

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, 2012. It should be read in conjunction with the accompanying basic financial statements and the notes to those statements.

Financial Highlights

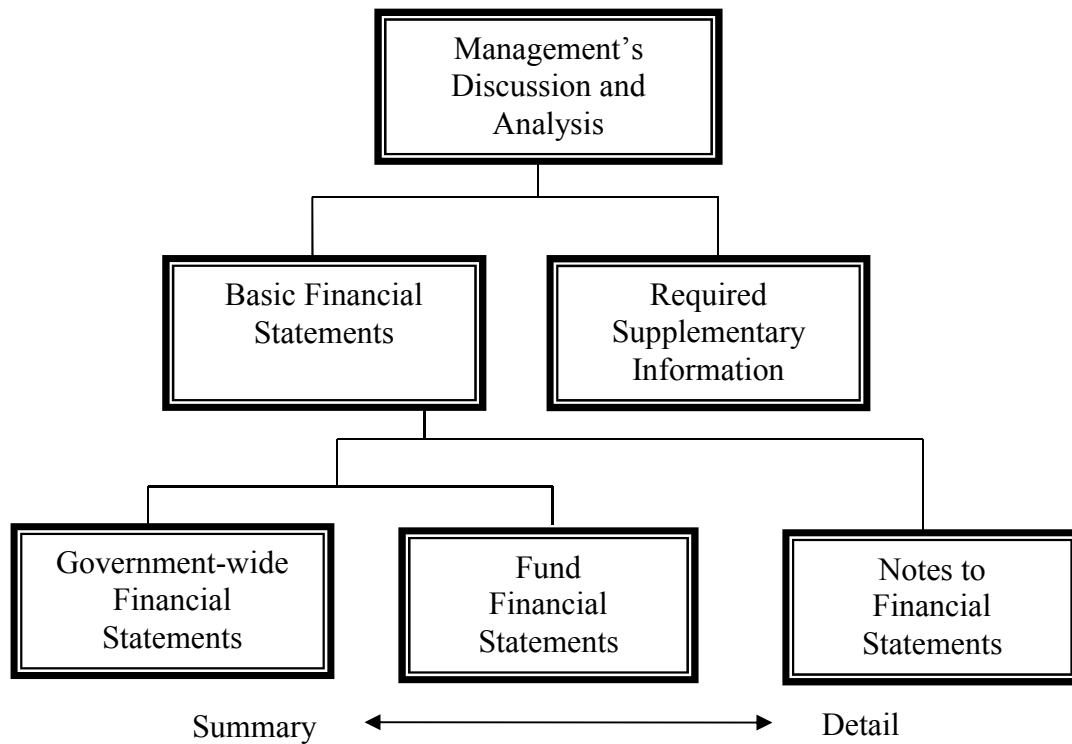
- The County received its first allocation of monies generated by Act 13 in the amount of \$3,130,609 in December. This money was mainly earmarked for infrastructure upgrades within the County and \$2.43 million was transferred to the Capital Projects Fund. \$300,000 was transferred to Children and Youth Services for 2012 and \$299,500 was deferred in the General Fund for Human Services as a Block Grant for County Year 2013. \$101,000 was retained in the General Fund for various Information Technology infrastructure upgrades, of which \$67,641 was actually spent and the remainder was deferred until 2013.
- Following a change in actuaries for the Pension Fund, it was determined that the County pension was funded at 91.7% for the year ending 2011 and, due to the County contribution in 2012, that the funding level would increase to 95% for the year ending 2012.
- The County's net position increased by \$3,920,687 in 2012, mainly due to the distribution of Act 13 funds mentioned above. The General Fund balance increased by \$290,717 and the Capital Projects Fund by \$2,182,181.
- In early 2012, it was determined that the renovations to the Courthouse performed in the late 1990s had caused some structural damage to the original roof under-structure. The County quickly moved to design and implement a repair for this situation. The majority of this work was completed in late 2012 and early 2013.
- Royalties from county-owned Marcellus Shale natural gas assets fell from 2011 levels, but still provided the County with over \$235,000 in revenue.

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Overview of the Financial Statements

This report consists of a series of financial statements. The Statement of Net Position 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. 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

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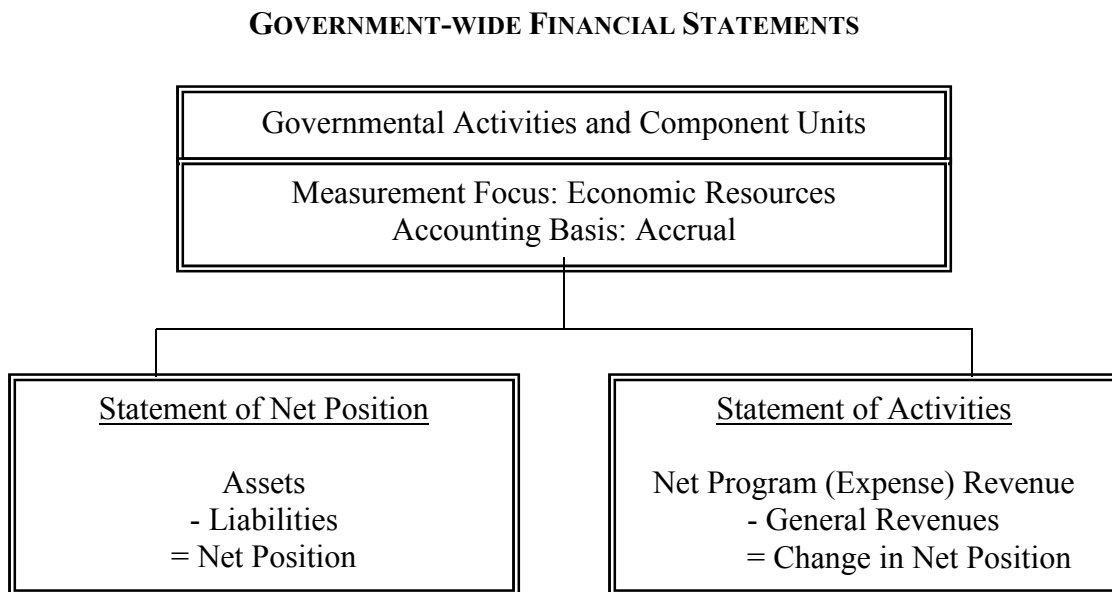
other governmental units. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

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 Position includes all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. 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 position 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 position are reported using the accrual method of accounting, which requires that revenues be

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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.

Net position is one way to measure the County's financial position. Over time, increases or decreases in the County's net position 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 financials 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. Four years are shown for comparative purposes.

Statement of Net Position

	Governmental Activities			
	2012	2011	2010	2009
Assets:				
Current and other assets	\$ 15,764,968	\$ 14,167,220	\$ 14,003,169	\$ 14,958,605
Capital assets	36,523,844	36,200,780	36,637,176	36,774,931
Total Assets	52,288,812	50,368,000	50,640,345	51,733,536
Liabilities:				
Current liabilities	4,090,561	5,400,153	5,664,401	8,928,003
Other liabilities	11,703,045	12,393,328	12,375,389	12,375,378
Total Liabilities	15,793,606	17,793,481	18,039,790	21,303,381
Net Position:				
Net investment in capital assets	25,468,524	25,069,375	25,759,579	25,839,161
Restricted	6,502,366	2,687,426	2,796,805	2,895,778
Unrestricted	4,524,316	4,817,718	4,044,171	1,695,216
Total Net Position	36,495,206	32,574,519	32,600,555	30,430,155
Total Liabilities and Net Position	\$ 52,288,812	\$ 50,368,000	\$ 50,640,345	\$ 51,733,536

	2012	2011	2010	2009
Asset-to-Liability Ratios	335%	283%	281%	243%

The County owns approximately \$36.5 million 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, it has \$3.30 of assets to match it. The County's restricted assets increased significantly in 2012, as Act 13 revenues came into the County too late in the year to spend through the General Fund, prompting their shift to the Capital Reserve Fund. All of these funds have been allocated to various projects in accordance with Act 13.

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	2012	2011	2010	2009
Asset-to-Debt Ratios	330%	325%	337%	336%

The County's liabilities fall into two categories; long-term and short-term. Our long-term liabilities are the 2008, and 2011 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.

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, *Unearned Revenue*, decreased \$1.2 million in 2012 and reflects both the spending of past years' grant revenues and the actual slowdown in the state and federal grant programs, i.e., we are spending the money we have been granted in the past but new money is not coming into the system from these sources. The second category primarily consists of *Accounts Payable*. From 2009 to 2012, the County cut its accounts payable considerably, in part due to a slowdown in capital projects, but also due to several large pass-through grants that had increased the 2009 numbers. The chart below reflects the accounts payable levels over the past four years. The County has refined its payment terms to Net 28 and makes timely payments on all Accounts Payable.

	2012	2011	2010	2009
Accounts Payable	\$1,696,819	\$1,828,055	\$1,780,389	\$3,448,466

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

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 Position 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 house, but they also have bills, a car loan, and a mortgage to pay. If the County were a person, he would have more than three 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.

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3. Greene County's asset-to-liability ratio is 3.35:1. This means that for every \$1 we owe, we hold \$3.35 in cash or assets. The County asset-to-debt ratio is \$3.30:1, which again means that for every \$1 of debt we have, we hold \$3.30 in assets. These ratios are exceptional and the chart below compares Greene County numbers to some other counties in southwestern Pennsylvania.

	<u>Greene</u>	<u>Allegheny</u>	<u>Westmoreland</u>	<u>Erie</u>
Asset to Liability Ratios	3.35 : 1	0.86 : 1	1.40: 1	1.27:1
Asset to Debt Ratios	3.30 : 1	0.95 : 1	0.76 : 1	1.37: 1
<i>Based on 2012 CAFRs, 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.

	2012			2011		
	Expenses	Program Revenues	General Revenue Required (Provided)	Expenses	Program Revenues	General Revenue Required (Provided)
Primary Government:						
General government	\$ 9,381,608	\$ 5,176,552	\$ (4,205,056)	\$ 9,112,478	\$ 2,900,437	\$ (6,212,041)
Public safety	4,403,562	1,666,377	(2,737,185)	4,050,305	957,221	(3,093,084)
Public works	110,744	193,767	83,023	950,383	403,336	(547,047)
Human services	10,130,379	9,599,230	(531,149)	8,588,904	8,310,657	(278,247)
Culture and recreation	2,322,778	1,057,913	(1,264,865)	2,291,545	1,093,511	(1,198,034)
Community and economic dev.	2,132,268	1,438,316	(693,952)	4,457,091	3,535,603	(921,488)
Unallocated depreciation	-	-	-	136,624	-	(136,624)
Interest on long-term debt	396,510	-	(396,510)	444,081	-	(444,081)
Total activities	<u>\$ 28,877,849</u>	<u>\$ 19,132,155</u>	<u>(9,745,694)</u>	<u>\$ 30,031,411</u>	<u>\$ 17,200,765</u>	<u>(12,830,646)</u>
General Revenues:						
Property taxes, levied for general purposes			11,013,494			10,619,848
Property taxes, levied for debt service			1,089,384			1,047,986
Property taxes, levied for library expenditures			109,399			106,468
Interest			49,721			46,821
Rental income			550,602			489,241
Special/misc. - transfers			-			58,482
Gain (loss) on sale of assets			(6,844)			(278,735)
Reimbursement of prior period expenditures			860,625			714,498
Total general revenues			<u>13,666,381</u>			<u>12,804,609</u>
Change in Net Position			3,920,687			(26,036)
Net Position:						
Beginning of year			32,574,519			32,600,555
End of year			<u>\$ 36,495,206</u>			<u>\$ 32,574,519</u>

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The Statement of Activities shows that the County supported its operations with \$13.7 million in general revenues, of which \$1 million was general tax revenue. While tax revenues (not rates) increased slightly, program revenues increased significantly for General Government, Public Safety, and Human Services, and decreased significantly for Public Works and Economic Development. As expenses fell in Public Works and Economic Development as well, the County ended the year with a noteworthy positive increase in its net position, the best increase since 2007.

Program Revenue Source	2012	2011	2010
Charges for services	\$ 6,757,965	\$ 3,324,617	\$ 3,333,590
Operating grants and contributions	11,666,117	10,527,125	11,829,412
Capital grants and contributions	708,073	3,349,023	2,235,483
General revenues	13,666,381	12,804,609	13,040,624

These numbers indicate renewed support by the state for County programs – but only in very specific areas and only in the area of operations; not for capital expenditures. The County has been able to offset this trend with the revenue received from Act 13 (Unconventional Gas Well Impact Fees) and other charges for service, specifically, with regard to the County Prison and the Recorder of Deeds office.

Changes in Net Position	2012	2011	2010	2009	2008	2007	2006	2005
	11%	0%	7%	5%	5%	44%	25%	6%

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:

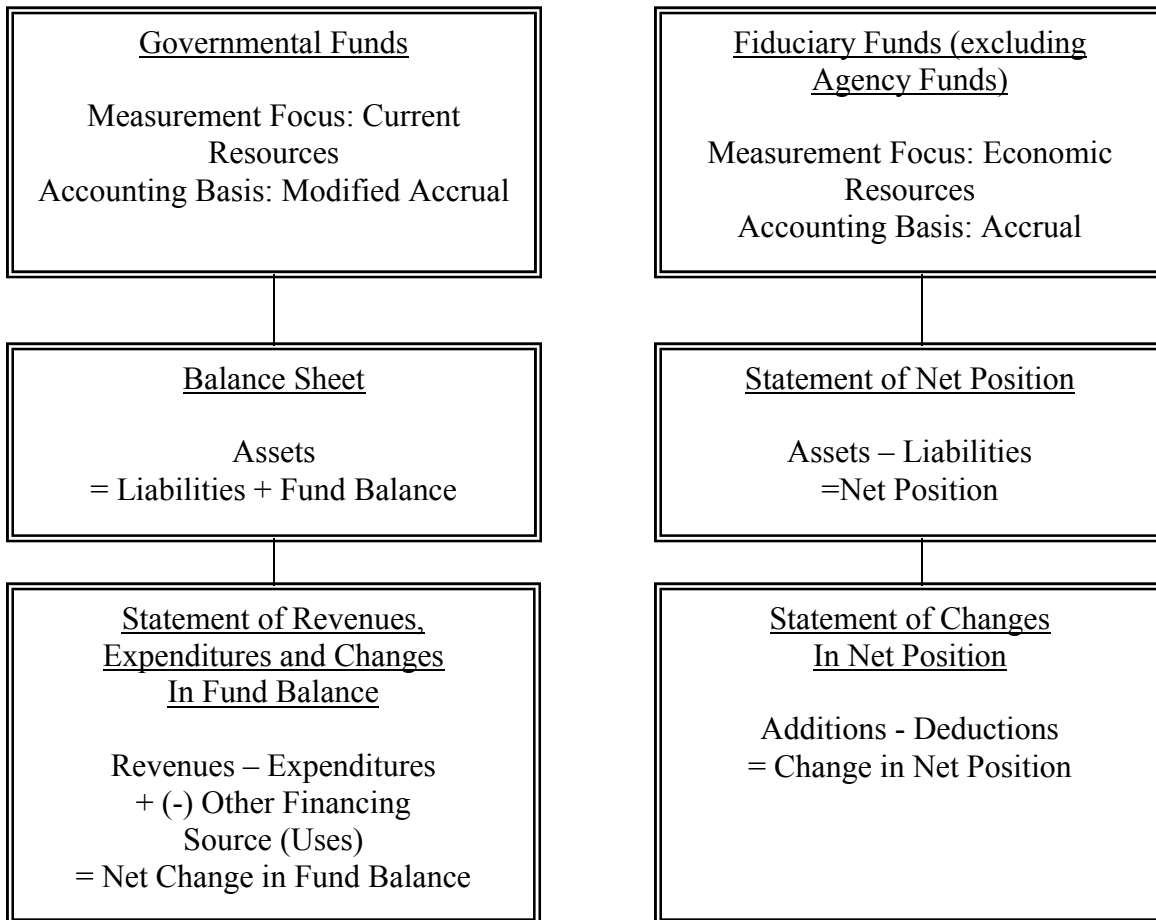
- *Governmental funds* – The County’s basic services are included in governmental funds, which focus on: (1) the in and out flow of cash and other financial assets that can be readily converted into cash, and; (2) the balance left at year-end that is available for spending. These funds are reported using 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)

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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 position and a statement of changes in fiduciary net position. 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 four funds this year that are considered *Major* funds for the purpose of GASB #34 reporting: the General Fund, Capital Projects Fund, Behavioral Health Fund, and Transportation Fund. There are 26 *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.

<u>Assets</u>	General Fund	Capital Projects Fund	Behavioral Health Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,902,439	\$ 3,390,657	\$ 1,377,497	\$ 4,207,131	\$ 10,877,724
Investments	-	1,254,969	-	20,041	1,275,010
Due from other funds	2,391,966	200,000	-	77,682	2,669,648
Due from other governments	205,025	-	-	800,505	1,005,530
Taxes receivable	1,381,871	-	-	97,843	1,479,714
Accounts receivable	515,256	-	11,402	59,606	586,264
Other assets	-	-	-	1,694	1,694
Total Assets	\$ 6,396,557	\$ 4,845,626	\$ 1,388,899	\$ 5,264,502	\$ 17,895,584
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	404,506	-	814,242	407,952	1,626,700
Accrued liabilities and withholdings	332,108	-	-	-	332,108
Due to other funds	297,672	297,012	278,396	1,799,497	2,672,577
Due to other governments	800	-	-	-	800
Unearned revenue	1,733,929	-	296,261	886,936	2,917,126
Total Liabilities	2,769,015	297,012	1,388,899	3,094,385	7,549,311
Fund Balance:					
Nonspendable	-	-	-	1,694	1,694
Restricted	2,021	4,548,614	-	1,951,731	6,502,366
Committed	-	-	-	216,692	216,692
Assigned	2,097	-	-	-	2,097
Unassigned	3,623,424	-	-	-	3,623,424
Total Fund Balance	3,627,542	4,548,614	-	2,170,117	10,346,273
Total Liabilities and Fund Balance	\$ 6,396,557	\$ 4,845,626	\$ 1,388,899	\$ 5,264,502	\$ 17,895,584

The General Fund balance sheet shows the cash available at the end of 2012 for operations in the unassigned fund balance of \$3.6 million. 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

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and *due from* when the state or federal government is slow to reimburse the County for expenditures.

The overall fund balance increased in 2012 by \$2.64 million. Royalties on the extraction of Marcellus Shale natural gas under County property, Act 13 revenue, 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 29 other County funds (3 major, 26 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 and assets increased for 2012. The liabilities decrease is mainly related to a decrease in *unearned revenue* indicating the expenditure of grant funds.

The Capital Projects Fund remained on the major funds list for 2012. Bond spending slowed as grants were being utilized first, but a transfer in of \$2.4 million from the General Fund of Act 13 monies late in 2012 gave a significant boost to this fund.

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.

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

The statement below is a very condensed version of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for 2012. 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).

Of note are the large increases in *charges for service* and in *transfers out*. The County received its first allocation of the Unconventional Gas Well Impact Fee in the amount of \$3,130,609 in December. This money was mainly earmarked for infrastructure upgrades within the County to include: \$720,000 for County bridges, \$700,000 for upgrades in the 911 Center, \$684,000 for repairs to the County Courthouse roof and other County facilities, \$169,000 for County pool repairs, and \$74,000 for the County Fairgrounds.

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\$2.43 million of the Gas Well Impact Fee was transferred to the Capital Projects Fund. \$300,000 was transferred to Children and Youth Services for 2012 and \$299,500 was deferred in the General Fund for Human Services as a Block Grant for County year 2013. \$101,000 was retained in the General Fund for various Information Technology infrastructure upgrades, of which \$67,641 was actually spent and the remainder was deferred until 2013.

	General Fund	Capital Projects	Behavioral Health
Revenues:			
Taxes	\$ 11,010,826	\$ -	\$ -
Intergovernmental	989,203	581,247	3,078,307
Charges for services, fines, and permits	5,309,137	-	-
Interest	5,587	36,248	408
Rental income	535,912	-	-
Donations	76,199	-	-
Total revenues	<u>17,926,864</u>	<u>617,495</u>	<u>3,078,715</u>
Expenditures:			
Administration	5,267,768	392,277	-
Judicial	3,162,897	-	-
Public safety	3,681,632	-	-
Public works	182,199	56,028	-
Human services	-	-	3,045,108
Culture and recreation	1,486,265	4,600	-
Conservation and economic development	1,254,325	412,811	-
Debt service	76,083	-	-
Total expenditures	<u>15,111,169</u>	<u>865,716</u>	<u>3,045,108</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>2,815,695</u>	<u>(248,221)</u>	<u>33,607</u>
Other Financial Sources (Uses):			
Transfers in	673,882	2,430,110	106,039
Other sources from sale of assets/ prior period reimbursement	311,880	292	-
Transfers out	(3,504,876)	-	(139,646)
Other uses	(5,864)	-	-
Total other financing sources (uses)	<u>(2,524,978)</u>	<u>2,430,402</u>	<u>(33,607)</u>
Net Change in Fund Balance	290,717	2,182,181	-
Fund Balance:			
Beginning of year	3,336,825	2,366,433	-
End of year	<u>\$ 3,627,542</u>	<u>\$ 4,548,614</u>	<u>\$ -</u>

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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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 2012, the fund balance increased \$290,717 for the General Fund and increased \$2,182,181 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

This fund covers Mental Health and Intellectual & Developmental Disabilities Programs. 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

Expenses under *Administration* are mainly related to two projects: In 2012, it was discovered that the roof of the original section of the Courthouse required significant reinforcement and that work was designed, performed, and completed in 2012. Additionally, all the carpeting in the Greene County Office Building was torn out and replaced due to damage from the fire in the summer of 2011. A dispute with the insurance company over the extent of the carpet replacement had held up this process.

Kirby Development LLC was again the recipient of a Redevelopment Assistance Capital Program grant in the amount of \$412,000 for 2012 that was utilized to build additional capacity at the Mt. Morris Meadow Ridge Industrial Park. 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 single expenditure for 2012 is in *Economic Development* and is related to the pass-through grants mentioned above.

As noted previously, this year was a little unusual with respect to both the General Fund and the Capital Projects Fund, as Act 13 monies flowed into the County very late in the year. The County knew this money was coming and the Board of Commissioners had budgeted the money for a variety of projects, but as those projects could not all be completed in the three weeks prior to the end of the year, the majority of the money, \$2.43 million, was transferred to the Capital Projects Fund, as allowed by Act 13 guidelines.

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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 or Act 13 (though there are deferred revenues with respect to the grants) and the budget does not end until that money is spent or all the grant projects are complete. With this in mind, the *fund balance* for the Capital Projects Fund simply reflects the remaining bond, Act 13, and grant funds at the end of the year.

Other Governmental Funds

The 26 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 \$395,056 for 2012, although the County's General Fund still had to contribute funds to regulate cash flow during the year for that fund.

Fiduciary Funds

The County reports three funds under the Statement of Net Assets – Fiduciary Funds. Of these, two 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 third fund in this group is a *Trust* fund; the County Pension Plan. The chart below shows the growth and decline of the Pension Net Position 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	2012	2011	2010	2009	2008
S&P Index growth (decline)	13.41%	0.00%	12.78%	23.00%	-35.61%
Pension net position growth (decline)	14.04%	5.85%	18.36%	24.31%	-15.68%
County contribution	\$799,125	\$736,803	\$755,000	\$528,000	\$413,000

The County annually 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.

The County pension was funded at 91.7% for the year ending 2011 and, due to the County contribution in 2012, the funding level would increase to 95% for the year ending 2012. This is significant, as the entire pension investments are expected to return at least 7% per year. The unfunded portion of that investment, of course, has no return so the higher the funded percentage and the better the investment performance, the lower the contribution burden on the County's General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Greene</u>	<u>Allegheny</u>	<u>Westmoreland</u>	<u>Erie</u>
Pension funding levels	91.70%	55.40%	83.90%	84.60%
	<i>as of 1/1/2012</i>	<i>as of 1/1/2012</i>	<i>As of 1/1/2013</i>	<i>As of 1/1/2013</i>

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

**GENERAL FUND BUDGETARY HIGHLIGHTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY**

The County budget process for any given year starts five months before the year begins and continues throughout the 12 months of that year. For 2012, when the preliminary budget was passed in 2011, 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.

During the course of the year, 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.

The chart below is an exact version of the Budget and 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 2012 and the main additions were to include grants that were approved or funded after the budget cycle.

As noted throughout this document, the Act 13 allocation was received in December so charges for service in the revenue section and Transfers Out are completely outside the budget for 2012. While we knew the allocation was coming and had an amount told to us, as this was the first time we had received the allocation, we did not, per County Code guidelines, include it in the budget. To amend the budget in late December served no purpose.

Federal grants came in over budget mainly due to the HUD (Housing) grant being renewed for 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget & Actual – General Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 10,860,498	\$ 10,860,498	\$ 11,010,826	\$ 150,328
Licenses and permits	20,700	20,700	31,887	11,187
Fines and forfeits	210,000	210,000	170,822	(39,178)
Intergovernmental	890,013	990,407	989,203	(1,204)
Charges for services	1,562,460	1,663,035	5,106,428	3,443,393
Interest	10,000	10,000	5,587	(4,413)
Rental income	473,132	481,432	535,912	54,480
Donations	54,812	73,812	76,199	2,387
Total revenues	14,081,615	14,309,884	17,926,864	3,616,980
Expenditures:				
General government - administration	6,078,793	5,069,093	5,267,768	(198,675)
General government - judicial	2,511,707	2,977,563	3,162,897	(185,334)
Public safety:				
Corrections	2,520,746	2,977,158	3,150,401	(173,243)
EMA/911	426,796	455,292	531,231	(75,939)
Public works:				
Airport	103,235	154,705	182,199	(27,494)
Culture and recreation:				
Parks and recreation	1,132,057	1,298,072	1,486,265	(188,193)
Tourism	6,954	10,613	13,963	(3,350)
Conservation and economic development:				
Conservation/development	97,628	102,871	94,020	8,851
Housing/community development	71,454	123,759	102,422	21,337
Economic development	1,076,511	1,145,326	1,043,920	101,406
Debt service:				
Debt principal payment	-	-	76,083	(76,083)
Total expenditures	14,025,881	14,314,452	15,111,169	(796,717)
Excess (Deficiency) of Revenues Over Expenditures	55,734	(4,568)	2,815,695	2,820,263
Other Financing Sources (Uses):				
Transfers in	417,230	417,230	673,882	256,652
Other sources from sale of assets/prior perio	155,925	222,682	311,880	89,198
Transfers out	(725,792)	(725,792)	(3,504,876)	(2,779,084)
Other uses	-	-	(5,864)	(5,864)
Total other financing sources (uses)	(152,637)	(85,880)	(2,524,978)	(2,439,098)
Net Change in Fund Balance	\$ (96,903)	\$ (90,448)	\$ 290,717	\$ 381,165

The uncollected local revenue, for the most part, is due to the 911 Center. The County expected approximately \$188,000 from the wireless fund for reimbursements but is shown near the bottom of the statement as a *transfer in*. The additional difference was not paid due to a shortfall in the wireline/wireless funds. This entire situation is

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

On the expenses, 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.

Actual expenditures in *Community and Economic Development* were under budget, as budgeted grant funds were not fully expended. Under-spending in *Conservation* was the result of salary savings. Many departments throughout the County ended the year under budget.

The over-budget amounts in many departments are related to Act 13 expenditures. Other departments (specifically the Jail and Maintenance) had higher expenses, but these were covered by higher revenues. Finally, some projects/expenses were approved without offsetting revenue (but covered by fund balance): namely, a self-service fuel system at the airport, higher costs in the court system related to changes imposed by the judges and the number of court cases, and unforeseen maintenance costs in various buildings.

Other sources from assets/prior period reimbursements was up significantly due to payments from the state on previous years' District Attorneys' salary and the Community Services Block Grant prior period payment.

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 \$3,616,980, while expenditures (and other items) were under budget by \$2,439,098. Taking the Act 13 money out of these numbers yields revenue over budget by \$486,371 and expenditures over budget by only \$8,988.

Summary

The many favorable financial ratios, reduction of debt, and the completion of major development projects indicate that the County continues to be well-managed with respect to budget, policy, investment, control, and audit.

In many respects, the County has been insulated from the national economic slowdown. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the County to drill the wells, extract the gas, and pipe it out of the County. The County government has benefited in the same way and the Act 13 revenue has helped offset the reduction in federal and state spending.

Decreases in interest rates, sharp reductions in state and federal grants, and slow reimbursements are, however, all causes for concern and warrant increased watchfulness on the part of the 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