.

The many favorable financial ratios, strong positive growth of net assets, and the completion of major development projects indicate that Greene County continues to be well-managed with respect to budget, policy, investment, control and audit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In many respects Greene County has been insulated from the global economic crisis. Our unemployment rates remain lower than the state and national averages, we have no variable rate debt and have been decreasing debt at every opportunity, and our borrowing is limited mainly to the TAN and that has decreased, as our cash reserves have increased, over the past couple years.

Decreases in interest rates, poor performance on pension investments, sharp reductions in state and federal grants, and slow reimbursements are however all causes for concern and warrant increased watchfulness on the part of Greene County financial personnel and elected officials

This report is designed to provide citizens, taxpayers, investors, customers and creditors with a general overview of Greene County Finances and to demonstrate accountability for the funds it receives. Questions concerning this report, the financial management policies of the county, or requests for additional information should be directed to:

Jeff Marshall, Chief Clerk
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Waynesburg, PA 15370