

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, 2011. It should be read in conjunction with the accompanying basic financial statements and the notes to those statements.

Financial Highlights

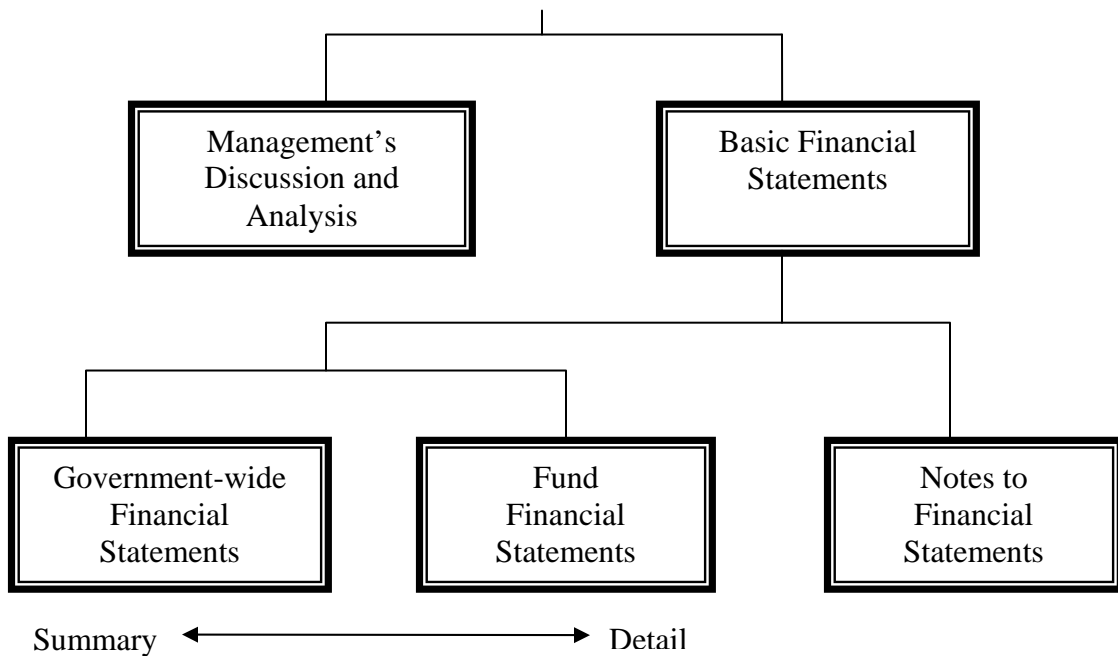
- The County refinanced the 2006 Bonds in September of 2011. The refinancing resulted in savings of \$241,655 which was added to the Capital Projects Fund.
- The County was again reviewed by Standard & Poor's and received an A rating with a *stable* outlook. The Bond issue, with insurance, was rated AA+.
- The County called and paid off the remaining GCIDA bonds in the amount of \$230,000. This second and final call released the county of its contingent liability per the plan implemented in 2010.
- In late 2011 the County, in conjunction with the 2012 budget process, decided to replace all existing leased copiers. Our vendor agreed to buy-out the current lease and there was no out-of-pocket expense by the County for this new lease. This shows in the financials as a loss, because the old copiers were not fully depreciated but were returned to the vendor, and the new lease was put on the books.
- The County General Fund revenues exceeded expenditures and the fund balance increased by \$431,319. Royalties from county-owned Marcellus Shale natural gas assets and increased charges for service in the County Jail and the Recorder of Deeds Office contributed to this increase.

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.

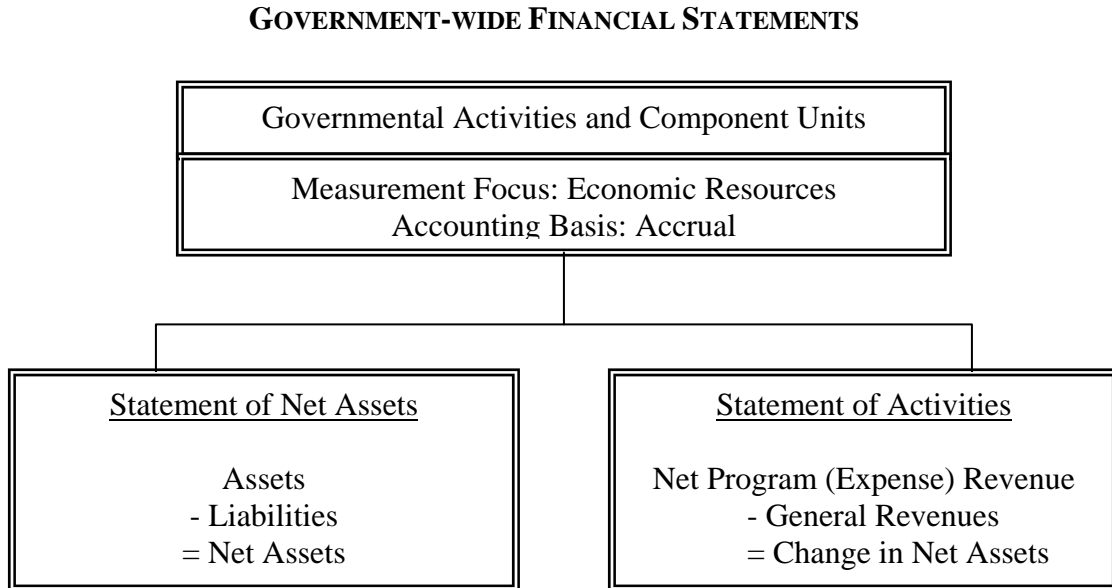
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The financial statements also include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding 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			
	2011	2010	2009	2008
Assets:				
Current and other Assets	\$ 14,167,220	\$ 14,003,169	\$ 14,958,605	\$ 12,833,668
Capital Assets	36,200,780	36,637,176	36,774,931	36,800,933
Total Assets	50,368,000	50,640,345	51,733,536	49,634,601
Liabilities:				
Current Liabilities	5,400,153	5,664,401	8,928,003	\$7,097,632
Other Liabilities	12,393,328	12,375,389	12,375,378	13,579,220
Total Liabilities	17,793,481	18,039,790	21,303,381	20,676,852
Net Assets:				
Invested in capital assets, net of related debt	25,069,375	25,759,579	25,839,161	25,808,781
Restricted	2,687,426	2,796,805	2,895,778	3,186,794
Unrestricted	4,817,718	4,044,171	1,695,216	(37,826)
	32,574,519	32,600,555	30,430,155	28,957,749
Total Liabilities and Net Assets	\$50,368,000	\$50,640,345	\$51,733,536	\$49,634,601

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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	2011	2010	2009	2008
Asset-to-Liability Ratio's	283%	281%	243%	240%

The County owns approximately 36.2 million dollars in assets and the County debt directly related to these assets is just over 11 million. The difference of 25 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 3.25 dollars of assets to match it. While the county's asset-to-debt ratio has been trending up since 2004, it fell slightly in 2011 mainly due to a new copier lease (which is shown as debt and not a liability). With just over a year remaining on the old lease, the County entered a new lease for copiers and the vendor absorbed the old lease in the process. While this shows on the financials as a loss on a "sale of assets", there was no actual cash lost in this transaction.

	2011	2010	2009	2008
Asset-to-Debt Ratio's	325%	337%	336%	335%

The County's liabilities fall into two categories; long-term and short-term. Our long-term liabilities are the 2008, and 2011 bonds and this increased slightly when the 2006 Bonds were refinanced in 2011. 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.

The short-term liabilities, generally speaking, can be divided into two categories: money the county has received for a specific purpose, but not yet spent; and money the county owes, but has not yet paid out. This first category, *Deferred Revenues*, decreased \$277 thousand in 2011. The second category primarily consists of *Accounts Receivable*. From 2008 to 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.

	2011	2010	2009	2008
Accounts Payable	1,828,055	1,780,389	3,448,466	2,957,380

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 2.83:1. This means for every \$1 we owe, we hold \$2.83 in cash or assets. The County asset-to-debt ratio is 3.25:1, which again means that for every \$1 of debt we have, we hold \$3.25 in assets. These ratios are exceptional and the chart below compares Greene County numbers to some other counties in southwestern PA.

	<u>Greene</u>	<u>Allegheny</u>	<u>Westmoreland</u>	<u>Beaver</u>
Asset to Liability Ratio's	2.83 : 1	0.87 : 1	.95: 1	1:01
Asset to Debt Ratio's	3.25 : 1	0.99 : 1	0.73 : 1	1.1 : 1
<i>based on 2011 CAFR's, Governmental Activities</i>				

- 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.

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Primary Government:	2011			2010		
	Expenses	Program Revenues	General revenue required (provided)	Expenses	Program Revenues	General revenue required (provided)
	General Gov.	9,112,478	2,900,437	(6,212,041)	8,245,343	4,585,522
Public safety	4,050,305	957,221	(3,093,084)	3,814,865	1,358,822	(2,456,044)
Public works	950,383	403,336	(547,047)	898,021	469,445	(428,577)
Human services	8,588,904	8,310,657	(278,247)	9,177,790	8,993,591	(184,199)
Culture & Rec	2,291,545	1,093,511	(1,198,034)	2,056,656	1,314,268	(742,388)
Community & Econ Dev	4,457,091	3,535,603	(921,488)	3,464,808	676,837	(2,787,971)
Unallocated Deprec.	136,624	-	(136,624)	136,624	-	(136,624)
Interest-Long-term debt	444,081	-	(444,081)	474,602	-	(474,602)
Total activities	30,031,410	17,200,765	(12,830,646)	28,268,711	17,398,485	(10,870,226)
General revenues:						
Property taxes, levied for general purposes			10,619,848			10,581,412
Property taxes, levied for debt service			1,047,986			1,172,220
Property taxes, levied for library expenditures			106,468			102,262
Interest			46,821			110,932
Rental income			489,241			820,782
Special/Misc - transfers			58,482			53,981
Gain (loss) on sale of assets			(278,735)			497
Reimbursement of prior period expenditures			714,498			198,539
Total general revenues			12,804,609			13,040,624
Change in net assets			-26,036			2,170,400
Net Assets:						
Beginning of year			32,600,555			30,430,155
End of year			<u>32,574,519</u>			<u>32,600,555</u>

The Statement of Activities shows that the County supported its operations with \$12.8 million in general revenues, of which \$10.6 million was general tax revenue. Operating grants decreased again while capital grants increased. It is important to note that these capital grants had been received by the county in prior years and were spent, in part, in 2011.

<u>Program Revenue Source</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Charges for Services	\$ 3,324,617	\$ 3,333,590	\$ 2,948,309
Operating Grants and Contributions	\$ 10,527,125	\$ 11,829,412	\$ 14,382,249
Capital Grants and Contributions	\$ 3,349,023	\$ 2,235,483	\$ 4,573,006
General Revenues	\$ 12,804,609	\$ 13,040,624	\$ 11,420,293

These numbers indicate reduced support by the state for county programs, in some cases programs that the county is, by law, mandated to continue. In areas like Human Services or Public Safety, while the county may not be mandated to continue a program that the state stops funding, these programs are vital to the health and safety of the citizens of Greene County and the Board of Commissioners felt the need to fund them with county funds. Overall the County had a zero percent change in Net Assets.

Changes in Net Assets	2011	2010	2009	2008	2007	2006	2005
	0%	7%	5%	5%	44%	25%	6%

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS

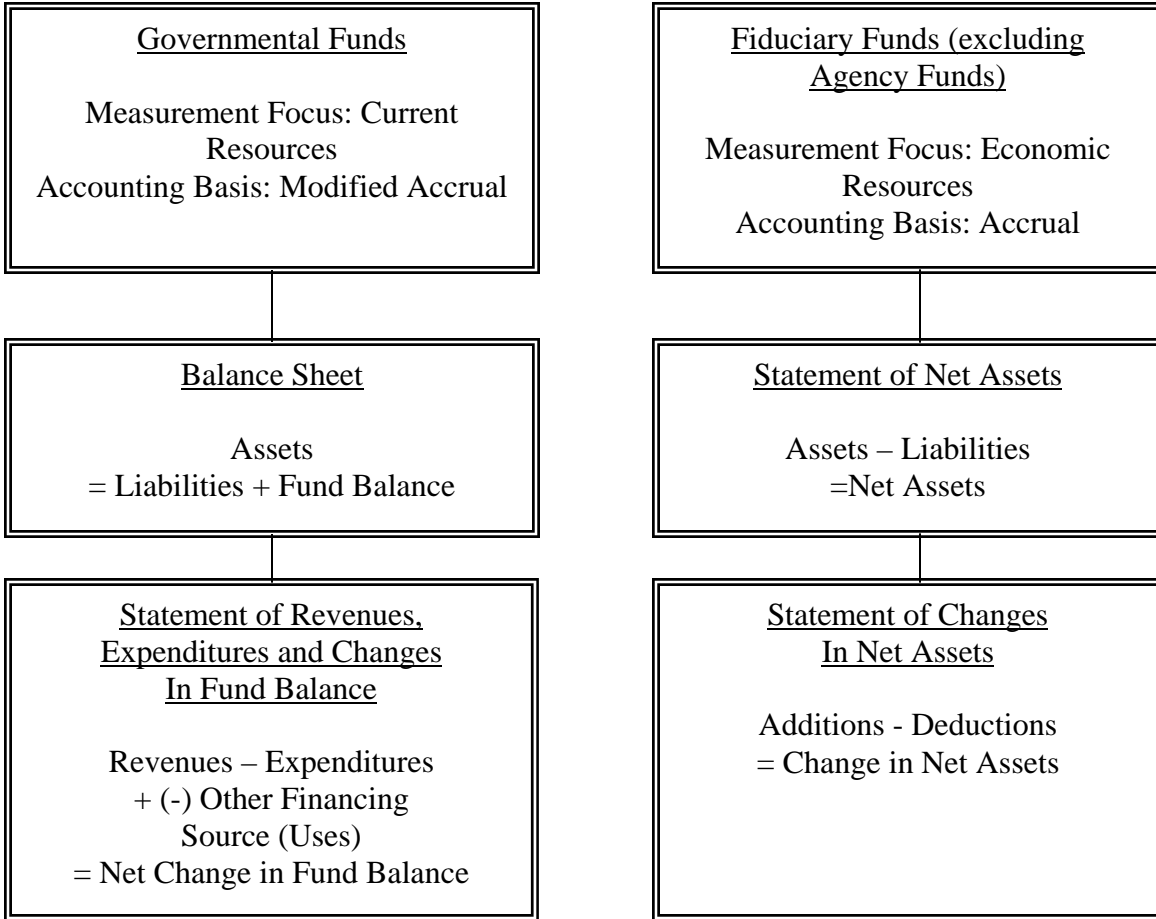
The fund financial statements provide more detailed information about the County's most significant funds (determined by GASB #34), not the County as a whole. Funds are accounting groups that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds 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 4 funds this year that are considered *Major* funds for the purpose of GASB #34 reporting; the General fund, Capital Projects, Behavioral Health and the Children and Youth Services fund. There are 28 *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.

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ASSETS	GENERAL	CAPITAL PROJECTS	BEHAVIORAL HEALTH	CHILDREN AND YOUTH	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 2,090,296	\$ 1,180,585	\$ 2,368,832	\$ 186,433	\$ 3,885,708	\$ 9,711,854
Investments	-	1,221,157	-	-	17,723	\$ 1,238,880
Due From Other Funds	2,538,682	200,000	87,571	305,157	60,160	\$ 3,191,570
Due From Other Governments	140,597	-	-	617,077	519,302	\$ 1,276,976
Taxes Receivable	1,349,877	-	-	-	45,545	\$ 1,395,422
Accounts Receivable	155,468	-	735	4,158	50,076	\$ 210,437
Other Assets	-	-	-	-	37	\$ 37
TOTAL ASSETS	\$ 6,274,920	\$ 2,601,742	\$ 2,457,138	\$ 1,112,825	\$ 4,578,551	\$ 17,025,176
LIABILITIES & FUND BALANCE						
Accounts Payable	\$ 391,924	\$ -	\$ 677,543	\$ 329,899	\$ 393,490	\$ 1,792,856
Accrued Liabilities & Withholdings	271,253	-	-	-	-	\$ 271,253
Due To Other Funds	655,633	66,097	273,455	779,237	1,353,955	\$ 3,128,377
Due To Other Governments	260	-	-	-	-	\$ 260
Deferred Revenue	1,619,025	169,212	1,506,140	3,689	828,334	\$ 4,126,400
Bonds/Notes Payable	-	-	-	-	-	\$ -
TOTAL LIABILITIES	\$ 2,938,095	\$ 235,309	\$ 2,457,138	\$ 1,112,825	\$ 2,575,779	\$ 9,319,146
Nonspendable					37	37
restricted Fund Balance	2,021	2,366,433			1,793,801	4,162,255
Committed Fund Balance	-	-	-	-	210,285	210,285
Assigned Fund Balance	5,366				-	5,366
Unassigned Fund Balance	3,329,438				(1,351)	3,328,087
TOTAL FUND BALANCE	3,336,825	2,366,433	-	-	2,002,770	7,706,030
BALANCE	\$ 6,274,920	\$ 2,601,742	\$ 2,457,138	\$ 1,112,825	\$ 4,578,551	\$ 17,025,176

The General Fund balance sheet shows the cash available at the end of 2011 for operations in the unassigned fund balance of \$3.3 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 2011 by \$431 thousand dollars. Royalties on the extraction of Marcellus Shale natural gas under county property and higher than expected charges for service, both at the county prison where inmates from other counties are taken for a fee, and at the Recorder of Deeds office which was also directly related to the Marcellus Shale gas extraction, are the main factors that contributed to this increase.

As was noted above, the General Fund fund balance is used in part to regulate cash flow and this can be seen in the *due from other funds* line for the General Fund which directly correlates to the *Due to other funds* for the 31 other County funds (3 major, 28 other).

As major funds can change from year to year, comparative figures are not shown; but the General Fund liabilities decreased and the fund balance increased for 2011 while assets remained stable. The liabilities decrease is mainly related to a decrease in *Deferred Revenue* indicating the expenditure of grant funds.

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The Capital Projects fund remained on the major funds list for 2011. Bond spending slowed as grants were being utilized first but additionally major pass-thru grants, related largely to the Meadow Ridge Industrial Park, went thru this fund in 2011, and that activity can be seen in the following statement.

The Behavioral Health and Children and Youth funds show 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.

- 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 2011. This statement shows the four 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.

Other Sources from the sale of assets and prior period reimbursements in 2011 in the general fund consists mainly of grant reimbursements from the state that came in too late to be accounted for in the proper year. The bulk of this was attributable to the District Attorney's salary reimbursement from the state, in the amount of \$163,585, for calendar years 2009 and 2010. Payments for Probation, the Rights and Services Act (Victim Services), Solid Waste, and a Workers Compensation audit refund accounted for another approximate \$60,000 in late reimbursements.

This line also shows about \$40,000 from sales of assets to include a gas pipeline right-of-way on the west side of the county, payments from Mather Recovery Services for coal recovered from the Crucible gob pile, older vehicle sales and the sale of two generators from the old 911 Center location.

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	General Fund	Capital Projects	Behavioral Health	Children and Youth
Revenues:				
Taxes	\$10,616,838	0	0	0
Intergovernmental	1,497,161	2,335,037	2,184,715	1,860,551
Charges for services, Fines, & Permits	2,136,897	0	0	42,674
Interest	6,128	33,231	446	149
Rental income	489,241	0	0	0
Donations	76,436	0	0	0
Total revenues	<u>14,822,701</u>	<u>2,368,268</u>	<u>2,185,161</u>	<u>1,903,374</u>
Expenditures:				
Administration	4,906,403	64,993	0	0
Judicial	3,178,829	0	0	0
Public safety:	3,464,765	4,568	0	0
Public works:	128,701	601,139	0	0
Human services:	0	0	2,272,732	2,196,849
Culture and recreation:	1,418,217	92,793	0	0
Conservation & economic development:	1,329,688	2,018,963	0	0
Debt service:	66,227	0	0	0
Total expenditures	<u>14,492,829</u>	<u>2,782,456</u>	<u>2,272,732</u>	<u>2,196,849</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>329,872</u>	<u>(414,188)</u>	<u>(87,571)</u>	<u>(293,475)</u>
Other Financing Sources (Uses):				
Transfers in	622,576	241,656	87,571	391,188
Other sources from sale of assets/ prior period reimbursement	290,369	260,000	0	0
Transfers out and Other	(807,698)	(118,403)	-	(97,713)
Other uses	(3,800)	0	0	0
Total other financing sources (uses)	<u>101,447</u>	<u>383,253</u>	<u>87,571.00</u>	<u>293,475.00</u>
Net Change in Fund Balance	<u>431,319</u>	<u>(30,935)</u>	<u>0</u>	<u>0</u>
Beginning of year	<u>2,905,506</u>	<u>2,397,368</u>	<u>0</u>	<u>0</u>
End of year	<u><u>3,336,825</u></u>	<u><u>2,366,433</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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 2011, the fund balance increased \$431,319 for the General Fund and decreased \$30,935 for the Capital Projects fund. While the Balance Sheet tells us what the fund balance is at the end of a year, the Revenue and Expense Statement tells us how the money was spent, and who paid for it.

Behavioral Health and Children and Youth

These funds cover Mental Health, Mental Retardation and Children and Youth Services. The revenue section shows that the majority of the funding for these programs comes

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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 County contributes significantly more to the operation of CYS than it does to Behavioral Health.

The Capital Projects Fund

Kirby Development LLC was given a Redevelopment Assistance Capital Program grant in the amount of \$1,526,548 for 2011 that was utilized to build additional capacity at the Mt. Morris Meadow Ridge Industrial Park. An additional \$492,415 was passed through the Capitol Projects fund for the UMWA Career Center and \$316,073 in deferred revenue was recognized.

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.

The proceeds (savings) of the 2011 Bond refinancing is shown as a *Transfer In* on this statement in the amount of \$241,656.

This statement clearly shows where the bond and capital grants are being spent within County government. The largest expenditure for 2011 is in *Economic Development* and is related to the pass-through grants mentioned above. Bond funds of \$601,139 were expended on the actual water and sewage projects under *Public Works*, which is the second area of focus for the county.

The *Culture and recreation* expenditure is related to an unbudgeted, emergency repair of at the county fairgrounds. The county had replaced waterlines at the fairgrounds earlier in 2011 and had discovered, and fixed, several leaks south of the grandstands. But these leaks had already done their damage and undermined and severely cracked the retaining wall to the north of the grandstands. The engineering and actual cost of this project is shown here.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Governmental Funds

The 28 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 to \$320,993 for 2011 though the County General Fund still had to contribute funds to regulate cash flow during the year for that fund.

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	2011	2010	2009	2008	2007
S&P Index growth (decline)	0.00%	12.78%	23.00%	-35.61%	2.16%
Pension Net Assests growth (decline)	5.85%	18.36%	24.31%	-15.68%	6.13%
County Contribution	\$736,803	\$755,000	\$528,000	\$413,000	\$451,000

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 2012 are budgeted at \$799,125.

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 2011, when the preliminary budget was passed in 2010, the County did not yet have many of the benefit rates for the upcoming year, various assessment issues had not been finalized, and several grants for various departments were not yet guaranteed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Budget & Actual – General Fund

	Original	Final	Actual	Variance With Final Budget
Taxes	10,463,140	10,463,140	10,616,838	153,697
License and Permits	20,100	20,100	22,144	2,044
Fines & Forfeits	200,000	200,000	190,231	(9,769)
Federal	95,573	95,573	255,293	159,720
State	1,279,080	1,279,080	945,580	(333,500)
local	419,445	447,768	296,287	(151,481)
Charges for Services	1,596,685	1,596,685	1,924,522	327,837
Interest	18,500	18,500	6,128	(12,372)
Rental Income	283,465	283,465	489,241	205,777
Donations	67,162	67,162	67,162	-
Misc.	3,500	3,500	9,274	5,774
TOTAL REVENUES	14,446,650	14,474,973	14,822,701	347,728
Expenditures				
General Government-Administration	5,886,933	4,755,503	4,906,403	150,900
General Government- Judicial	2,441,259	2,863,078	3,178,829	315,751
Public Safety:				
Public Safety- Corrections	2,407,496	2,878,963	3,066,756	187,793
Public Safety- EMA/ 911	364,145	409,366	398,009	(11,357)
Public Works:				
Public Works- Solid Waste	-	-	-	-
Public Works- Airport	478,494	494,226	128,701	(365,526)
Conservation And Economic Development:				
Community & Economic Dev.	1,361,078	1,417,282	1,139,123	(278,159)
Conservation	95,003	99,125	95,324	(3,800)
Community Development /Housing	84,999	90,992	82,621	(8,371)
Culture and Recreation:				
Parks & Recreation	1,071,821	1,225,022	1,418,217	193,195
Tourism	11,090	14,786	12,619	(2,167)
Debt Service:				
Debt Interest				-
Debt Principal Payment	66,227	66,227	66,227	-
Total Expenditures	14,268,546	14,314,570	14,492,829	178,259
Excess(Deficiency) of Revenues over Expenditures				
Transfers in	411,746	411,746	622,576	210,830
Debt Proceeds				
Other Sources from Assets/PrPd Reimb	158,425	176,125	290,369	114,244
Transfers out	(744,474)	(744,474)	(807,698)	(63,224)
Other Uses	(3,800)	(3,800)	(3,800)	-
Total Other Financing Sources (Uses)	(178,103)	(160,403)	101,447	261,850
Fund Balance:				
Fund Balance Beginning Of Year	2,905,506	2,905,506	2,905,506	
Fund Balance End Of Year	2,905,506	2,905,506	3,336,825	431,319

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2011.

Federal grants came in over-budget mainly due to the STOP (Domestic Violence) grant being unbudgeted for 2011. This grant had been in the Human Services fund but a personnel change resulted in it being moved (with the person who did the accounting for it) to the General Fund. This situation will be resolved for 2012.

State operating grants were under-budget mainly because the state is late in paying them to the county. The DA salary grant, Probation, and Elections all had reimbursements that remained to be paid when the books were closed in April of 2012. A state court reimbursement was cut because the money was not there to pay it and in some cases we expected a grant and just did not receive it – or received it and did not spend it. State Capital grants however covered a good portion of the loss from operating grants as the airport and economic development grants were received and spent. The pools, fairgrounds, and prison also showed unbudgeted state capital grants.

The uncollected Local revenue, for the most part, is due to the 911 Center. The County expected approximately 181 thousand from the wireless fund for reimbursements but 81 thousand of that came in as a transfer. The additional difference was not paid due to a shortfall in the wireline/wireless funds. This entire situation is dependent on the state distributing funds back to the county that they collect from the wireless service providers operating in the county.

Unbudgeted revenue was also up significantly for the Register and Records office, where gas leases are researched, and the Jail, which rents out excess capacity to other Pennsylvania Counties.

Despite the state and local grants, the county made up revenues from royalties and charges for service as well as slightly higher than anticipated real estate taxes and ended the year over budget for revenues.

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.

Other Sources from Assets/Prior Period Reimbursements was up significantly due to payments from the state on previous years District Attorneys salary. This is detailed above in Governmental Statement of Revenue, Expenditures, and Changes in Fund Balances for 2011 Section.

Actual expenditures at the county airport were significantly under budget as budgeted grant funds were not fully expended. The same situation applied to *Community and Economic Development*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The difference between the original and final amended General Fund budget was insignificant. The actual General Fund revenue came in over the budget figure by \$347,728.58 while expenditures (and other items) were under budget by \$83,590.

Summary

The many favorable financial ratios, reduction of debt, 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.

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.

In point of fact, the county residents and county government have prospered over the last several years due to the Marcellus Shale gas deposits both in the form of royalties from the gas extracted and from the companies and employee's that have moved into Greene County to drill the wells, extract the gas, and pipe it out of the county.

Decreases in interest rates, less-than-ideal 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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