

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, 2014. It should be read in conjunction with the accompanying basic financial statements and the notes to those statements.

Financial Highlights

- The County received its third allocation of monies generated by Act 13 in the amount of \$3,627,570.45 in June. This money was earmarked for infrastructure upgrades within the County (\$3,190,350), Courthouse Security & Judicial Services (\$240,039), Records Management, Information Technology infrastructure, and GIS upgrades (\$205,000), Recreation (\$19,254) and grants to local authorities for water & sewer upgrades (\$19,166).
- The Greene County Pension Fund, on 1/1/2014, was determined to be 107.5% funded. 45% of Pennsylvania County pension plans are underfunded and Greene County has dedicated considerable time and resources to achieve a 100% funded position over the past 12 years. The County will continue to add monies to the pension fund annually to insure a fully funded status even in years when the market under-performs.
- In January 2014, the County completed the process of refunding the 2008 Bond series. 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. This savings was used to lower future debt payments. As part of the Bond refunding process, the County received an upgraded Standard and Poor's Rating of A+ (Stable).
- As noted above, the County focused significant resources on upgrading building security for the Greene County Courthouse and other County buildings. The Sheriff's Office staff was expanded to include security officers that man the entry points of the Courthouse and the main Human Services and Domestic Relations offices. In addition, the five "Uptown" county buildings were secured with access point card readers and interior and exterior digital cameras. A physical access control system allows employees to be provided with proximity cards that specifically allow or limit access to each area. This Security grant, in the amount of \$407,560, was provided by the Department of Homeland Security.

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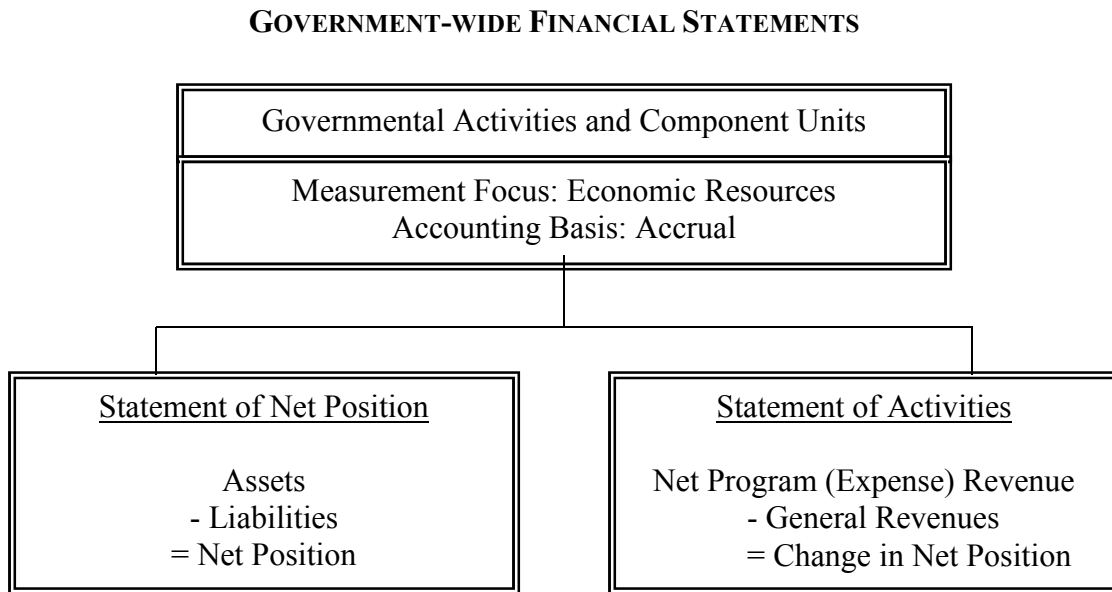
other governmental units. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

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

Assets:	Governmental Activities			
	2014	2013	2012	2011
Current and other Assets	\$ 19,589,440	\$ 19,332,811	\$ 15,764,968	\$ 14,167,220
Capital Assets	42,867,696	39,763,123	36,523,844	36,200,780
Total Assets	62,457,136	59,095,934	52,288,812	50,368,000
Liabilities:				
Current Liabilities	6,170,124	7,069,267	4,090,561	5,400,153
Other Liabilities	10,564,582	11,004,691	11,703,045	12,393,328
Total Liabilities	16,734,706	18,073,958	15,793,606	17,793,481
Net Position:				
Net Investment in Capital Assets	32,205,456	28,707,802	25,468,524	25,069,375
Restricted	7,219,565	4,756,443	4,943,670	2,687,426
Unrestricted	6,297,409	7,557,731	6,083,012	4,817,718
	45,722,430	41,021,976	36,495,206	32,574,519
Total Liabilities and Net Position	62,457,136	59,095,934	52,288,812	50,368,000

The County owns approximately \$42.9 million in assets and the County debt directly related to these assets is \$10.7 million. The difference of \$32.2 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 \$4.02 of assets to match it. The County's capital assets and unrestricted assets increased significantly in 2014, while liabilities decreased and debt decreased as Act 13 revenues allow 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.

	2014	2013	2012	2011
Asset-to-Debt Ratio's	402%	360%	330%	325%

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The County's liabilities fall into two categories; long-term and short-term. Our long-term liabilities are the 2011 and 2014 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.

	2014	2013	2012	2011
Asset-to-Liability Ratio's	373%	327%	283%	281%

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 21% in 2014 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.

	2014	2013	2012	2011
Accounts Payable	2,206,061	2,626,629	1,696,819	1,828,055

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 mainly Act 13 proceeds; and Debt Service, which is the money dedicated to paying off the County bonds. Unrestricted net assets are cash or other assets that have no external or legal restrictions regarding their use.

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-and-a-half times more money in the bank than bills and loans to pay, and his house would be worth over four 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 7.23% of its revenue for debt.
3. Greene County's asset-to-liability ratio is 3.73:1. This means that for every \$1 we owe, we hold \$3.73 in cash or assets. The County asset-to-debt ratio is 4.02:1, which again means that for every \$1 of debt we have, we hold \$4.02 in

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assets. These ratios are exceptional and are one of the reasons the County received an upgraded Standard and Poor's Rating of A+ (Stable).

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.

Primary Government:	2014			2013		
	Expenses	Program Revenues	General revenue required (provided)	Expenses	Program Revenues	General revenue required (provided)
General Gov.	10,227,315	7,722,052	(2,505,263)	9,608,994	6,163,871	(3,445,123)
Public safety	4,274,660	1,514,352	(2,760,308)	4,400,992	955,677	(3,445,315)
Public works	2,804,609	1,358,428	(1,446,181)	1,229,641	142,365	(1,087,276)
Human services	8,142,589	7,674,019	(468,570)	8,122,113	8,176,862	54,749
Culture & Rec	1,462,614	1,202,002	(260,612)	1,871,632	1,223,974	(647,657)
Community & Econ Dev	2,651,869	2,119,811	(532,058)	1,967,229	1,531,940	(435,289)
Unallocated Deprec.	136,623	-	(136,623)	135,532	-	(135,532)
Interest-Long-term debt	468,581	-	(468,581)	526,709	-	(526,709)
Total activities	30,168,860	21,590,664	(8,578,196)	27,862,842	18,194,690	(9,668,152)
General revenues:						
Property taxes, levied for general purposes			11,321,903			10,726,863
Property taxes, levied for debt service			1,094,490			1,082,248
Property taxes, levied for library expenditures			111,548			107,546
Interest			21,874			46,828
Rental income			496,406			457,562
Gain (loss) on sale of assets			(30,741)			(200,049)
Reimbursement of prior period expenditures			263,170			1,973,924
Total general revenues			13,278,650			14,194,922
Change in net position			4,700,454			4,526,770
Net Position:						
Beginning of year			\$ 41,021,976			\$ 36,495,206
End of year			\$ 45,722,430			\$ 41,021,976

The Statement of Activities shows that the County supported its operations with \$13 million in general revenues, of which \$11.3 million was general tax revenue. While tax revenues (not rates) increased slightly, program revenues also increased for all areas of government except Human Services and Culture & Recreation. As expenses also rose in Human Services, the County was forced to allocate tax revenues to the difference (commonly referred to as an *unfunded mandate* - in this case almost completely attributable to the new state "Sandusky Laws").

Program Revenue Source	2014	2013	2012
Charges for Services	7,772,988	7,036,267	6,757,965
Operating Grants and Contributions	10,931,581	10,537,336	11,666,117
Capital Grants and Contributions	2,886,095	621,087	708,073
General Revenues	21,590,664	18,194,690	19,132,155

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As the above chart shows, revenue streams have been volatile over the last few 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, while dealing with large swings in Operating Grants.

Changes in Net Position	2014	2013	2012	2011	2010	2009	2008	2007
	11%	11%	11%	0%	7%	5%	5%	44%

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:

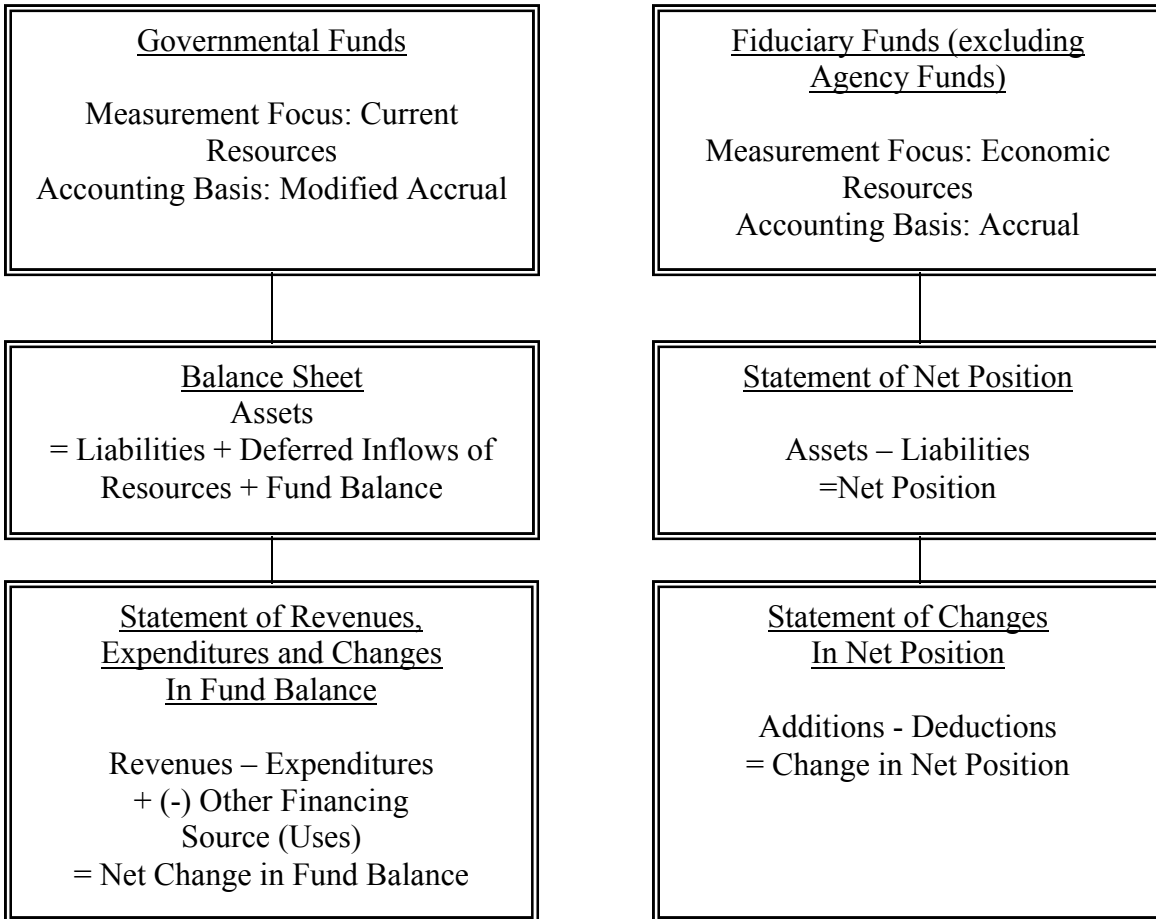
- *Governmental funds* – The County's basic services are included in governmental funds, which focus on: (1) the in and out flow of cash and other financial assets that can be readily converted into cash, and; (2) the balance left at year-end that is available for spending. These funds are reported using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

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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 four funds this year that are considered *Major* funds for the purpose of GASB #34 reporting: the General Fund, Capital Projects Fund, Children and Youth Services Fund, and the Behavioral Health Fund. There are 25 *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	Children and Youth	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 3,238,699	\$ 1,591,617	\$ 107,695	\$ 2,931,468	\$ 5,920,155	\$ 13,789,634
Investments	-	-	-	1,296,214	151,180	1,447,394
Due from other funds	2,378,356	84,275	-	200,000	276,207	2,938,838
Due from other governments	401,044	17,237	907,812	-	536,005	1,862,098
Taxes receivable	1,347,944	-	-	-	41,640	1,389,584
Accounts receivable	305,054	2,756	2,076	-	166,475	476,361
Other assets	-	-	-	-	940	940
Total Assets	\$ 7,671,097	\$ 1,695,885	\$ 1,017,583	\$ 4,427,682	\$ 7,092,602	\$ 21,904,849
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable	\$ 718,210	\$ 576,185	\$ 282,397	\$ 174,714	\$ 430,593	\$ 2,182,099
Accrued liabilities and withholdings	483,884	-	-	-	-	483,884
Due to other funds	352,426	314,004	728,507	112,689	1,355,030	2,862,656
Due to other governments	207	-	-	-	-	207
Unearned revenue	193,219	805,696	6,679	-	1,905,654	2,911,248
Total Liabilities	1,747,946	1,695,885	1,017,583	287,403	3,691,277	8,440,094
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	1,148,300	-	-	-	-	1,148,300
Fund Balance:						
Non-spendable	-	-	-	-	940	940
Restricted	2,022	-	-	4,140,279	3,077,264	7,219,565
Committed	24,225	-	-	-	323,176	347,401
Unassigned	4,748,604	-	-	-	(55)	4,748,549
Total Fund Balance	4,774,851	-	-	4,140,279	3,401,325	12,316,455
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,671,097	\$ 1,695,885	\$ 1,017,583	\$ 4,427,682	\$ 7,092,602	\$ 21,904,849

The General Fund balance sheet shows the cash available at the end of 2014 for operations in the unassigned fund balance of \$4.77 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 2014 by \$423,513. 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.

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 (3 major, 25 other).

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As major funds can change from year to year, comparative figures are not shown; but decreases in liabilities, mainly in the *Due to other funds* line, allowed for a 423 thousand dollar fund balance increase,

The Capital Projects Fund remained on the major funds list for 2014. While assets decreased, liabilities also decreased and there for the fund balance only decreased by 170 thousand dollars.

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 2014. 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 *charges for service* and *transfers out* reflect the third allocation of the Unconventional Gas Well Impact Fee in the amount of \$3,627,570.45 in June. This money was earmarked for infrastructure upgrades within the County (\$3,190,350), Courthouse Security & Judicial Services (\$240,039), Records Management, Information Technology infrastructure, and GIS upgrades (\$205,000), Recreation (\$19,254) and grants to local authorities for water & sewer upgrades (\$19,166).

This money is shown as a Charge for Service in the General Fund and then is transferred out to the Capital Projects Fund. While revenue and expenditures increased in the General Fund from 2013 to 2014, quite a few capital expenditure projects were completed through the Capital Projects Fund and will be discussed below.

The other financing sources (uses) section shows specifically *transfers in*, *other sources*, and *transfers out* and *other uses*. *Transfers in* are made up of administrative fees paid to the General Fund by departments that have their own source of revenues and that are allowed to reimburse the County for specific expenses (i.e., phone service, office space, payroll services, and computer services). These include all Human Services departments, Tourism, Domestic Relations, the 911 Center, and a portion of Adult Probation.

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	General Fund	Behavioral Health	Children and Youth	Capital Projects
Revenues:				
Taxes	\$ 11,367,223	\$ -	\$ -	\$ -
Intergovernmental	1,702,374	2,424,196	2,632,777	1,053,781
Charges for services, Fines, & Permits	6,380,558	-	90,512	-
Interest	4,637	184	33	9,871
Rental income	480,296	-	-	-
Donations	92,899	-	-	-
Total revenues	20,027,987	2,424,380	2,723,322	1,063,652
Expenditures:				
Administration	5,513,875	-	-	694,964
Judicial	3,492,414	-	-	68,056
Public safety:	3,752,170	-	-	336,886
Public works:	53,786	-	-	2,356,230
Human services:	-	2,392,880	2,989,459	-
Culture and recreation:	1,631,692	-	-	1,167,378
Conservation & economic development:	1,558,262	-	-	-
Debt service:	82,349	-	-	-
Total expenditures	16,084,548	2,392,880	2,989,459	4,623,514
Excess (Deficiency) of Revenues				
Over Expenditures	3,943,439	31,500	(266,137)	(3,559,862)
Other Financing Sources (Uses):				
Transfers in	571,546	-	392,494	3,389,893
Other sources from sale of assets/ prior period reimbursement	211,960	-	-	-
Transfers out and Other	(4,303,432)	(31,500)	(126,357)	-
Bond Proceeds, Payments, & Premiums	-	-	-	-
Total other financing sources (uses)	(3,519,926)	(31,500)	266,137	3,389,893
Net Change in Fund Balance				
Beginning of year	4,351,338	-	-	4,310,248
End of year	4,774,851	-	-	4,140,279

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 2014, the fund balance increased \$423,513 for the General Fund and decreased \$169,969 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 where the money was spent, and who paid for it.

Behavioral Health & Children and Youth Services Funds

These funds cover the Mental Health and Intellectual & Developmental Disabilities Programs and the Children and Youth Services fund. 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*).

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The Capital Projects Fund and ACT 13 Impact Fee Projects

Expenditures from the Capital Projects Fund include Act 13 funds from all three annual allocations the County has received to date. The remaining Bond monies in this Fund were entirely expended in 2014. Expenses under *Administration* are mainly related to pass-thru funding for Southwest Regional Medical Center (\$487,500) renovations of County buildings (\$139,445), IT and Records management upgrades (collectively, \$39,079) as well as other smaller projects.

Projects under *Judicial* in the amount of \$68,056 included upgrades for the Court of Common Pleas and a grant to Southwestern PA Legal Services.

Public Safety projects in the amount of \$336,886 included the building of a kitchen at the Jail and upgrades to Courthouse Security (both personnel and equipment).

Public Works projects consisted primarily of renovations at the Greene County Airport (\$1,329,497), bridge and road renovations (\$647,556) and continuing work on the Jackson Run Stormwater Runoff project (\$379,177).

Culture and Recreation contains various projects completed for the Department of Parks and Recreation including upgrades to the MonView Pool, renovation of several buildings at the Fairgrounds, and a grant to Greensboro Borough for a Canoe and Kayak Launch as well as other smaller projects for a combined total of \$1,109,692.

Many Act 13 projects are ongoing and cross over fiscal years. 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 Act 13 money and grant funds at the end of the year. For the year ending 2014, that amount is \$4,623,514. Each of the three annual Act 13 allocations have remaining funds represented in that amount and the status and budget for each project is tracked by the County on an ongoing basis.

Other Governmental Funds

The 25 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 financial statements and the notes to those statements.

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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.

<u>Assets</u>	<u>Employees Pension Plan</u>	<u>Tax Claim Bureau</u>	<u>Escrow Accounts</u>
Cash and cash equivalents	\$ 85,444	\$ 234,069	\$ 931,817
Investments	22,590,957	-	-
Due from other funds	22,744	-	1,218
Accounts receivable	73,920	-	-
Total Assets	<u>22,773,065</u>	<u>234,069</u>	<u>933,035</u>
<u>Liabilities</u>			
Due to other governments	-	234,069	832,891
Due to other funds	-	-	100,144
Total Liabilities	<u>-</u>	<u>\$ 234,069</u>	<u>\$ 933,035</u>
<u>Net Position</u>			
Net Position Restricted for Pension Benefits	<u>\$ 22,773,065</u>		

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	2014	2013	2012	2011	2010
S&P Index growth (decline)	11.39%	29.60%	13.41%	0.00%	12.78%
Pension Net Assets growth (decline)	9.43%	19.24%	14.04%	5.85%	18.36%
County Contribution	\$550,000	\$556,000	\$799,125	\$736,803	\$755,000

It is important to note that additions to the pension fund (including the County and employee contributions and market value increases) and deductions from the pension fund (in the form of pension benefits, refunds of contributions and administrative expenses) are included in the above *Pension Net Assets growth* line in the above chart.

The County contributes to the pension fund annually and this contribution is based on an actuarial valuation that is partially reimbursed by state programs such as Children & Youth Services and Human Services.

The Greene County Pension Fund, on 1/1/2014, was determined to be 107.5% funded. Given the difference in performance in 2013 vs. 2014, that percentage dropped slightly by the end of 2014 to 106.7%. While the actuarial determined Annual Required Contribution for 2014 was \$299,640, the County contributed \$550,00 to the pension fund to insure a fully funded status even in years when the market under-performs. This is

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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.

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 2014, when the preliminary budget was passed in 2013, the County did not yet have many of the benefit rates for the upcoming year, various assessment issues had not been finalized, The Act 13 allocation amount was unknown, 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. Mid-2014, in conjunction with the budget revision for management cost-of-living raises, various revenue lines were also increased as grant amounts were finalized and the actual amount of the 2014 Act 13 allocation became known. *Federal* and *State* Grants amounts were increased as well as *Charges for Service* (Act 13) and *Donations*.

Even with the increase in *Charges for Service*, that line item came in over-budget by 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 two 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.

State Grants also exceeded expectations due to Deferred Revenue and Flow-thru Grants while *Federal* grants came in under budget as housing revenues (and expenditures) were lower than expected.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget & Actual – General Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 11,028,190	\$ 11,028,190	\$ 11,367,223	\$ 339,033
Licenses and permits	25,871	25,871	27,271	1,400
Fines and forfeits	180,000	180,000	165,914	(14,086)
Intergovernmental	658,017	720,701	1,702,374	981,673
Charges for services	4,558,738	5,686,308	6,187,373	501,065
Interest	5,700	5,700	4,637	(1,063)
Rental income	470,665	470,665	480,296	9,631
Donations	118,762	129,577	92,899	(36,678)
Total revenues	17,045,943	18,247,012	20,027,987	1,780,975
Expenditures:				
General government - administration	4,728,280	4,602,264	5,513,875	(911,611)
General government - judicial	2,831,268	3,298,833	3,492,414	(193,581)
Public safety:				
Corrections	2,804,941	3,312,690	3,230,048	82,642
EMA/911	463,859	505,223	522,122	(16,899)
Public works:				
Airport	67,985	67,985	53,786	14,199
Culture and recreation:				
Parks and recreation	1,241,895	1,436,864	1,631,692	(194,828)
Tourism	16,460	24,000	24,252	(252)
Conservation and economic development:				
Conservation/development	104,919	113,881	106,235	7,646
Housing/community development	203,768	205,921	143,121	62,800
Economic development	1,156,258	1,213,810	1,284,654	(70,844)
Debt service:				
Debt principal payment	-	-	82,349	(82,349)
Total expenditures	13,619,633	14,781,471	16,084,548	(1,303,077)
Excess (Deficiency) of Revenues Over Expenditures	3,426,310	3,465,541	3,943,439	477,898
Other Financing Sources (Uses):				
Transfers in	394,493	426,005	571,546	145,541
Other sources from sale of assets/prior period reimbursement	161,563	217,361	211,960	(5,401)
Transfers out	(4,224,838)	(4,224,838)	(4,303,432)	(78,594)
Total other financing sources (uses)	(3,668,782)	(3,581,472)	(3,519,926)	61,546
Net Change in Fund Balance	\$ (242,472)	\$ (115,931)	\$ 423,513	\$ 539,444

Other notable Final-to-Actual variances were seen in higher than anticipated revenues from Tax Claim (*Taxes*) and lower than expected donations from the 911 Center. The County ended the year with revenue over the budgeted amount by \$1,780,975.

Budgeted expenses were increased across all departments except for two – *General Government* and the *Airport*. This is due to the budget revision for the benefit allocations. Benefits are budgeted in approximate lump sum amounts in the Finance Department until the actual rates are determined and then allocated out to all other departments – with the notable exception of the *Airport* which contains no personnel expenses.

Other adjustments to budgeted expenses were made during the mid-year budget revision discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Actual expenditures in *General Government – Administration* were well over budget (\$911,611) as two large unbudgeted grants (Accessible Dreams and PHARE) passed thru the County as noted above in the revenue discussion. Expenditures in *General Government – Judicial* were also over budget due to growth in the Court of Common Pleas and Sheriff's office.

Expenditures in *Public Safety – Corrections*, in contrast to the growth in the Court System, were under budget as the Greene County Prison inmate counts were down during 2014.

Several other departments exceeded budget. These trends were noted during the course of 2014 but were not deemed significant enough to revise the budget, especially given the revenue trends. The County ended the year \$1,303,077 over budget in expenses.

Larger than expected *Transfers In* (\$145,541) were due to 911 Wireless fund reimbursements to the County which had been behind during 2013 and larger than anticipated *Transfers Out* (-\$78,594) were due to the County Transportation program.

The County ended the year with \$423,513 more revenue than expenses.

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.

Greene County Government has been able to maintain a trend of reducing debt and liabilities, generating additional revenue, and increasing the fund balance year after year. Both 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 employees 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 Act 13 Funding has allowed the County to direct additional resources to departments and infrastructure that are impacted by the Marcellus Shale activity in the County.

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
93 East High Street
Waynesburg, PA 15370