

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, 2016. It should be read in conjunction with the accompanying basic financial statements and the notes to those statements.

Financial Highlights

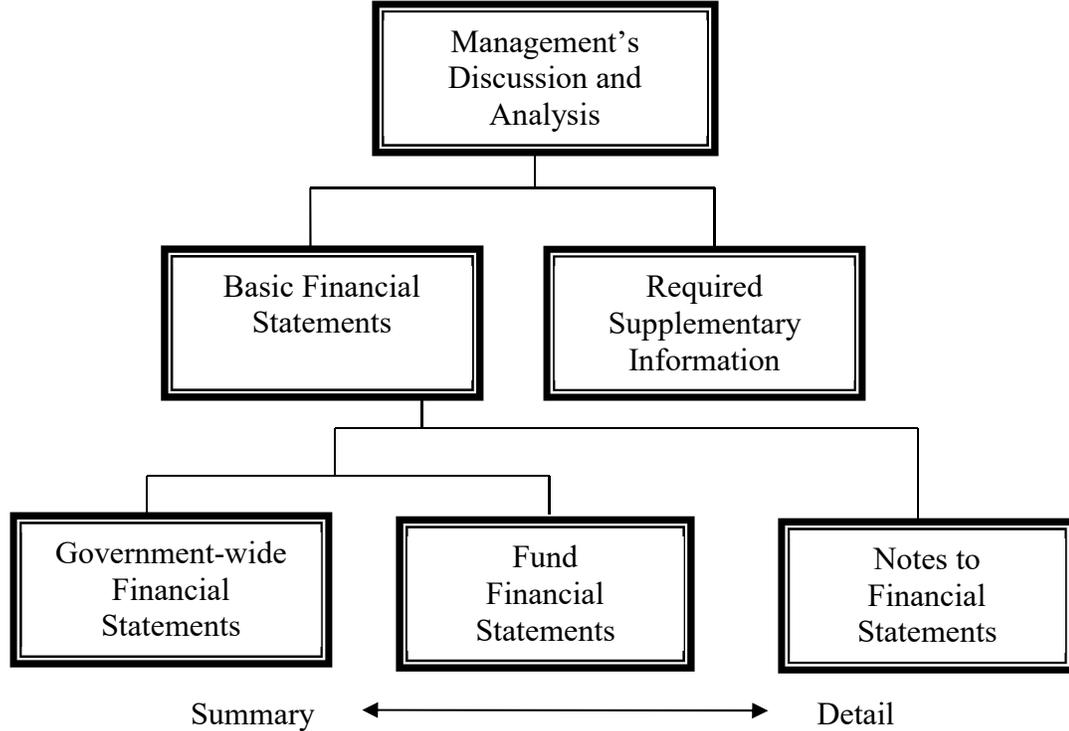
- The County received its fifth allocation of monies generated by Act 13 in the amount of \$3,940,156 in June 2016. This money was earmarked for emergency management upgrades within the County (\$148,000), environmental and recreation programs (\$421,000), transfer to the capital reserve (\$538,944), law and order services (\$1,257,312), records management, information technology infrastructure, and GIS upgrades (\$533,000) to include an allocation for a new election system, and the delivery of human services (\$1,041,800).
- The County had a negative change in net position for 2016 of 0.4%. The County spent \$176,780 more than it brought in over all funds and had decreases in fund balance in the General Fund and Capital Projects funds of \$1,028,301 and \$1,228,630 respectively.
- In January of 2016, the County completed the process of refunding the 2011 Bond series. Janney Montgomery Scott delivered a savings of \$368,814 (6.66%) to the County on future debt payments. As part of the Bond refunding process, Standard & Poor's confirmed the County's 2014 Rating of A+ (Stable).

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:

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REQUIRED COMPONENTS OF THE FINANCIAL STATEMENTS



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 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.

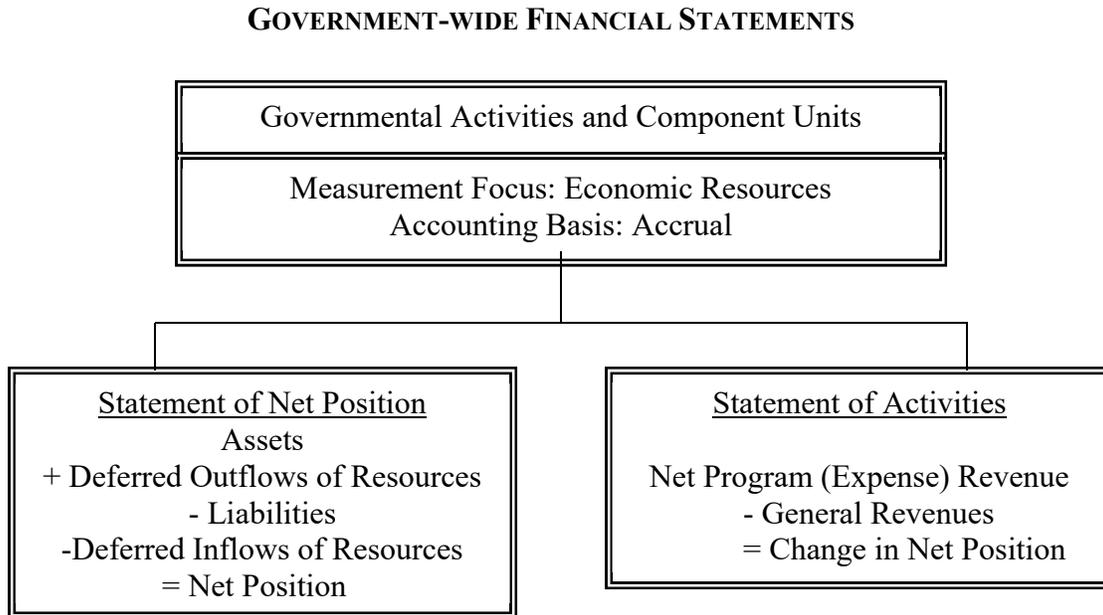
The financial statements also include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements as well as required supplementary information regarding the County's budget. In addition to these required 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.

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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, deferred outflows of resources liabilities, and deferred inflows of resources, except fiduciary funds, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. This statement serves a purpose similar to that of the balance sheet 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 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

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administrative government as general government, and judicial government is presented separately. Four years are shown for comparative purposes.

Statement of Net Position

	Governmental Activities			
	2016	2015	2014	2013
Assets:				
Current and Other Assets	\$ 21,838,415	\$ 22,951,148	\$ 19,168,702	\$ 19,332,811
Capital Assets	48,468,466	45,455,081	42,867,697	39,763,123
Total Assets:	<u>70,306,881</u>	<u>68,406,229</u>	<u>62,036,399</u>	<u>59,095,934</u>
Deferred Outflow of Resources:				
Pension	1,627,568	2,158,388	-	-
Liabilities:				
Current Liabilities	9,792,453	7,929,337	6,272,672	7,069,267
Other Liabilities	9,415,247	9,741,422	10,702,240	11,004,691
Total Liabilities	<u>19,207,700</u>	<u>17,670,759</u>	<u>16,974,912</u>	<u>18,073,958</u>
Deferred Inflows of Resources:				
Pension	9,671	-	-	-
Net Position				
Net Investment in Capital Assets	38,818,786	35,713,659	32,165,456	28,707,802
Restricted	4,160,427	4,174,089	4,931,683	4,756,443
Unrestricted	9,737,865	13,006,110	7,964,348	7,557,731
Total Net Position	<u>\$ 52,717,078</u>	<u>\$ 52,893,858</u>	<u>\$ 45,061,487</u>	<u>\$ 41,021,976</u>

The County owns approximately \$48.5 million in capital assets and the County debt directly related to these assets is \$9.7 million. The difference of \$38.8 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 \$5.02 of assets to match it. The Asset-to-Debt ratio shows a very positive increase in 2016, following another positive increase in 2015. The County's assets and liabilities increased at approximately the same rate, while unrestricted net position decreased. Our liabilities with respect to unearned revenue increased significantly due to the deferral of 2016 impact fees into 2017.

	2016	2015	2014	2013
Asset-to-Debt Ratio's	502%	467%	401%	401%

In the above statement, Deferred Outflows (Inflows) of Resources is defined as a consumption (acquisition) of net assets by the government that is applicable to a future reporting period and reflects the differences between expected and actual experience and the difference between projected and actual earnings on the County's pension plan investments. This will be covered in more detail in the section on Fiduciary funds.

The County's liabilities fall into two categories; long-term and short-term. Our long-term liabilities are the 2016 and 2014 bonds. A specified portion of the collected taxes are paid

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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.

	2016	2015	2014	2013
Asset-to-Liability Ratio's	365%	387%	365%	365%

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 52% in 2016 and mainly reflects deferrals of the 2016 Impact Fee into the 2017 budget for law and order, human services, environmental programs, records management, and information technology. 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 bill payments.

	2016	2015	2014	2013
Accounts Payable	2,366,755	2,939,327	2,396,188	2,626,629

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 the restricted and unrestricted net position. The County's restricted net position are twofold: Debt Service, which is the money dedicated to paying off the County bonds and other purposes, which are restricted for use in various manners. The unrestricted net position is 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 over three and a half times more money in the bank than bills and loans to pay, and his house would be worth over five times what was left to pay on the mortgage.
2. Greene County's asset-to-liability ratio is 3.65:1. This means that for every \$1 owed, we hold \$3.65 in cash or assets.
3. The County asset-to-debt ratio is 5.02:1, which again means that for every \$1 of debt we have, we hold \$5.02 in assets.

These ratios are exceptional and have remained stable, or increased positively, over several years.

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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.

Functions/Programs	2016			2015		
	Expenses	Program Revenues	General Revenue Required (Provided)	Expenses	Program Revenues	General Revenue Required (Provided)
Primary government:						
Governmental activities:						
General government	\$ 11,781,824	\$ 6,222,160	\$ (5,559,664)	\$ 9,578,656	\$ 6,107,331	\$ (3,471,325)
Public safety	5,100,358	1,185,006	(3,915,352)	4,558,566	1,592,035	(2,966,531)
Public works	788,548	1,569,817	781,269	1,511,856	2,591,063	1,079,207
Human services	9,513,311	8,497,633	(1,015,678)	9,770,581	8,313,932	(1,456,649)
Culture and recreation	2,747,209	1,017,501	(1,729,708)	2,754,140	1,096,747	(1,657,393)
Conservation and econ dev	3,220,301	1,480,384	(1,739,917)	1,801,598	2,367,859	566,261
Unallocated depreciation	150,325	-	(150,325)	150,325	-	(150,325)
Interest and amortization	215,413	-	(215,413)	202,786	-	(202,786)
Total activities	\$ 33,517,289	\$ 19,972,501	\$ (13,544,788)	\$ 30,328,508	\$ 22,068,967	\$ (8,259,541)
General revenues:						
Property taxes, levied for general purposes			11,467,031			11,579,193
Property taxes, levied for debt service			1,098,420			1,144,995
Property taxes, levied for library expenditures			111,300			113,199
Interest			65,305			27,486
Rental income			379,141			314,327
Gain (loss) on sale of assets			(190,830)			(38,364)
Reimbursement of prior period expenditures			437,641			683,721
Total general revenues			13,368,008			13,824,557
Change in Net Position			(176,780)			5,565,016
Net Position:						
Beginning of year			52,893,858			47,328,842
End of year			\$ 52,717,078			\$ 52,893,858

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The Statement of Activities shows that the County supported its operations with almost \$13.4 million in general revenues, of which \$11.5 million was general tax revenue. Tax revenues (not rates) and program revenues decreased slightly, while expenses increased overall though some areas did have decreases. It is important to note that Act 13 funds are considered program revenue, not tax revenue, and therefore as the County focuses those resources in different departments over the years, large swings in the program revenue can occur.

<u>Program Revenue Source</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charges of Services	\$ 5,464,798	\$ 7,093,042	\$ 7,772,988
Grants and Contributions	14,172,218	11,689,643	10,931,581
Capital Grants and Contributions	335,485	3,286,282	2,886,095
General Revenues	<u>\$ 19,972,501</u>	<u>\$ 22,068,967</u>	<u>\$ 21,590,664</u>

As the above chart shows, revenue streams have been unstable 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) revenue. Generally, the County has seen a steady increase in its net position over the long term but as seen in the below chart, we have experienced a decrease in our net position in 2016.

<u>Changes in</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net	0%	12%	11%	11%	11%	0%	7%	5%

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:

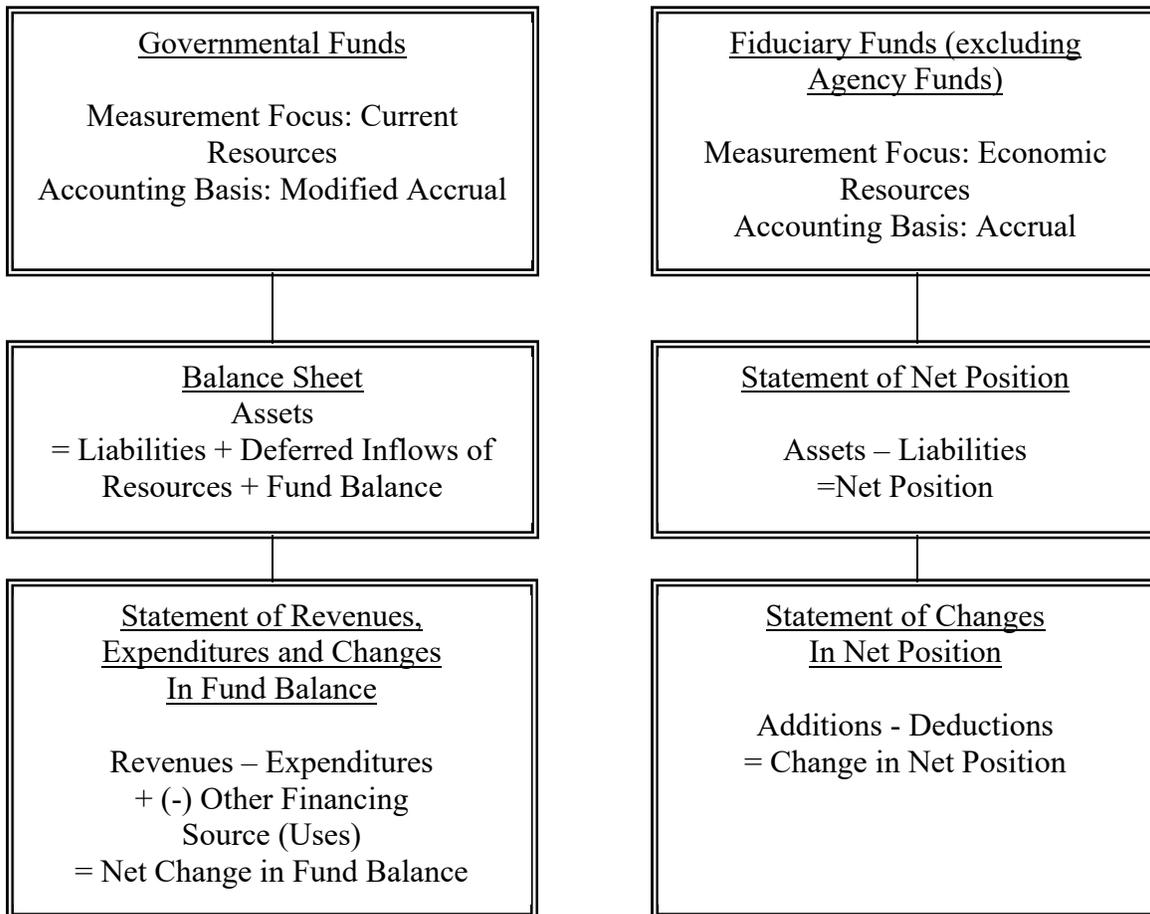
- *Governmental funds* – The County's basic services are included in governmental funds, which focus on: (1) the in and out flow of cash and other financial assets that can be readily converted into cash, and; (2) the balance left at year-end that is available for spending. These funds are reported using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

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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, Children and Youth Services Fund and the Behavioral Health Fund. There are 23 *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.

	General Fund	Behavioral Health	Human Services	Children and Youth	Capital Projects
Assets					
Cash and cash equivalents	\$ 4,726,381	\$ 689,056	\$ 287,978	\$ 147,337	\$ 3,328,699
Investments	-	-	-	-	1,306,615
Due from other funds	2,778,559	1,319,294	426,272	402,574	-
Due from other governments	103,666	66,610	117,541	1,175,789	-
Taxes receivable	1,388,654	-	-	-	-
Accounts receivable	284,855	2,400	23,115	2,315	-
Other assets	-	-	-	26,745	-
Total Assets	<u>\$ 9,282,115</u>	<u>\$ 2,077,360</u>	<u>\$ 854,906</u>	<u>\$ 1,754,760</u>	<u>\$ 4,635,314</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 707,778	\$ 226,772	\$ 128,991	\$ 381,707	\$ -
Accrued liabilities and withholdings	686,543	-	-	-	-
Due to other funds	817,972	971,782	562,449	1,314,930	487,775
Due to other governments	-	-	-	-	-
Unearned revenue	2,743,837	878,806	163,466	58,123	-
Total Liabilities	<u>4,956,130</u>	<u>2,077,360</u>	<u>854,906</u>	<u>1,754,760</u>	<u>487,775</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	1,204,276	-	-	-	-
Fund Balance:					
Non-spendable	-	-	-	-	-
Restricted	2,026	-	-	-	-
Committed	2,806	-	-	-	-
Assigned	-	-	-	-	4,147,539
Unassigned	3,116,877	-	-	-	-
Total Fund Balance	<u>3,121,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,147,539</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 9,282,115</u>	<u>\$ 2,077,360</u>	<u>\$ 854,906</u>	<u>\$ 1,754,760</u>	<u>\$ 4,635,314</u>

The General Fund balance sheet shows the cash available at the end of 2016 for operations in the unassigned fund balance of \$3.12 million. This fund balance allows County operations, in conjunction with the TAN Loan, to continue at the beginning of the year

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(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.

This statement also has *Deferred Inflows of Resources*; in this case, *Unavailable revenues - property taxes*. Where *unearned revenue* is money the County has received but not spent, *deferred inflows* are money the County is owed but has not yet collected.

The General Fund total fund balance decreased in 2016 by \$1,028,301. As will be noted in the Budget section of this report, when Act 13 revenue is brought into the General Fund and either spent or deferred into the following year, large swings in Assets, Liabilities, Revenue, Expenses, and the budget occur. The County is moving to correct this by bringing Act 13 revenue into the Capital Projects fund in the future. The intent of the Act 13 Impact Fee is to address impacts to the County with respect to the Marcellus Shale drilling industry and to do that the County must spend this revenue. In previous years we were not able to spend more than we brought in but in 2016 the County did indeed spend more of the Impact Fee than we received in both the General Fund and Capital Projects fund.

As was noted above, the General 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 27 other County funds (4 major, 23 other).

The Capital Projects Fund remained on the major funds list for 2016 as assets decreased by \$1,776,242 and the fund balance decreased \$1,228,630.

The Behavioral Health Fund and Children & Youth Fund show no fund balance as, by law, it cannot "carry" funds from one year to the next. 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 2016. 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 fifth allocation of monies generated by Act 13 in the amount of \$3,940,156. This money was earmarked for Emergency Management upgrades within the County (\$148,000), Environmental and Recreation (\$421,000), Transfer to the Capital Reserve (\$538,944), Law & Order Services

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(\$1,257,312), Records management, Information Technology infrastructure, and GIS upgrades (\$533,000) to include an allocation for a new election system, and the delivery of Human Services (\$1,041,800).

This money is shown as a Charge for Service in the General Fund and then a portion was transferred out to the Capital Projects fund. The remaining balance was then deferred for projects within the General Fund for 2017. While revenue decreased slightly in the General Fund from 2015 to 2016, expenditures increased 9.8% and across all categories except Conservation & Economic Development and Debt Service.

	General Fund	Behavioral Health	Children & Youth	Capital Projects
Revenues:				
Taxes	\$ 11,790,265	\$ -	\$ -	\$ -
Intergovernmental	1,106,281	2,312,444	3,316,287	67,952
Charges for services, fines, & permits	4,443,223	-	84,912	-
Interest	22,081	2,442	1,545	14,465
Rental income	351,953	-	-	-
Donations	65,889	9,104	945	-
Total revenues	<u>17,779,692</u>	<u>2,323,990</u>	<u>3,403,689</u>	<u>82,417</u>
Expenditures:				
Administration	5,661,971	-	-	255,438
Judicial	4,422,269	-	-	79,080
Public safety	3,952,577	-	-	69,412
Public works	75,324	-	-	1,629,895
Human services	-	2,378,433	4,234,654	24,110
Culture & recreation	1,763,023	-	-	487,956
Conservation & economic development	1,094,761	-	-	37,500
Debt Service	82,969	-	-	-
Total expenditures	<u>17,052,894</u>	<u>2,378,433</u>	<u>4,234,654</u>	<u>2,583,391</u>
Excess(Deficiency) of Revenues				
Over expenditures	<u>726,798</u>	<u>(54,443)</u>	<u>(830,965)</u>	<u>(2,500,974)</u>
Other Financing Sources(Uses):				
Transfers in	490,639	144,443	949,915	1,272,344
Other sources from sale of assets/ prior period reimbursement	409,981	-	-	-
Transfers out	(2,655,719)	(90,000)	(118,950)	-
Total other financing sources(uses)	<u>(1,755,099)</u>	<u>54,443</u>	<u>830,965</u>	<u>1,272,344</u>
Net Change in Fund Balance				
Beginning of year	4,150,010	-	-	5,376,169
End of year	<u>\$ 3,121,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,147,539</u>

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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.

The calculation of the fund balance decrease is shown at the bottom of this statement and is then carried over to the Balance Sheet. For 2016, the fund balance decreased \$1,028,301 for the General Fund and \$1,228,630 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 program. 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 and ACT 13 Impact Fee Projects

Expenditures from the Capital Projects Fund include Act 13 funds from all 5 annual allocations the County has received to date. The remaining Bond monies in this Fund were entirely expended in 2014 and savings from the 2016 Refinancing were used to lower future debt payments. Expenses under *Administration* in the amount of \$255,438 are mainly related to renovations of County buildings, IT, HR, GIS, and Records Management upgrades as well as other smaller projects.

Projects under *Judicial* in the amount of \$79,080 included upgrades for the Clerk of Courts and to the Courthouse itself.

Public Safety projects in the amount of \$69,412 included upgrades to the 911 Center and the County prison and a vehicle for the Sheriff's office.

Public Works projects in the amount of \$1,629,895 consisted primarily of renovations at the Greene County Airport and County Bridges #98 and #22.

Human Services contains \$24,110 for a transportation study.

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Culture and Recreation contains various projects completed for the Department of Parks and Recreation including upgrades to the County pools at Carmichaels and MonView Park as well as other smaller projects and grants for a combined total of \$487,391.

Conservation and Economic Development expenditures in the amount of \$37,500 are mainly due to allocations made to the Industrial Development Authority as matching funds for the Industrial Sites Reuse Program grant for Mather.

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 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 2016, that amount is \$4,147,539. Each of the 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 24 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.

Fiduciary Funds

The County reports three Fiduciary Funds. These funds are holding accounts – they contain money that is being held by, but not owned by, the County. At the end of the year, the assets will equal the liabilities.

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Assets	Employees Pension Plan	Tax Claim Bureau	Escrow Accounts
Cash and cash equivalents	\$ 34,001	\$ 173,762	\$ 2,832,001
Investments	23,727,629	-	-
Due from other funds	64,542	-	5,432
Accounts receivable	90,782	-	-
Total Assets	23,916,954	173,762	2,837,433
Liabilities			
Due to other governments	-	173,762	2,732,229
Due to other funds	-	-	105,204
Total Liabilities	-	\$ 173,762	\$ 2,837,433
Net Position			
Restricted for Pension Benefits	\$ 23,916,954		

The first fund shown in the above chart 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	2016	2015	2014	2013	2012
S&P Index growth (decline)	9.54%	-0.73%	11.39%	29.60%	13.41%
Pension Net Position growth (decline)	6.68%	-1.56%	9.43%	19.24%	14.04%
County Contribution	\$385,000	\$329,082	\$550,000	\$556,000	\$799,125

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 Position* 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 1/1/2016, was determined to be 102% funded and, despite good performance in the market, on 1/1/2017 our funded percentage dropped to 97.4%. A combination of factors caused this drop. The pension plan assumes a 7.5% return on investment with respect to assets in the market; as seen in the above chart, the actual performance was only 6.68%. Additionally, the pension plan assumes a 4.5% raise in covered payroll and the actual was 5.93%. Finally, the County gave pensioners a cost-of-living increase which increased pension costs for 2016. The County contributed \$385,000 to the pension fund in 2016 and will work toward once again obtaining a fully funded status. This is significant, as the entire pension investments are expected to return at least 7% per year. The unfunded portion of that investment, 2.6% in this case, has no return so

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2016, when the preliminary budget was passed in 2014, 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. During the course of the year, budget revisions incorporated changes into the budget as grant amounts were finalized and the actual amount of the 2016 Act 13 allocation became known.

In late 2016, the County decided on the use of the Act 13 Impact Fee's received during the year and as the Board of Commissioners decided to defer a substantial amount of that funding into the 2017 General Fund budget, the revenue received under *Charges for service* in 2016 was lowered, and the *transfer out* of those funds to the Capital Reserve fund that was anticipated did not take place. As noted earlier in this report, the County intends to change its accounting procedures with respect to the Act 13 allocation to address the large swings in revenue, expenses, and in the budget itself. These changes will be fully incorporated into the 2018 General Fund budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget & Actual – General Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$12,138,424	\$12,138,424	\$ 11,790,265	\$ (348,159)
Licenses and permits	29,700	29,700	44,865	15,165
Fines and forfeits	185,000	185,000	182,383	(2,617)
Intergovernmental	620,045	1,060,045	1,106,281	46,236
Charges for services	5,419,577	6,979,915	4,215,975	(2,763,940)
Interest	3,000	3,000	22,081	19,081
Rental income	328,326	328,326	351,953	23,627
Donations	62,300	62,300	65,889	3,589
Total revenues	18,786,372	20,786,710	17,779,692	(3,007,018)
Expenditures:				
General government - administration	7,051,652	5,766,581	5,661,971	104,610
General government - judicial	3,402,060	4,084,582	4,422,269	(337,687)
Public safety:				
Corrections	2,807,690	3,421,794	3,636,170	(214,376)
EMA/911	240,415	273,706	316,407	(42,701)
Public works:				
Airport	56,410	56,410	75,324	(18,914)
Culture and recreation:				
Parks and recreation	1,411,008	1,590,036	1,763,023	(172,987)
Conservation and economic development:				
Conservation/development	101,794	119,333	122,986	(3,653)
Housing/community development	155,072	155,309	77,396	77,913
Economic development	712,440	860,328	874,925	(14,597)
Tourism	18,801	25,389	19,454	5,935
Debt service:				
Debt principal	-	-	82,969	(82,969)
Total expenditures	15,957,342	16,353,468	17,052,894	(699,426)
Excess (Deficiency) of Revenues Over Expenditures	2,829,030	4,433,242	726,798	(3,706,444)
Other Financing Sources (Uses):				
Transfers in	437,683	537,346	490,639	(46,707)
Other sources from sale of assets/prior period reimbursement	215,983	340,610	409,981	69,371
Transfers out	(3,790,862)	(5,200,638)	(2,655,719)	2,544,919
Total other financing sources (uses)	(3,137,196)	(4,322,682)	(1,755,099)	2,567,583
Net Change in Fund Balance	\$ (308,166)	\$ 110,560	\$ (1,028,301)	\$ (1,138,861)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other notable Final-to-Actual variances were seen in higher than anticipated expenses in *General Government - Judicial* (\$337,687) due to increases in personnel and overtime in the courts system and a variance of \$214,376 in Corrections, in large part due to changes in staff medical coverage.

Debt Principal is not currently budgeted in the General Fund as the County has a Sinking Fund, as required by the covenants in the Bond Issues.

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.

The County's finances remain strong; however, the decrease in the County's net position, consecutive years of General Fund fund balance decreases, the current year Capital Projects fund balance decrease, and the funding status of the County pension, taken in conjunction with rising unemployment in the County, mine closures, and the decline in the County population, requires the County to proceed carefully.

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