

# **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 financial performance presents a narrative overview for the fiscal year ended December 31, 2013. It should be read in conjunction with the accompanying basic financial statements and the notes to those statements.

## **Financial Highlights**

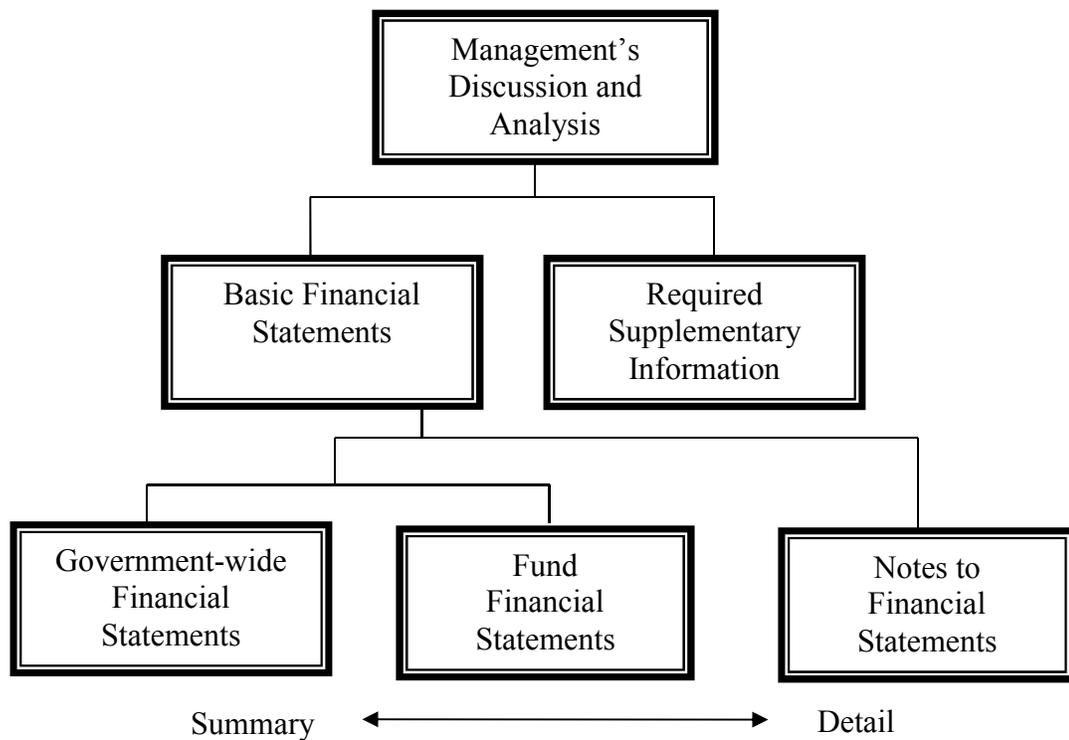
- The County received its second allocation of monies generated by Act 13 in the amount of \$2,906,300 in July. This money was mainly earmarked for infrastructure upgrades within the County (\$1,775,000), Housing Projects (\$550,000), Children and Youth Services (\$300,000) and Records management, Information Technology infrastructure upgrades, and GIS upgrades (\$149,910). The remainder was allocated as local grants to the 16 local volunteer fire companies and as a grant to a local water authority.
- The Greene County Pension Fund, on 1/1/2013 was determined to be 98.2% funded. By year-end the County reached a funding level of \$107.5%. The County will continue to add monies to the pension fund annually to insure a fully funded status even in year's when the market under-performs.
- In late 2013 the County started the process of refunding the 2008 Bond series and this process completed in early January of 2014. A rigorous selection process was used to determine the managing underwriter for the Refunding Series of 2014 and Janney Montgomery Scott delivered a savings of \$260,104 (4.95%) to the County.
- As part of the Bond refunding process, The County of Greene received an upgraded Standard and Poor's Rating of A+ (Stable). The rationale for this upgrade has been included in the Summary of this report.
- Royalties from county-owned Marcellus Shale natural gas assets fell from 2011 and 2012 levels, but still provided the County with over \$165,000 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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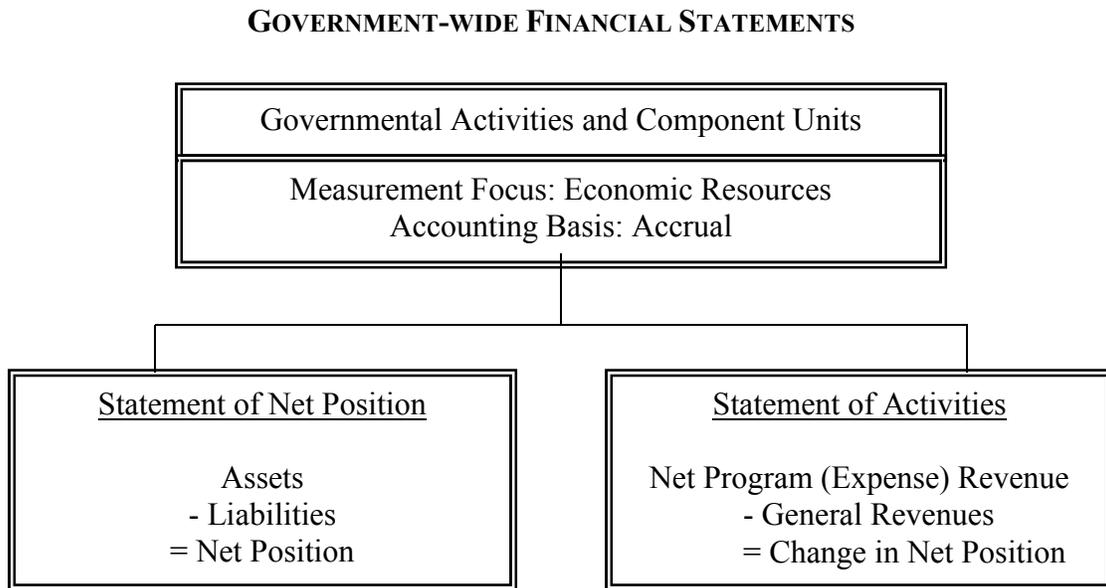
other governmental units. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

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			
	2013	2012	2011	2010
<b>Assets:</b>				
Current and other Assets	\$ 19,332,811	\$ 15,764,968	\$ 14,167,220	\$ 14,003,169
Capital Assets	39,763,123	36,523,844	36,200,780	36,637,176
<b>Total Assets</b>	<u>\$ 59,095,934</u>	<u>\$ 52,288,812</u>	<u>\$ 50,368,000</u>	<u>\$ 50,640,345</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 7,069,267	\$ 4,090,561	\$ 5,400,153	\$ 5,664,401
Other Liabilities	11,004,691	11,703,045	12,393,328	12,375,389
<b>Total Liabilities</b>	<u>18,073,958</u>	<u>15,793,606</u>	<u>17,793,481</u>	<u>18,039,790</u>
<b>Net Position:</b>				
Net investment in, capital assets	28,633,534	25,468,524	25,069,375	25,759,579
Restricted	6,581,685	4,943,670	2,687,426	2,796,805
Unrestricted	5,806,757	6,083,012	4,817,718	4,044,171
<b>Total Liabilities         and Net Position</b>	<u>\$59,095,934</u>	<u>\$52,288,812</u>	<u>\$50,368,000</u>	<u>\$50,640,345</u>

	2013	2012	2011	2010
Asset-to-Liability Ratio's	327%	331%	283%	281%

The County owns approximately \$39.8 million in assets and the County debt directly related to these assets is just over \$11 million. The difference of \$28.7 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 \$3.60 of assets to match it. The County's capital assets and unrestricted assets increased significantly in 2013, while liabilities decreased and debt remained fairly consistent as Act 13 revenues allows the County to upgrade infrastructure without incurring additional debt. Our liabilities with respect to the bonds also decreased as the County met its obligations with respect to bond payments without issuing new debt.

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	2013	2012	2011	2010
Asset-to-Debt Ratio's	360%	330%	325%	337%

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*, increased \$1.67 million in 2013 and mainly reflects unspent monies in special revenue funds such as Human Services and the Redevelopment Authority. The second category primarily consists of *Accounts Payable*. 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.

	2013	2012	2011	2010
Accounts Payable	\$2,626,630	\$1,696,819	\$1,828,055	\$1,780,389

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 Position 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.
3. Greene County's asset-to-liability ratio is 3.27:1. This means that for every \$1 we owe, we hold \$3.27 in cash or assets. The County asset-to-debt ratio is \$3.60:1, which again means that for every \$1 of debt we have, we hold \$3.60 in assets. These ratios are exceptional and are one of the reasons the County received an upgraded Standard and Poor's Rating of A+ (Stable).

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### 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.

	2013			2012		
	Expenses	Program Revenues	General revenue required (provided)	Expenses	Program Revenues	General revenue required (provided)
<b>Primary Government:</b>						
General Gov.	9,608,994	6,163,871	(3,445,123)	9,381,608	5,176,551	(4,205,056)
Public safety	4,400,992	955,677	(3,445,315)	4,403,562	1,666,377	(2,737,185)
Public works	1,229,641	142,365	(1,087,276)	110,744	193,767	83,023
Human services	8,122,113	8,176,862	54,749	10,130,379	9,599,230	(531,149)
Culture & Rec	1,871,632	1,223,974	(647,657)	2,322,778	1,057,913	(1,264,865)
Community & Econ Dev	1,967,229	1,531,940	(435,289)	2,132,268	1,438,316	(693,952)
Unallocated Deprec.	135,532	-	(135,532)	-	-	-
Interest-Long-term debt	526,709	-	(526,709)	396,510	-	(396,510)
<b>Total activities</b>	<b>27,862,842</b>	<b>18,194,690</b>	<b>(9,668,152)</b>	<b>28,877,849</b>	<b>19,132,154</b>	<b>(9,745,694)</b>
<b>General revenues:</b>						
Property taxes, levied for general purposes			10,726,863			11,013,494
Property taxes, levied for debt service			1,082,248			1,089,384
Property taxes, levied for library expenditures			107,546			109,399
Interest			46,828			49,721
Rental income			457,562			550,602
Gain (loss) on sale of assets			(200,049)			(6,844)
Reimbursement of prior period expenditures			1,973,924			860,625
<b>Total general revenues</b>			<b>14,194,922</b>			<b>13,666,381</b>
<b>Change in net assets</b>			<b>4,526,770</b>			<b>3,920,687</b>
<b>Net Assets:</b>						
Beginning of year			36,495,206			32,574,519
End of year			<b>41,021,976</b>			<b>36,495,206</b>

The Statement of Activities shows that the County supported its operations with \$14.2 million in general revenues, of which \$10.7 million was general tax revenue. While tax revenues (not rates) decreased slightly, program revenues increased for General Government, Economic Development, and Culture & Recreation, and decreased for Public Works, Public Safety, and Human Services. As expenses also fell in Human Services significantly as well as in Culture & Recreation and Economic Development, the County ended the year with an 11% increase in its net position for the second year in a row.

Program Revenue Source	2013	2012	2011
Charges for Services	\$7,036,268	\$6,757,965	\$3,324,617
Operating Grants and Contributions	10,537,335	11,666,117	10,527,125
Capital Grants and Contributions	621,087	708,073	3,349,023
General Revenues	18,194,690	19,132,155	12,804,609

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As the above chart shows, revenue streams have been volatile over the last couple years. The County has been able to normalize its cash flows 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	2013	2012	2011	2010	2009	2008	2007	2006
	11%	11%	0%	7%	5%	5%	44%	25%

### FUND FINANCIAL STATEMENTS

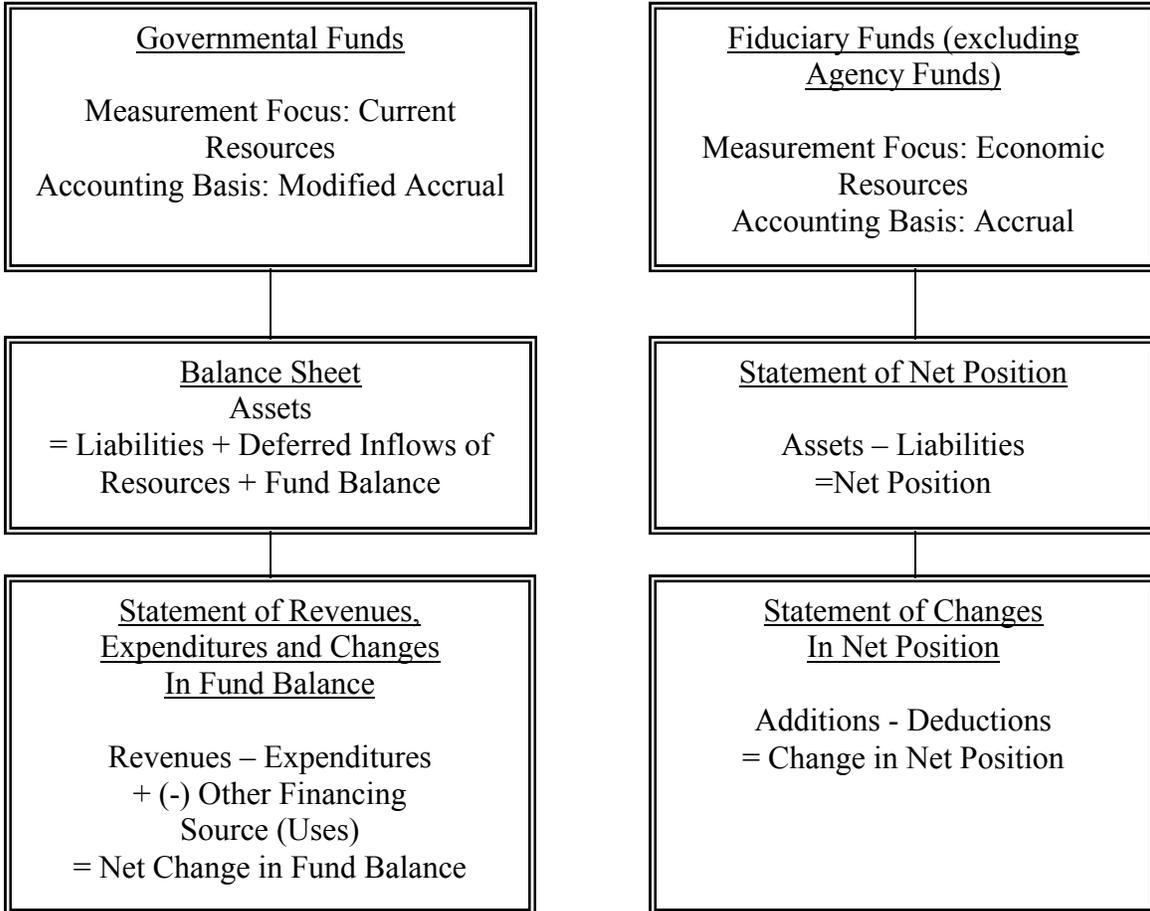
The fund financial statements provide more detailed information about the County's most significant funds (determined by GASB #34), not the County as a whole. Funds are accounting groups that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds 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 Position 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 net position – fiduciary funds and a statement of changes in net position – fiduciary

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funds. 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.



**Governmental Funds**

Greene County has three funds this year that are considered *Major* funds for the purpose of GASB #34 reporting: the General Fund, Capital Projects Fund, and Behavioral Health 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.

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	General Fund	Behavioral Health	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,100,802	\$ 1,785,326	\$ 3,875,143	\$ 4,757,097	\$ 14,518,368
Investments	-	-	1,289,718	26,052	1,315,770
Due from other funds	3,144,714	-	200,000	963,796	4,308,510
Due from other governments	156,893	25,335	-	1,198,735	1,380,963
Taxes receivable	1,448,404	-	-	34,436	1,482,840
Accounts receivable	134,935	2,800	-	103,651	241,386
Other assets	-	-	-	1,864	1,864
<b>Total Assets</b>	<b>\$ 8,985,748</b>	<b>\$ 1,813,461</b>	<b>\$ 5,364,861</b>	<b>\$ 7,085,631</b>	<b>\$ 23,249,701</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 873,476	\$ 762,979	\$ 101,868	\$ 843,597	\$ 2,581,920
Accrued liabilities and withholdings	421,936	-	-	-	421,936
Due to other funds	1,151,791	327,156	901,117	1,870,373	4,250,437
Due to other governments	36	-	-	-	36
Unearned revenue	908,069	723,326	51,628	1,870,513	3,553,536
<b>Total Liabilities</b>	<b>3,355,308</b>	<b>1,813,461</b>	<b>1,054,613</b>	<b>4,584,483</b>	<b>10,807,865</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues - property taxes	1,279,102	-	-	-	1,279,102
<b>Fund Balance:</b>					
Non-spendable	-	-	-	1,864	1,864
Restricted	2,021	-	4,310,248	2,269,416	6,581,685
Committed	-	-	-	261,826	261,826
Assigned - General Fund - HRA	14,619	-	-	-	14,619
Unassigned	4,334,698	-	-	(31,958)	4,302,740
<b>Total Fund Balance</b>	<b>4,351,338</b>	<b>-</b>	<b>4,310,248</b>	<b>2,501,148</b>	<b>11,162,734</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 8,985,748</b>	<b>\$ 1,813,461</b>	<b>\$ 5,364,861</b>	<b>\$ 7,085,631</b>	<b>\$ 23,249,701</b>

The General Fund balance sheet shows the cash available at the end of 2013 for operations in the unassigned fund balance of \$4.35 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 and *due from* when the state or federal government is slow to reimburse the County for expenditures.

The overall fund balance increased in 2013 by \$723,796. Act 13 revenues, and continued high levels of 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.

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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 28 other County funds (2 major, 26 other).

As major funds can change from year to year, comparative figures are not shown; but the increase in cash and equivalents of 2.2 million in the General Fund from 2012 to 2013 drove assets, liabilities and fund balance increases, with the notable exception of a decrease in unearned revenue.

The Capital Projects Fund remained on the major funds list for 2013. The remainder of the 2006 Bond funds were spent on infrastructure repairs at the Courthouse, and the transfer in from the General Fund of Act 13 monies in mid-2013, and the reserves from 2012 Act 13 monies give the capital projects fund a very healthy balance sheet.

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 unearned 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 2013. 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).

As was noted in 2012, the large increases in *charges for service* and in *transfers out* are due to, in this case, the second allocation of the Unconventional Gas Well Impact Fee in the amount of \$2,906,300 in July of 2013. This money was earmarked for infrastructure upgrades within the County (\$1,775,000), housing projects (\$550,000), Children and Youth Services (\$300,000) and records management, information technology infrastructure upgrades, and GIS upgrades (\$149,910). The remainder was allocated as local grants to the 16 local volunteer fire companies and as a grant to a local water authority.

This money is show as a Charge for Service in the General Fund and then is transferred out to the Capital Projects fund. While expenditures (and revenue) decreased in the General Fund from 2012 to 2013, quite a few capital expenditure projects were completed through the Capital Projects Fund and will be discussed below.

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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.

	General Fund	Capital Projects	Behavioral Health
<b>Revenues:</b>			
Taxes	\$ 10,698,487	\$ -	\$ -
Intergovernmental	843,387	451,197	2,197,649
Charges for services, Fines, & Permits	5,762,397	-	-
Interest	1,789	39,393	288
Rental income	442,022	-	-
Donations	60,074	-	-
Total revenues	17,808,156	490,590	2,197,937
<b>Expenditures:</b>			
Administration	4,800,473	1,138,729	-
Judicial	3,357,239	-	-
Public safety:	3,789,426	1,077,143	-
Public works:	142,716	695,943	-
Human services:	-	-	2,117,820
Culture and recreation:	1,456,941	164,763	-
Conservation & economic development:	1,074,085	58,000	-
Debt service:	79,154	-	-
Total expenditures	14,700,034	3,134,578	2,117,820
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>3,108,122</b>	<b>(2,643,988)</b>	<b>80,117</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	705,748	2,405,622	58,633
Other sources from sale of assets/ prior period reimbursement	208,181	-	-
Transfers out and Other	(3,297,564)	-	(138,750)
Other uses	(691)	-	-
Total other financing sources (uses)	(2,384,326)	2,405,622	(80,117)
<b>Net Change in Fund Balance</b>			
Beginning of year	3,627,542	4,548,614	-
End of year	\$ 4,351,338	\$ 4,310,248	\$ -

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 2013, the fund balance increased \$723,796 for the General Fund and decreased \$238,366 for the Capital Projects Fund. While the

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Balance Sheet tells us what the fund balance is at the end of a year, the Revenue and Expense Statement tells us where 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**

Expenditures from the Capital Projects Fund include Act 13 funds from both the 2012 and 2013 allocations, as well as Bond funds. Expenses under *Administration* are mainly related to renovations of county buildings, primarily the Courthouse (\$570,000) and pass-thru funding for the Jackson Run Flood Mitigation Project, Kirby Development, and the Mining Technology & Training Center (collectively, \$343,610) as well as other smaller projects.

*Public Safety* projects included the building of a kitchen at the Greene County Prison (\$489,220) and upgrades to the EMA and 911 Center radio system (\$587,923).

*Public Works* projects consisted primarily of renovations at the Greene County Airport (\$679,598). This project was undertaken with the use of bond funds. Several projects related to roads and bridges are also in this category.

*Culture and Recreation* contains various projects at the County pools and Fairgrounds and a Housing and Community Development grant is shown under *Conservation and Economic Development*.

As noted previously, there is an interesting correlation between the General Fund and Capital Projects Fund as Act 13 monies flow into the County. Revenues and expenses are increased in the General Fund by approximately \$3 million. Act 13 Funds that are needed for current year projects are retained in the General Fund but the bulk of the funding is transferred to Capital Projects. Capital-type expenditures in the General Fund are held to a minimum as these projects are shifted to the Capital Projects Fund.

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

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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.

### **Fiduciary Funds**

The County reports three funds under the Statement of Net Position – 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's Employees 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	2013	2012	2011	2010	2009
S&P Index growth (decline)	29.60%	13.41%	0.00%	12.78%	23.00%
Pension Net Assests growth (decline)	19.24%	14.04%	5.85%	18.36%	24.31%
County Contribution	\$556,000	\$799,125	\$736,803	\$755,000	\$528,000

The County annually contributes to the Pension Fund and 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. Even with good positive market performance, the County continued strong contributions in 2012 and 2013 (above the recommendation for 2013) and the funding level increased per the above chart to 107.5%. 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.

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 2013, when the preliminary budget was passed in 2012, 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.

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 only two line items were changed in 2013 *Intergovernmental* was reduced to adjust for actual grant revenue and the *Charges for Service* were increased to include the actual amount of Act 13 funding. As the County had just received the first payment very late in the 2013 budget process, it was deemed prudent to not include the full amount of the second payment until we were sure we would get the payment and knew the exact amount.

Even with the increase in *Charges for Service*, that line item came in over-budget by almost half a million dollars. The drivers for this, as in past years, are the Register & Recorder's office and the Greene County Prison. The County of Greene takes a fairly conservative approach to budgeting revenue and while these 2 offices have continued to enjoy high revenue levels, we know that could change during the course of a year. Therefore, these two offices are normally budgeted with lower revenue than the previous year actual.

Rental income came in under-budget as royalties from the County's Marcellus well did not meet expectations. This situation is the inverse of the Charges for Service situation. We had a reasonable expectation that this revenue stream would remain strong and then someone decided to cut the production of the well. Fortunately, the County's financial forecasts determined that this situation was not serious and indeed the County ended the year \$464,489 over-budget in the revenue section.

Budget revisions in expenditures are largely due to benefit allocations done after the beginning of the budget year and cost-of-living raises applied to management mid-year. The judicial departments were over-budget significantly. This is due to changes in procedures at the Courts that changed the order in which cases were heard. This change has caused significant overtime and has increased the costs for court-appointed attorneys.

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) had higher expenses, but these were covered by higher

## MANAGEMENT'S DISCUSSION AND ANALYSIS

revenues. Finally, some projects/expenses were approved without offsetting revenue (but covered by fund balance):

### Budget & Actual – General Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 10,638,439	\$ 10,638,439	\$ 10,698,487	\$ 60,048
Licenses and permits	21,500	21,500	39,924	18,424
Fines and forfeits	185,000	185,000	145,303	(39,697)
Intergovernmental	1,887,047	757,758	843,387	85,629
Charges for services	1,827,165	5,083,828	5,577,170	493,342
Interest	6,100	6,100	1,789	(4,311)
Rental income	597,835	597,835	442,022	(155,813)
Donations	53,207	53,207	60,074	6,867
<b>Total revenues</b>	<b>15,216,293</b>	<b>17,343,667</b>	<b>17,808,156</b>	<b>464,489</b>
<b>Expenditures:</b>				
General government - administration	6,168,708	4,939,719	4,800,473	139,246
General government - judicial	2,671,726	3,183,011	3,357,239	(174,228)
Public safety:				
Corrections	2,679,754	3,154,507	3,231,256	(76,749)
EMA/911	451,564	502,167	558,170	(56,003)
Public works:				
Airport	112,825	121,259	142,716	(21,457)
Culture and recreation:				
Parks and recreation	1,140,711	1,318,186	1,456,941	(138,755)
Tourism	6,524	10,153	4,447	5,706
Conservation and economic development:				
Conservation/development	99,379	106,310	97,949	8,361
Housing/community development	104,068	110,276	48,815	61,461
Economic development	1,017,937	1,029,361	922,874	106,487
Debt service:				
Debt principal payment	79,154	79,154	79,154	-
<b>Total expenditures</b>	<b>14,532,350</b>	<b>14,554,103</b>	<b>14,700,034</b>	<b>(145,931)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>683,943</b>	<b>2,789,564</b>	<b>3,108,122</b>	<b>318,558</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	508,040	508,040	705,748	197,708
Other sources from sale of assets/prior period reimbursement	48,052	48,053	208,181	160,128
Transfers out	(1,240,035)	(3,345,657)	(3,297,564)	48,093
Other uses	-	-	(691)	(691)
<b>Total other financing sources (uses)</b>	<b>(683,943)</b>	<b>(2,789,564)</b>	<b>(2,384,326)</b>	<b>405,238</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 723,796</b>	<b>\$ 723,796</b>

Several other departments exceeded budget. These trends were noted during the course of 2013 but were not deemed significant enough to revise the budget for, especially given the revenue trends. The County ended the year \$145,931 over-budget in expenses.

Under *Other Financing Sources (Uses)*, the budget revision was for the Act 13 Allocation that was transferred out to the Capital Projects Fund.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The difference between the original and final amended General Fund budget was significant but mainly related to Act 13.

### **Summary**

The best summary for this year can be taken directly from highlights of the *Standard & Poor's Published Rationale* for upgrading the County of Greene's credit rating:

The rating reflects our opinion of the following factors for the county, including its:

#### **Very strong budget flexibility**

In our opinion, the city's budgetary flexibility remains very strong, with reserves above 20% of expenditures for the past several years and no plans to spend the reserves down.

#### **Very Strong Liquidity**

Supporting the county's finances is what we consider to be very strong liquidity... We believe the county has strong access to external liquidity.

#### **Strong Budgetary Performance**

The county's budgetary performance, in our view, was strong during fiscal 2012 ... year to date fiscal 2013 results (Dec 31 fiscal year end) currently show a surplus of \$500,000 to \$600...

#### **Strong Debt & Contingent Liability Profile**

In our opinion, the county's debt and contingent liabilities profile is strong ... We understand that the county does not plan to issue more debt, but plans to finance any capital needs with pay-as-you-go funds and grants.

#### **Strong Management Policies**

We view the county's management conditions as strong given management consistent ability to maintain balanced operations in addition to standard financial practices under Standard & Poor's Financial Management Assessment (FMA) methodology,

### **OUTLOOK**

The stable outlook reflects Greene County's limited but stable local economy as well as very strong liquidity and budgetary flexibility and strong budgetary performance. While we are uncertain of the long-term sustainability of the economic benefits generated by the increasing presence of the natural gas drilling industry, we believe the county's economic indicators could improve over the long term, providing additional rating stability. With limited capital needs, we expect the county's debt profile to remain strong.

This report, in our view, provides reputable, independent confirmation of Greene County's management policies. The report also notes our weakness, which we understand and acknowledge; we are a small county. Disruptive financial or economic conditions, at a national level or from inside the county, over a short period of time, can affect us adversely if we do not take a long-term, fiscally conservative approach.

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

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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  
93 East High Street  
Waynesburg, PA 15370