

**County of Greene,  
Pennsylvania**

Single Audit

December 31, 2010

**MaherDuessel**  
Certified Public Accountants

# COUNTY OF GREENE, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2010

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YEAR ENDED DECEMBER 31, 2010

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Independent Auditor's Report

Board of County Commissioners  
County Controller  
County of Greene, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Greene, Pennsylvania (County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages i through xviii and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The supplementary information listed is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the financial statements of the County. Similarly, the accompanying schedule of DPW expenditures is presented for purposes of additional analysis as required by the Commonwealth of Pennsylvania Department of Public Welfare and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the DPW expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
September 27, 2011

# COUNTY OF GREENE, PENNSYLVANIA

## STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	Governmental Activities	Industrial Development Authority
<b>Assets</b>		
Cash and cash equivalents	\$ 9,879,285	\$ 890,463
Restricted cash and cash equivalents	-	324,307
Investments	1,143,961	-
Receivables:		
Taxes receivable, net of allowance	1,402,559	-
Due from other governments	906,322	228,233
Accounts receivable	341,625	-
Notes receivable, current	-	17,129
Prepaid expenses/other assets	795	-
Deferred bond issue costs	328,622	-
Long-term notes receivable, net of allowance of \$123,896	-	96,647
Fixed assets not being depreciated	3,292,708	-
Fixed assets, net of accumulated depreciation	14,523,175	-
Infrastructure assets, net of accumulated depreciation	18,821,293	-
<b>Total Assets</b>	<b>50,640,345</b>	<b>1,556,779</b>
<b>Liabilities</b>		
Accounts payable	1,780,389	450,632
Accrued liabilities and withholdings	256,547	-
Accrued interest payable	173,232	-
Due to other governments	21	-
Unearned revenue	3,025,374	362,079
Net pension obligation	54,238	-
Accrued compensated absences	374,600	-
Line of credit	-	162,836
Revolving loan fund:		
Amount due within one year	-	341,436
Amount due in more than one year	-	96,647
Bonds and notes payable:		
Amount due within one year	627,384	-
Amount due in more than one year	11,748,005	230,000
<b>Total Liabilities</b>	<b>18,039,790</b>	<b>1,643,630</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	25,759,579	-
Restricted for:		
Capital projects	2,397,368	-
Debt service	399,437	-
Other purposes	-	-
Unrestricted	4,044,171	(86,851)
<b>Total Net Assets</b>	<b>\$ 32,600,555</b>	<b>\$ (86,851)</b>

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Industrial Development Authority
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 8,245,343	\$ 1,409,414	\$ 1,254,603	\$ 1,921,505	\$ (3,659,821)	\$ -
Public safety	3,814,865	882,544	476,277	-	(2,456,044)	-
Public works	898,021	36,871	315,531	117,042	(428,577)	-
Human services	9,177,790	182,051	8,811,540	-	(184,199)	-
Culture and recreation	2,056,656	683,657	599,527	31,085	(742,387)	-
Community and economic development	3,684,808	139,052	371,934	165,851	(3,007,971)	-
Unallocated depreciation	136,624	-	-	-	(136,624)	-
Interest on long-term debt	474,602	-	-	-	(474,602)	-
<b>Total governmental activities</b>	<b>\$ 28,488,709</b>	<b>\$ 3,333,589</b>	<b>\$ 11,829,412</b>	<b>\$ 2,235,483</b>	<b>(11,090,225)</b>	<b>(93,282)</b>
<b>Component unit:</b>						
<b>Industrial Development Authority</b>	<b>\$ 159,923</b>	<b>\$ 7,500</b>	<b>\$ -</b>	<b>\$ 59,141</b>	<b>\$ -</b>	<b>\$ -</b>
General revenues:						
Property taxes, levied for general purposes					10,581,412	-
Property taxes, levied for debt service					1,172,220	-
Property taxes, levied for library expenditures					102,262	-
Interest					110,932	28,198
Rental income					820,782	-
Miscellaneous revenues					273,981	51,189
Gain (loss) on sale of assets					497	175,472
Reimbursement of prior period expenditures					198,539	-
<b>Total general revenues</b>					<b>13,260,625</b>	<b>254,859</b>
<b>Change in Net Assets</b>					<b>2,170,400</b>	<b>161,577</b>
<b>Net Assets:</b>						
Beginning of year					30,430,155	(248,428)
End of year					<b>\$ 32,600,555</b>	<b>\$ (86,851)</b>

See accompanying notes to financial statements.



# COUNTY OF GREENE, PENNSYLVANIA

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2010

	General Fund	Behavioral Health	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,803,478	\$ 1,504,241	\$ 1,363,831	\$ 4,207,735	\$ 9,879,285
Investments	-	-	1,126,427	17,534	1,143,961
Due from other funds	1,853,957	100,816	130,568	282,946	2,368,287
Due from other governments	132,200	-	-	774,122	906,322
Taxes receivable	1,318,143	-	-	84,416	1,402,559
Accounts receivable	141,685	10,009	61,828	50,178	263,700
Other assets	-	-	-	795	795
<b>Total Assets</b>	<b>\$ 6,249,463</b>	<b>\$ 1,615,066</b>	<b>\$ 2,682,654</b>	<b>\$ 5,417,726</b>	<b>\$ 15,964,909</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 340,888	\$ 757,412	\$ -	\$ 632,126	\$ 1,730,426
Accrued liabilities and withholdings	256,547	-	-	-	256,547
Due to other funds	538,569	188,363	-	1,613,393	2,340,325
Due to other governments	-	-	-	21	21
Deferred revenue	2,207,953	669,291	285,286	1,180,987	4,343,517
<b>Total Liabilities</b>	<b>3,343,957</b>	<b>1,615,066</b>	<b>285,286</b>	<b>3,426,527</b>	<b>8,670,836</b>
<b>Fund Balance:</b>					
Non-spendable	-	-	-	795	795
Restricted	2,020	-	2,397,368	1,799,833	4,199,221
Committed	-	-	-	190,571	190,571
Assigned - General Fund - HRA	15,086	-	-	-	15,086
Unassigned	2,888,400	-	-	-	2,888,400
<b>Total Fund Balance</b>	<b>2,905,506</b>	<b>-</b>	<b>2,397,368</b>	<b>1,991,199</b>	<b>7,294,073</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 6,249,463</b>	<b>\$ 1,615,066</b>	<b>\$ 2,682,654</b>	<b>\$ 5,417,726</b>	<b>\$ 15,964,909</b>

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

YEAR ENDED DECEMBER 31, 2010

**Total Fund Balance - Governmental Funds** \$ 7,294,073

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, including infrastructure and construction in progress used in governmental activities, are not current financial resources and, therefore, are not reported as assets in governmental funds. 36,637,176

Property taxes receivable will be collected next year but are not considered available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,318,143

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these accounts are deferred and amortized in the statement of activities. 328,622

Net pension obligation is reflected in the statement of net assets but is not considered a use of available resources in the fund financial statements. (54,238)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences	\$ (374,600)	
GO bonds/notes/leases	(12,375,389)	
Accrued interest on bonds	<u>(173,232)</u>	
		<u>(12,923,221)</u>

**Total Net Assets - Governmental Activities** \$ 32,600,555

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2010

	General Fund	Behavioral Health	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 10,460,166	\$ -	\$ -	\$ 1,402,966	\$ 11,863,132
Licenses and permits	19,610	-	-	-	19,610
Fines and forfeits	166,995	-	-	-	166,995
Intergovernmental	1,524,153	2,930,617	1,829,760	7,714,648	13,999,178
Charges for services	1,948,112	-	-	1,055,929	3,004,041
Interest	30,759	1,218	67,674	11,281	110,932
Rental income	820,782	-	-	-	820,782
Donations	43,714	-	-	22,003	65,717
<b>Total revenues</b>	<b>15,014,291</b>	<b>2,931,835</b>	<b>1,897,434</b>	<b>10,206,827</b>	<b>30,050,387</b>
<b>Expenditures:</b>					
General government - administration	4,806,578	-	141,159	33,380	4,981,117
General government - judicial	2,800,022	-	-	760,194	3,560,216
Public safety:					
Corrections	2,975,099	-	-	-	2,975,099
EMA/911	403,174	-	-	402,745	805,919
Public works:					
Highways and bridges	-	-	-	299,279	299,279
Sanitation/solid waste	16,817	-	143,928	-	160,745
Airport	389,583	-	28,962	-	418,545
Human services:					
Child/youth services	-	-	-	1,919,255	1,919,255
Drug and alcohol	-	-	-	551,186	551,186
Mental health/retardation	-	2,931,042	-	-	2,931,042
Other human services	-	-	-	3,773,454	3,773,454
Culture and recreation:					
Parks and recreation	1,248,320	-	3,957	343,957	1,596,234
Libraries	-	-	-	299,556	299,556
Conservation and economic development:					
Conservation/development	107,866	-	-	149,887	257,753
Housing/community development	104,480	-	-	170,678	275,158
Economic development	980,285	-	1,831,949	-	2,812,234
Tourist promotion	13,933	-	-	105,730	119,663
Debt service:					
Debt interest	-	-	-	476,103	476,103
Debt principal payments	58,174	-	-	549,616	607,790
<b>Total expenditures</b>	<b>13,904,331</b>	<b>2,931,042</b>	<b>2,149,955</b>	<b>9,835,020</b>	<b>28,820,348</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,109,960</b>	<b>793</b>	<b>(252,521)</b>	<b>371,807</b>	<b>1,230,039</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	622,948	100,816	-	834,574	1,558,338
Other sources from sale of assets/ prior period reimbursement	228,903	-	13,000	45,335	287,238
Transfers out	(815,361)	(101,609)	(112,029)	(529,339)	(1,558,338)
Payment on guaranteed debt	-	-	-	(34,528)	(34,528)
<b>Total other financing sources (uses)</b>	<b>36,490</b>	<b>(793)</b>	<b>(99,029)</b>	<b>316,042</b>	<b>252,710</b>
<b>Net Change in Fund Balance</b>	<b>1,146,450</b>	<b>-</b>	<b>(351,550)</b>	<b>687,849</b>	<b>1,482,749</b>
<b>Fund Balance:</b>					
Beginning of year	1,759,056	-	2,748,918	1,303,350	5,811,324
End of year	\$ 2,905,506	\$ -	\$ 2,397,368	\$ 1,991,199	\$ 7,294,073

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

**Net Change in Fund Balance - Governmental Funds** **\$ 1,482,749**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Capital outlays	\$ 970,171	
	Less: Depreciation expense	<u>(1,107,426)</u>	(137,255)

The governmental funds record revenue when it is available and measurable, whereas these revenues are recorded when earned in the statement of activities. This is the difference in revenue recognition between the two methods. 135,099

This issuance of long term obligations (e.g., bonds, loans, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 607,790

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. (29,156)

Governmental funds recognize interest on long-term obligations as an expenditure when it is due, and thus, requires the use of current financial resources in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest accrued in the statement of activities over the amount due is shown here. 2,321

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and offset against proceeds from the sale of capital assets resulting in a gain from the sale of capital assets on the statement of activities. Thus, less revenue is reported in the governmental funds than in the statement of activities.

	Proceeds from the sale of capital assets	(997)	
	Gain (loss) on the sale of capital assets	<u>497</u>	(500)

The change in net pension obligation is reflected in the statement of activities, but is not considered an available resource in the fund financial statements. 120,802

In the statement of activities, certain operating expenses-accumulated employee benefits (service and buy-back of unused sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (11,450)

**Change in Net Assets of Governmental Activities** **\$ 2,170,400**

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 10,375,130	\$ 10,381,994	\$ 10,460,166	\$ 78,172
Licenses and permits	19,300	19,300	19,610	310
Fines and forfeits	200,000	200,000	166,995	(33,005)
Intergovernmental	1,214,850	1,249,396	1,524,153	274,757
Charges for services	1,307,100	1,310,400	1,948,112	637,712
Interest	32,392	32,392	30,759	(1,633)
Rental income	362,542	762,453	820,782	58,329
Donations	32,136	43,714	43,714	-
<b>Total revenues</b>	<b>13,543,450</b>	<b>13,999,649</b>	<b>15,014,291</b>	<b>1,014,642</b>
<b>Expenditures:</b>				
General government - administration	6,120,366	5,606,118	4,806,578	799,540
General government - judicial	2,368,079	2,766,418	2,800,022	(33,604)
Public safety:				
Corrections	2,282,152	2,675,553	2,975,099	(299,546)
EMA/911	312,502	348,677	403,174	(54,497)
Public works:				
Sanitation/solid waste	-	-	16,817	(16,817)
Airport	103,708	119,229	389,583	(270,354)
Culture and recreation:				
Parks and recreation	967,327	1,106,211	1,248,320	(142,109)
Conservation and economic development:				
Conservation/development	100,895	110,074	107,866	2,208
Housing/community development	139,989	145,700	104,480	41,220
Economic development	907,979	963,531	980,285	(16,754)
Tourist promotion	13,541	15,088	13,933	1,155
Debt service:				
Debt principal payment	58,173	58,173	58,174	(1)
<b>Total expenditures</b>	<b>13,374,711</b>	<b>13,914,772</b>	<b>13,904,331</b>	<b>10,441</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>168,739</b>	<b>84,878</b>	<b>1,109,960</b>	<b>1,025,082</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	413,855	413,655	622,948	209,293
Other sources from sale of assets/prior period reimbursement	165,225	249,286	228,903	(20,383)
Transfers out	(747,819)	(747,819)	(815,361)	(67,542)
<b>Total other financing sources (uses)</b>	<b>(168,739)</b>	<b>(84,878)</b>	<b>36,490</b>	<b>121,368</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,146,450</b>	<b>\$ 1,146,450</b>

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2010

	Pension Trust Fund	Tax Claim Bureau	Escrow Accounts	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 106,649	\$ 149,833	\$ 628,884	\$ 885,366
Investments	14,250,977	-	-	14,250,977
Due from other funds	34,207	-	15,756	49,963
Accounts receivable	65,724	-	-	65,724
<b>Total Assets</b>	<b>14,457,557</b>	<b>149,833</b>	<b>644,640</b>	<b>15,252,030</b>
<b>Liabilities</b>				
Due to litigants	-	-	19,662	19,662
Due to other governments	-	149,833	547,053	696,886
Due to other funds	-	-	77,925	77,925
<b>Total Liabilities</b>	<b>-</b>	<b>149,833</b>	<b>644,640</b>	<b>794,473</b>
<b>Net Assets</b>				
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 14,457,557</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,457,557</b>

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2010

### Additions:

#### Contributions:

County	\$ 755,000
Plan member	607,836

Total contributions 1,362,836

#### Investment income:

Appreciation in fair value of investments	1,142,241
Interest and dividends	374,864

Total investment income 1,517,105

Total additions 2,879,941

### Deductions:

Pension benefits	204,664
Refund of contributions	320,650
Administrative expenses	111,473

Total deductions 636,787

**Change in Net Assets** 2,243,154

### Net Assets Held in Trust for Pension Benefits:

Beginning of year 12,214,403

End of year \$ 14,457,557

See accompanying notes to financial statements.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The County of Greene (County), located in western Pennsylvania, is a sixth class county established under the "Pennsylvania County Code," as amended.

Governmental Accounting Standards Board (GASB) Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*," established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. A component unit is a legally separate entity that meets any one of the following criteria: 1) the primary government appoints the voting majority of the board, and is able to impose its will on the component unit, or is in a relationship of financial benefit or burden with the component unit; 2) the component unit is fiscally dependent on the primary government, or 3) the financial statements of the primary government would be misleading if data from the component unit was not included. Blended component units, although legally separate entities, are, in substance, part of the government's operations, so data from these units are combined with data of the primary government. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government.

The following agencies were reviewed and were determined to be component units of the County and are recorded as blended component units:

- Greene County Fair Board
- Greene County Soil Conservation District
- Greene County Library System
- Greene County Tourism Promotion Agency
- Greene County Redevelopment Authority

The following agency was reviewed and was determined to be a component unit of the County and is reported as a discretely presented component unit:

- Greene County Industrial Development Authority

The following agencies were reviewed and were determined not to be component units of the County, thus only footnote disclosures are required:

- Greene County Food Bank
  - Greene County Memorial Hospital Authority
  - Washington-Greene Community Action Corporation
  - Washington-Greene Job Training Council
  - Greene County Housing Authority
  - Greene County Industrial Developments, Inc.
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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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Upon review, it was determined that these agencies are either not fiscally dependent on the County, the County does not appoint the majority of the governing board, or are joint ventures in which the County has no equity interest. Separate financial statements for the discretely presented component unit may be obtained by contacting the County.

### **B. Basis of Presentation**

The financial statements of the County are prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

#### *Government-wide and Fund Financial Statements*

The basic financial statements included both government-wide (based on the County as a whole) and fund financial statements.

Both the government-wide and the fund financial statements (within the basic financial statements) categorized primary activities as governmental. In the government-wide statement of net assets, governmental activities are presented on a consolidated basis, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt obligations. Inter-fund activity has been eliminated from these statements. Activity between the discretely presented component unit and the primary government is reported as external transactions. The County generally uses restricted resources before unrestricted resources when an expense incurred for a purpose that both restricted and unrestricted net assets are available.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, etc.) that are being supported by general government revenues (property tax, interest and other general revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function. Program revenues include 1) charges for service (including fines) to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes or other items not properly included among program revenues are reported as general revenues. The County allocates indirect expenses. The capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of major funds and non-major funds are aggregated. The operation of each fund is considered to be an independent and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and charges therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions,

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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or limitations. The fund statements are presented on a current financial resources and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The County's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, litigants, pensions participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the major fund types presented in this report:

The *General Fund* is the principal operating fund of the County, which is used to account for all financial transactions except those required to be accounted for in other funds.

The *Behavioral Health Fund* accounts for expenditures and reimbursement of Commonwealth of Pennsylvania Medical Assistance revenue related to the provision of a mandatory Behavioral Health Managed Care Program. The Fund includes expenditures and reimbursement of revenue related to providing treatment services to individuals who suffer from mental disabilities or with drug and alcohol issues.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The County also reports the following other governmental funds:

### Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

### Debt Service Fund

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary trust funds.

Additionally, the County reports the following fund types:

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. These include the Pension Trust Fund, the Tax Claim Bureau, and Escrow Accounts.

The *Pension Trust Fund* is used to account for the pension plan for County employees. The Pension Trust Fund is accounted for in essentially the same manner as a proprietary fund, since capital maintenance is critical.

The *Tax Claim Bureau* and *Escrow Accounts* are custodial in nature and do not involve measurement of results of operations. The Escrow Accounts are used to account for cash collected by elected row officers (Register of Wills, Recorder of Deeds, Prothonotary, Sheriff, Clerk of Courts, and District Magistrates) and other County offices that are subsequently disbursed to the County General Fund, other governments, or individuals for whom it was collected.

### **C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Governmental and Tax Claim and Escrow Agency Funds utilize the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when received except for revenues subject to accrual, which are recorded when measurable and available to finance current period expenditures. Such revenue items include real estate and other taxes (property and hotel taxes received within 60 days of year-end) and federal and state subsidies.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for long-term debt and certain other long-term obligations, which are recognized when paid.

Revenues from federal, state, and other grants designated for payment of specific expenditures are recognized when the related expenditures are incurred. Any excess revenues or expenditures at the fiscal year-end are recorded as deferred revenue or as a receivable, respectively.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied to the extent collectible. Hotel/motel taxes passed through the County are reported net of the related expenditures to be consistent with budget reporting. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### **D. Budgets and Budgetary Accounting**

#### Budgets and Budgetary Accounting

Annual budgets are required to be adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. The budgetary controls for all other governmental funds are maintained through enforcement of related grant provisions or debt indentures.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Starting in August and September, the Budget Director prepares a budget package that is sent to each department and row officer. The department or agency heads use this budget package to develop financial projections for their programs for the ensuing year, which are then submitted to the budget staff.
2. The budget staff enters this information into budget spreadsheets. The Chief Clerk then reviews the information that is obtained, accumulates questions, and schedules a meeting to discuss the proposed budget with the department heads and row officers.
3. Once the budget staff is satisfied with the department's budget numbers, the budget is presented in preliminary form to the County Board of Commissioners (Commissioners). The County Commissioners can interview department or agency heads to discuss their budgets if deemed necessary.
4. Upon consolidation of the department and agency expenditure projections, the County Commissioners ascertain the most viable method of financing them.
5. Subsequently, the Budget Director assembles the preliminary projections of revenues and expenditures into a final budget incorporating any revisions or adjustments resulting from the aforementioned County Commissioners' review.
6. By early December, the final budget is presented to the County Commissioners. Pursuant to budgetary requirements as set forth in the County Code, public notice is given that the final budget is available for inspection for a period of 20 days.
7. After the 20-day inspection period, but no later than December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.

Legally, management of the County may make budgetary transfers between departments as long as overall fund expenditures are not affected. Department heads may make budgetary transfers within their own department as long as overall department expenditures are not affected. However, as a matter of control, all such transfers are ratified by the County Commissioners. The County Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing now or hereafter authorized by law. The County Commissioners may authorize the transfer of any unencumbered balance of any

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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appropriation item or any portion thereof. The County Commissioners must approve changes to overall appropriations at the fund level. Therefore, the legal level of budgetary responsibility is by fund.

During the year, there were no significant supplemental appropriations enacted. Budget transfers did occur between accounts within funds. The statement of revenues, expenditures, and changes in fund balance - budget and actual, reflects the originally adopted budget and the originally adopted budget adjusted for budget transfers for the General Fund. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

Budgets are not implemented for the Capital Projects Fund. All transactions of the Capital Projects Fund are approved by the County Commissioners prior to commitment, thereby constructively achieving budgetary control.

### **E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds, are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of December 31, 2010, the County had no such material encumbrances.

### **F. Cash and Cash Equivalents**

The County considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### **G. Investments**

All investments of the County are carried at fair market value. Premiums and discounts on the pension trust fund notes are not amortized and are not material. All investments, except those of the pension trust fund, are U.S. government treasury notes and certificates of deposit with local banking institutions.

Income earned on the investments from the various funds was allocated back to the fund that made the investment.

### **H. Interfund Balances and Transfers**

Interfund receivables and payables are used to account for loans between funds and legal obligations for one fund to pay another. Advances between funds are accounted for in the appropriate interfund

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

receivable and payable accounts. Transfers between funds represent administration fees and payments made for required matches on grants.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Governmental - General	\$ 1,853,957	\$ 538,569
Governmental - Capital Projects	130,568	-
Governmental - Debt Service	-	531,383
Special Revenue - Human Services	19,953	80,998
Special Revenue - Children and Youth	178,701	409,997
Special Revenue - Child Support Enforcement	-	89,736
Special Revenue - Behavioral Health	100,816	188,363
Special Revenue - BHS D&A	24,991	43,067
Special Revenue - DA Grant Fund	-	2,109
Special Revenue - Fair Board	-	450
Special Revenue - 911 and Hazmat	48,642	220,584
Special Revenue - Tourism	-	11,996
Special Revenue - Liquid Fuels	-	14,974
Special Revenue - Library System	1,735	-
Special Revenue - Conservation District	-	21,099
Special Revenue - Clerk of Courts Automation	180	-
Special Revenue - Community Service	474	126
Special Revenue - Prothonotary Automation	300	-
Special Revenue - Affordable Housing Trust	2,180	1,275
Special Revenue - Records & Improvement - County	1,196	-
Special Revenue - Records & Improvement - R&R	4,594	-
Special Revenue - Probation DUI	-	1,520
Special Revenue - Human Services Transportation	-	184,079
Trust Agency - Pension Trust	34,207	-
Trust Agency - Escrow Accounts	15,756	77,925
	<u>\$ 2,418,250</u>	<u>\$ 2,418,250</u>

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Individual fund transfers at December 31, 2010 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental - General	\$ 622,948	\$ 815,361
Governmental - Capital Projects	-	112,029
Governmental - Debt Service	147,872	-
Special Revenue - Human Services	6,950	16,704
Special Revenue - Children and Youth	369,022	121,732
Special Revenue - Child Support Enforcement	202,506	47,232
Special Revenue - Behavioral Health	100,816	101,609
Special Revenue - BHS D&A	16,332	4,500
Special Revenue - Human Services Transportation	-	46,875
Special Revenue - 911 and Hazmat	46,892	155,139
Special Revenue - Tourism	-	2,859
Special Revenue - Liquid Fuels	-	11,993
Special Revenue - Law Library	30,000	5,493
Special Revenue - Probation Supervision	-	100,851
Special Revenue - Redevelopment Authority	15,000	-
Special Revenue - Slater Poor Fund	-	2,020
Special Revenue - Election Grant	-	13,941
	<u>\$ 1,558,338</u>	<u>\$ 1,558,338</u>

### I. Inventories

General Fund inventories of consumable materials and supplies are not valued or recorded on the balance sheet. The cost is recorded as an expenditure at the time individual inventory items are purchased.

### J. Fixed Assets

Capital outlays are recorded as expenditures in the fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold of \$5,000 is met.

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays are recorded as fixed assets and depreciated over their estimated useful lives for the government-wide statements, using the straight line method with mid-year convention and the following estimated useful lives:

Infrastructure	40 – 60 years
Building	40 years
Equipment	3 – 15 years
Vehicles	10 years

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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All fixed assets and infrastructure are valued at historical cost or estimated historical cost if actual cost is not available.

Donated capital assets are valued at their fair market value on the date donated.

### K. Unearned Revenues

Unearned revenues represent amounts received, which will be included in revenues of future fiscal years. In the General Fund and Special Revenue Funds, unearned revenues consist of carry-over balances of various federal and state operating grants and tax revenue received within 60 days of year-end.

### L. Accrued Compensated Absences

The balance in this account represents the amount to be provided for accrued employee benefits. This is the amount that the County would pay for the buy-back of accrued sick leave and severance pay. The County policy for buying back sick days is, once a year, employees may exchange any number of accrued sick days at a rate of \$50 per day for the number of days greater than 22. The policy also provides that, at retirement, the County will buy back all accrued sick days at the rate of \$50 per day. Severance pay is a one-time payment of \$5,000 to a retiring employee who has 20 years of service at age 55 or has five years of service and is at least 62 years of age. Severance pay is accrued as employees approach service limits. The balances of accrued employee benefits are as follows:

Amount for potential sick day buy-backs non-retirement eligible	\$ 94,500
Amount for sick day buy-backs retirement eligible	70,100
Amount for severance pay	<u>210,000</u>
Total Compensated Absences Liability	<u>\$ 374,600</u>

### M. Reporting Groups

The County groups expenditures in a manner which eases the readability of the financial statements. Traditionally, most governmental statements are grouped similarly to this format. We have provided detail for the three combined groups and all others are self-explanatory.

1. General Government - Administration – Includes the Commissioners Administration, Elections, Human Resources, Information Technology, Veterans Affairs, Weights & Measures, Buildings & Grounds, Maintenance, Central Purchasing, Commissioners Finance, Controller, Tax Assessment, Tax Claim Bureau, Treasurer's Office, and Planning Office.



# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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2. General Government - Judicial – Includes the Courts, Clerk of Courts, Coroner, District Attorney, District Justices, Register & Recorder, Prothonotary, Jury Commissioners, Sheriff, Public Defender, and Domestic Relations.
3. Public Safety - Corrections – Includes the Jail, Adult Probation, Juvenile Probation, and Community Service.

### **N. Classification of Fund Balance**

As of December 31, 2010, the County had \$43,418 of encumbrances in operating funds that rolled over into the next fiscal year. Capital projects had \$3,025 of encumbrances at December 31, 2010.

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

- **Nonspendable** -- This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.
- **Restricted** -- This classification consists of amounts that are restricted to specific purposes, as defined below by GASB Statement No. 34. The County's restricted fund balances consist of external enabling legislation for the state, federal or local government grants.
- **Committed** -- This classification consists of amounts used for specific purposes imposed by formal action of the County's highest level of decision-making authority (Chief Executive/Council). The removal or modification of the use of committed funds can only be accomplished by formal action prior to fiscal year-end by the County's highest level of authority.
- **Assigned**—This classification consists of amounts constrained by the County's intent to be used for specific purposes that are neither restricted nor committed. The present procedure is for the Chief Executive to assign amounts to be used for specific purposes before issuance of audited financial statements.
- **Unassigned**—This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The County's policy is to apply expenditures against any restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### **O. Classification of Net Assets**

GASB Statement No. 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt -- This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted -- This component of net assets consists of constraints placed on net asset use through external restrictions, such as constitutional provisions or enabling legislation.
- Unrestricted -- This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The County’s policy is to apply expenses against restricted fund balance then unrestricted fund balance.

### **P. Pending Pronouncement**

GASB has issued Statement No. 59, “*Financial Instruments Omnibus*,” effective for periods beginning after June 15, 2010. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 61, “*The Financial Reporting Entity: Omnibus*,” effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” effective for periods beginning after December 15, 2011. This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary. The effect of implementation of this statement has not yet been determined.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### **Q. Subsequent Events**

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

## **2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the County adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits, savings accounts, and/or certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the County.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposits and investment risks: credit risks (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the County's deposit and investment risk:

*Custodial Credit Risk* - The risk that, in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a formal deposit policy for custodial credit risk. As of December 31, 2010, \$1,499,491 of the County's \$10,307,675 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$8,808,184 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$9,871,633 as of December 31, 2010 and are classified as cash and cash equivalents in the statement of net assets.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The County does not have a formal investment policy for custodial credit risk.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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The County's cash equivalent investments are held with a state investment pool (PLGIT). The fair value of the County's position in the external investment pool is the same as the value of the pool shares. The underlying security in this pool is held by either the counterparty or its custodial agent in a nominee name for the pool. These investments are not evidenced by specific securities relating to the County's shares or units in the pool. All investments in PLGIT, which are not SEC-registered, are subject to oversight by the Commonwealth of Pennsylvania. As of December 31, 2010, the bank balance of the investment in PLGIT is \$7,652. The carrying value of the investment in PLGIT of \$7,652 is considered to be a cash equivalent for presentation on the statement of net assets and governmental fund balance sheet.

The County also has investments of \$1,143,961 invested in certificates of deposits at local financial institutions. These accounts are recorded as an investment on the statement of net assets and the governmental funds balance sheet. As of December 31, 2010, \$267,534 of the balance of \$1,143,961 was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$876,427 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

*Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The County has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2010, the County's investments in PLGIT have received an AAA rating from Standard & Poor's.

*Interest Rate Risk* - The County has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments in PLGIT have an average maturity of less than one year. The certificates of deposit bear interest at a rate of 2.75% and have a maturity of 60 months.

### Agency Funds

The County maintains bank accounts for the elected row officers, other County offices, and tax claim. The balance of these accounts is reflected in the statement of fiduciary net assets. Receipts and disbursements for these programs were \$3,801,854 and \$3,631,976, respectively, for the year ended December 31, 2010. The carrying amount of deposits for the row offices and other County offices was \$628,884 and the bank balance was \$657,305. The carrying amount of deposits for the Tax Claim Bureau was \$149,833 and the bank balance was \$140,105. None of the bank balances were covered by federal depository insurance; however, they were collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and has the collateral held by an approved custodian in the institution's name.

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

### Pension Trust Fund

The Pension Trust Funds' investments are held separately from those of other County Funds. Investments were consistent with those authorized. The Pension Trust Fund investments must be liquid or marketable. The County's investment policy expressly prohibits investments in high risk derivatives securities, options, selling short commodities, and letter stock.

As of December 31, 2010, the County had the following cash and investments in its Pension Trust Funds:

Cash or Investment Type	Investment Maturities (In Years) from December 31, 2009					
	Fair Market Value	Less than 1 year	1-5 Years	6-10 Years	11 - 15 Years	16 or more Years
U.S. Treasuries	\$ 1,228,897	\$ -	\$ 1,174,713	\$ 54,184	\$ -	\$ -
U.S. Government Agency Obligations	295,569	-	27,806	241,790	-	25,973
U.S. Government CMO/POOL	331,564	-	179,679	-	26,749	125,136
Municipal Bonds and Notes	483,260	-	258,509	74,751	-	150,000
Corporate Bonds	3,030,429	47,979	1,016,629	1,557,682	-	408,139
Euroclear Bonds and Notes	108,175	-	108,175	-	-	-
Corporate CMOs and Remics	179,818	-	-	-	-	179,818
<b>Total debt securities</b>	<b>5,657,712</b>	<b>\$ 47,979</b>	<b>\$ 2,765,511</b>	<b>\$ 1,928,407</b>	<b>\$ 26,749</b>	<b>\$ 889,066</b>
Cash and cash equivalents	106,649					
Money market accounts	756,189					
Common stock equities	7,837,076					
<b>Total cash, cash equivalents, and other investments</b>	<b>8,699,914</b>					
<b>Total cash, cash equivalents, and investments reported on statement of fiduciary net assets</b>	<b>\$ 14,357,626</b>					

The following is a description of the Pension Trust Funds' deposit and investment risks:

*Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2010, the Pension Trust Funds' investments in fixed income bonds have received the following ratings from Moody's:

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Investment Type	Standard & Poor's Rating	Percentage of Total Pension Trust Fund Cash and Investments
Governmental Bonds	AAA	12.93%
Governmental Bonds	AA3	0.52%
Governmental Bonds	VMG1	1.04%
Governmental Bonds	Unrated	1.80%
Corporate Bonds	A1	3.70%
Corporate Bonds	A2	5.28%
Corporate Bonds	A3	0.66%
Corporate Bonds	AA1	1.25%
Corporate Bonds	AA2	1.69%
Corporate Bonds	AA3	1.68%
Corporate Bonds	BAA1	3.78%
Corporate Bonds	BAA2	2.74%
Corporate Bonds	BAA3	1.51%
Corporate Bonds	WR	0.08%
Governmental & Corporate Bonds	Unrated	61.35%
		100%

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. As of December 31, 2010, the County's entire pension investment balance of \$14,357,626 (bank and book balance) was exposed to custodial credit risk.

*Concentration of Credit Risk* - The County places no limit on the amount the County may invest in any one issuer.

*Interest Rate Risk* - The Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### 3. REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property as of January 1 and are levied on April 1. Taxes paid through May 31 are given a 2% discount. Amounts paid after July 31 are assessed a 10% penalty. The assessed value, upon which the 2010 levy was based, was \$1,497,512,859. The tax rate to finance General Government Services other than the payment of principal and interest on long-term debt for the year ended December 31, 2010, was 6.77 mills per \$1,000. The tax rate to finance the payment of principal and interest on long-term debt for the year ended December 31,

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

2010 was 0.8 mills per \$1,000. The tax rate related to library services for the year ended December 31, 2010 was 0.07 mills per \$1,000.

### 4. REAL ESTATE TAXES RECEIVABLE

Uncollected real estate taxes on the current tax duplicate are returned by the County Treasurer to the tax claim bureau of the County on January 15th following the year of the unpaid levy as required by local tax collection law. The County also collects delinquent real estate taxes on behalf of other taxing authorities.

The statement of net assets contains the balance of all taxes receivable, regardless of when they will be collected, and includes an allowance for uncollectible taxes. The County calculates its allowance for uncollectible accounts based on historical collection data.

The balances for the General Fund are calculated as follows:

Year Tax is Levied	Amount of Unpaid Tax	Percentage of Tax Believed to be Uncollectible	Taxes Receivable Net of Allowance for Uncollectible
1943-2005	\$ 162,539	20.0%	\$ 130,031
2006-2007	46,830	1.0%	46,362
2008-2009	353,434	0.3%	352,374
2010	789,376	0.0%	789,376
	<u>\$ 1,352,179</u>		<u>\$ 1,318,143</u>

### 5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the County or collections made by another governmental unit on behalf of the County. Most significant are carry-forward receivable balances on various federal and state operating programs.

### 6. FIXED ASSETS

The following table illustrates the changes in general fixed assets as they have occurred in fiscal year 2010.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Balance at January 1, 2010	Additions	Deletions	Balance at December 31, 2010
<b>Governmental Activities:</b>				
Fixed assets not being depreciated:				
Land	\$ 2,444,785	\$ -	\$ -	\$ 2,444,785
Construction in progress	769,438	257,454	178,969	847,923
<b>Total fixed assets not being depreciated</b>	<b>3,214,223</b>	<b>257,454</b>	<b>178,969</b>	<b>3,292,708</b>
Fixed assets being depreciated:				
Buildings and improvements	16,875,552	345,086	-	17,220,638
Vehicles	1,995,346	143,018	28,035	2,110,329
Furniture and equipment	2,964,475	131,145	-	3,095,620
<b>Total fixed assets being depreciated</b>	<b>21,835,373</b>	<b>619,249</b>	<b>28,035</b>	<b>22,426,587</b>
Less accumulated depreciation for:				
Buildings and improvements	4,607,409	400,163	-	5,007,572
Vehicles	804,312	169,486	27,535	946,263
Furniture and equipment	1,650,592	298,985	-	1,949,577
<b>Total accumulated depreciation</b>	<b>7,062,313</b>	<b>868,634</b>	<b>27,535</b>	<b>7,903,412</b>
<b>Total fixed assets being depreciated, net of accumulated depreciation</b>	<b>14,773,060</b>	<b>(249,385)</b>	<b>500</b>	<b>14,523,175</b>
Infrastructure assets	20,908,388	272,437	-	21,180,825
Less accumulated depreciation	2,120,740	238,792	-	2,359,532
<b>Infrastructure assets, net of accumulated depreciation</b>	<b>18,787,648</b>	<b>33,645</b>	<b>-</b>	<b>18,821,293</b>
<b>Governmental assets fixed assets, net</b>	<b>\$ 36,774,931</b>	<b>\$ 41,714</b>	<b>\$ 179,469</b>	<b>\$ 36,637,176</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 240,915
Public safety	157,362
Public works	289,351
Human services	120,971
Culture and recreation	162,203
Unallocated depreciation	136,624
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,107,426</b>



# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 7. PENSION PLAN

#### Plan Description

The County contributes to the Greene County Employee Pension Plan (Plan), a single employer defined benefit public employee retirement system, which is self-administered by the County. The Plan is governed by County Pension Law Act 96 of 1971 (Act), as amended, enacted by the General Assembly of the Commonwealth of Pennsylvania. The Plan was established January 1, 1993, with its most recent amendment dated January 1, 1999. The latest actuarial valuation is dated January 1, 2010.

Substantially, all full-time employees of the County are participants in the Plan. The County's payroll for employees covered by the Plan as of January 1, 2010 was \$8,379,320.

All full-time employees, with 1,000 hours of service, are eligible to participate in the Plan. Benefits vest 100% after five years of credit service.

Normal retirement benefits are attained at age 55 and the completion of 20 years of service or age 60, if earlier. A monthly members' annuity, which is the actuarial equivalent of the participant's accumulated member contributions plus interest, plus a monthly County annuity, calculates as follows: Monthly benefit equal to 1/100 (1.0%) of average compensation multiplied by the participant's past service.

At January 1, 2010, the date of the most recent valuation, participants in the Plan were as follows:

Participants:	
Retirees and beneficiaries	66
Deferred vested	14
Active plan members	<u>252</u>
Total	<u><u>332</u></u>

State statutes and the County Commissioners establish these benefit provisions and all other requirements. A more detailed description of the Plan is available from the County Administration Office.

#### Summary of Significant Accounting Policies

Financial information of the County's Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan.

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Investments of the Plan are reported at fair value. Short-term investments are reported at cost, which approximate fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

### Contributions and Funding Policy

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the aggregate actuarial funding method and the same actuarial assumptions used to calculate the pension benefit calculation.

As a condition of participation, employees are to currently contribute 5% of their salary as stipulated in the Plan. Interest is credited to employee accounts each year at the annual rate of 4.5% as voted upon by the County Retirement Board. Employees who terminate prior to retirement eligibility receive their accumulated member contributions plus credited interest through the date of termination. The rate was 4.0% through December 31, 1995, 5.0% through December 31, 1997, and 5.5% through December 31, 2008. The rate became 4.5% starting January 1, 2009.

Employer contributions for funding of normal costs of \$638,240, or 9.600% of covered payroll, were calculated in accordance with actuarially determined contribution requirements based on an actuarial valuation dated January 1, 2010. Actual employer contributions amounted to \$755,000 in 2010.

### Required Government Accounting Standards Board Statements No. 25 and No. 27 Disclosures

	<b>Prior Year Annual Pension Cost and Net Pension Obligation</b>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual Required Contribution ARC	\$ 426,300	\$ 447,615	\$ 424,472	\$ 445,695	\$ 638,240
Interest on NPO	24,969	21,692	20,395	20,275	13,128
Adjustment of the ARC	<u>(40,971)</u>	<u>(35,593)</u>	<u>(33,466)</u>	<u>(33,269)</u>	<u>(17,170)</u>
Annual Pension Cost APC	410,298	433,714	411,401	432,701	634,198
Contributions Made	<u>454,000</u>	<u>451,000</u>	<u>413,000</u>	<u>528,000</u>	<u>755,000</u>
Change in NPO	(43,702)	(17,286)	(1,599)	(95,299)	(120,802)
NPO Beginning of Year	<u>332,926</u>	<u>289,224</u>	<u>271,938</u>	<u>270,339</u>	<u>175,040</u>
NPO End of Year	<u>\$ 289,224</u>	<u>\$ 271,938</u>	<u>\$ 270,339</u>	<u>\$ 175,040</u>	<u>\$ 54,238</u>

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

### Accounting Information

A. The funding requirement method was changed from the Aggregate Method in 2008 to the Entry Age Normal Cost Method in 2010 using a 20-year open amortization period.

B. Annual pension costs for the year beginning January 1, 2010:

Annual Required Contribution	\$	638,240
Interest on NPO		13,128
Adjustment to the ARC		<u>(17,170)</u>
Annual pension cost	\$	<u>634,198</u>

Other disclosure information:

Actuarial cost method	Entry age (% Pay)
Asset valuation method	Fair value
Amortization method	Level dollar, open
Amortization remaining amortization period	20 years
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

The actuarial assumptions remain the same as used in the January 1, 2008 valuation. The initial unfunded actuarial accrued liability has been established as of January 1, 2010, the first adoption by the Plan of the entry age normal actuarial cost method.

### Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2008	\$ 411,401	100.4%	\$ 270,339
12/31/2009	432,701	122.0%	175,040
12/31/2010	634,198	119.0%	54,238

### Funded Status

The County's funded status and related information as of the latest actuarial valuation date, January 1, 2010, is as follows:

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
\$ 11,993,510	\$ 14,494,466	\$ (2,500,956)	82.75%	\$ 8,379,320	(29.85)%

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### 8. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to full-time County employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

It is the opinion of the County's legal counsel that the County has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary and prudent investor.

### 9. LONG-TERM DEBT OBLIGATIONS

The changes in long-term obligations payable during the year ended December 31, 2010 are as follows:

	At December 31, 2009	Issuances	Repayments	At December 31, 2010	Due Within One Year
G. O. Refunding 2003	\$ 425,000	\$ -	\$ 425,000	\$ -	\$ -
G. O. Bond 2006	5,250,000	-	5,000	5,245,000	5,000
G. O. Bond 2008	7,100,000	-	115,000	6,985,000	560,000
Note Payable	6,979	-	4,616	2,363	2,363
Capital Leases	201,199	-	58,173	143,026	60,021
<b>Total</b>	<b>\$ 12,983,178</b>	<b>\$ -</b>	<b>\$ 607,789</b>	<b>\$ 12,375,389</b>	<b>\$ 627,384</b>

The costs associated with the issuance of bonds are to be amortized over the life of related debt. At December 31, 2010, \$328,622 of deferred bond issue costs are recognized as an asset on the statement of net assets.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

### General Obligations Bonds

During 2003, the County issued general obligation refunding bonds (G.O. Bond Series 2003) to currently refund G.O. Bond Series 1993. The \$2,827,846 issuance proceeds were used primarily to currently refund the G.O. Bond Series 1993, and provide \$233,761 for capital projects. The remaining principal on the 2003 Series Bonds of \$425,000 were paid off during fiscal year 2010.

During 2006, the County issued general obligation bonds (G.O. Bond Series 2006) bearing interest rates ranging from 3.6% to 4.3%. The Sale Proceeds of the Bonds, \$5,246,954, (representing the par amount of the Bonds less net original issue discount of \$18,046) were used primarily to provide for capital projects. The 2006 Bonds that mature on and after March 1, 2012 are subject to redemption prior to maturity, in whole or in part, at the option of the County in any order of maturity, on March 1, 2011 or on any date thereafter at 100% of the principal amount thereof plus interest accrued to the date fixed for redemptions.

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2011	\$ 5,000	\$ 223,608	\$ 228,608
2012	5,000	223,417	228,417
2013	5,000	223,218	228,218
2014	5,000	223,018	228,018
2015	5,000	222,818	227,818
2016-2020	25,000	1,111,008	1,136,008
2021-2025	3,790,000	765,589	4,555,589
2026-2027	1,405,000	48,698	1,453,698
Total	<u>\$ 5,245,000</u>	<u>\$ 3,041,374</u>	<u>\$ 8,286,374</u>

During 2008, the County issued \$7,320,000 in General Obligation Bonds to currently refund the 1998 refunding series bond issuance, to provide for capital projects, to pay capitalized interest, and to pay bond issuance costs. Interest payments are payable semi-annually on January 15 and July 15 with rates ranging from 2.50% to 3.90%.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2011	\$ 560,000	\$ 229,385	\$ 789,385
2012	575,000	213,340	788,340
2013	590,000	195,865	785,865
2014	610,000	177,560	787,560
2015	630,000	158,025	788,025
2016-2020	3,510,000	436,935	3,946,935
2021	510,000	9,945	519,945
Total	<u>\$ 6,985,000</u>	<u>\$ 1,421,055</u>	<u>\$ 8,406,055</u>

### Notes Payable

During 2006, the County signed a Note with First National Bank in the amount of \$21,386 with an interest rate of 5.22% for a period of 60 months for the purpose of purchasing a vehicle. This note is scheduled to mature as follows:

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2011	<u>\$ 2,363</u>	<u>\$ 92</u>	<u>\$ 2,455</u>

Maturities of all outstanding bonds and notes of the County, in the aggregate, are as follows:

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2011	\$ 567,352	\$ 453,085	\$ 1,020,437
2012	580,000	436,757	1,016,757
2013	595,000	419,083	1,014,083
2014	615,000	400,578	1,015,578
2015	635,000	380,843	1,015,843
2016-2020	3,535,000	1,547,943	5,082,943
2021-2025	4,300,000	775,534	5,075,534
2026-2027	1,405,011	48,698	1,453,709
Total	<u>\$ 12,232,363</u>	<u>\$ 4,462,521</u>	<u>\$ 16,694,884</u>

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

### Capital Lease One

During 2008, the County signed a lease with SunTrust Equipment Finance & Leasing Corp in the amount of \$294,201 with an interest rate of 3.13% for a period of 60 months for the purpose of leasing 26 copiers. The payments on the lease are due as follows:

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2011	\$ 60,021	\$ 3,622	\$ 63,643
2012	61,928	1,715	63,643
2013	21,077	138	21,215
Total	<u>\$ 143,026</u>	<u>\$ 5,475</u>	<u>\$ 148,501</u>

### 10. SHORT-TERM DEBT OBLIGATIONS

The County utilizes short-term financing, when needed, in the form of a Tax Anticipation Note (TAN). The TAN is secured to finance general operations through periods of uneven property tax collection, so that cash flows are not restricted. The County received a TAN on January 1, 2010 for a total of \$2,750,000, with an interest rate of 1.98%, and subsequently paid off the balance by December 31, 2010.

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Tax Anticipation Note	<u>\$ -</u>	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ -</u>

### 11. CONTINGENT LIABILITIES

#### A. Grant Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

#### B. Litigation

At this time, the County is not involved in any material litigation.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### C. Guaranty by the County of Greene – Meadow Ridge Industrial Park Bond Issue

On December 30, 1997, the Greene County Industrial Authority (Authority) issued an \$850,000 GCIDA Guaranteed Revenue Bond Series of 1997 for the purpose of developing the Meadow Ridge Industrial Park in Perry Township (Mount Morris), PA. Under a separate guaranty agreement, the County guaranteed full and prompt payment of any principal and interest due on these bonds in the event that the Authority lacked sufficient funds to make such debt service payments. The plan was for Regional Industrial Development Corporation (RIDC) to purchase and develop the land and for the Authority to sell parcels of the land located in the developed industrial park in sums sufficient enough to make the debt service payments. During 2002 to 2008, the County has made interest payments for the Authority relating to these bonds. In 2007, the County also made the principal payment in the amount of \$205,000. In 2009, the County did not make any payments relating to this bond. During 2010, the Authority and County utilized Meadow Ridge sale proceeds of \$185,472 and County funds of \$34,528 to call for redemption of \$220,000 in bonds due to mature in 2012. Under the above-referenced Guarantee Agreement, the County is obligated to make such payments and will continue to do so, as needed. At December 31, 2010, the outstanding balance of the bond is \$230,000.

### **COMPONENT UNIT:**

#### **GREENE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

#### **1. REPORTING ENTITY**

The Greene County Industrial Development Authority (Authority) is a body, corporate and politic, created pursuant to an ordinance of Greene County, Pennsylvania (County), under an Act of the General Assembly of the Commonwealth approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945 (the Act). The Authority was formed in 1962 and its term of existence currently extends to 2052. The Authority is authorized for the purpose of financing industrial development projects in the County. These projects are generally operated and implemented by private companies in conjunction with either long-term lease or long-term note obligations to the Authority. Additionally, the Authority has administered a variety of grant funded projects to assist with development projects in the County and a revolving loan fund to assist with small business financing. The governing body of the Authority is a Board of Directors (Board) consisting of five members appointed by County Commissioners.

For purposes of defining the scope of the financial reporting entity, the Authority is considered a component unit of the County. Such determination is consistent with the County's exercise of "oversight responsibility" as set forth in the Government Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."* Specific criteria evaluated in determining the extent of oversight responsibility include financial interdependency, selection of governing body, designation of management, ability to significantly influence operations, and accountability for fiscal matters.



# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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A portion of the Authority's revenue is derived through contributions from Greene County (County) to cover shortfalls that the Authority experiences. During 2010, the County contributed \$34,528 towards the debt service payments for the guaranteed revenue bonds. The County also paid the Authority's occupancy costs during fiscal year 2010 that totaled approximately \$16,661. If the County ceased to subsidize the Authority's shortfalls, the Authority may have difficulty continuing its operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has not adopted the provisions of FASB Statement No. 71, *"Accounting for the Effects of Certain Types of Regulations."*

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (1) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for based upon a flow of economic resources measurement focus. Accordingly, all assets and all liabilities associated with operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted elements.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### Notes Receivable - Revolving Loans

The Authority provides loans to small businesses through a revolving loan fund. All loans require monthly payments. The Authority recognizes uncollectible accounts at the time they are deemed to be uncollectible. Although the Authority has policies requiring certain collateral and/or guarantees related to these loans, the nature of these start-up businesses sometimes results in uncollectible balances.

### Capital Assets

Property, plant, and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Land is not depreciated.

The Authority uses the following estimated useful lives for the assets:

Office furniture and equipment	5-10 years
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The cost of maintenance and repairs is charged to operations as incurred, significant renewals and betterments are capitalized at the threshold of \$4,000. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. At time of disposal, if the assets retired are not fully depreciated, the Authority recognizes the gain or loss on disposal in income for the period. All equipment is currently fully depreciated.

During the year ending December 31, 2010, the entire balance of land at January 1, 2010 totaling \$10,000 related to the Meadow Ridge Development was sold.

### Compensated Absences and Pension Obligations

The Authority currently has no employees. All administrative services are purchased from the County. Thus, the Authority currently has no liability for compensated absences or pension obligations.

### Deferred Revenues

The Authority records deferred revenues to the extent grant funds have been received in advance of incurring eligible expenses.

### Net Assets

GASB Statement No. 34, "*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*," requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints placed on net asset use through external restrictions.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." At December 31, 2010, the Authority's entire net asset balance is unrestricted.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### Budgetary Accounting

The Authority adopts flexible annual operating budgets and capital budgets, as needed for planned projects. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the Authority's plans to earn and expend funds from charges incurred for operation, maintenance, certain interest and general functions, and other charges for the year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for development projects.

All unexpended and unencumbered appropriations in the operating budget lapse at the end of the year. No appropriation for a development project in the capital budget lapses until the purpose for which the funds were appropriated has been accomplished or abandoned.

Management submits a proposed budget to the Authority's Board prior to the November Board meeting. A budget is adopted by resolution prior to January 1.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 3. CASH AND CASH EQUIVALENTS

The Authority's deposits and investments are deposited with financial institutions and are collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

The following is a description of the Authority's investment risks:

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2010, \$714,770 of the Authority's bank balance of \$1,214,770 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 as described above. These deposits have carrying amounts of \$1,214,770 as of December 31, 2010.

### 4. NOTES RECEIVABLE AND PAYABLE - REVOLVING LOANS

In order to assist small businesses who have been unable to obtain other financing for new and expanded operations, the Authority offers a revolving loan program. This program originated with grant funds from the U.S. Department of Agriculture's Rural Development Mission Area Program. These federal funds were drawn down by the Authority and then loaned to eligible small businesses in the County for economic development purposes. The repayment to the Authority of principal and interest is deposited into a separate revolving loan bank account and may then be utilized for additional loans to other qualified businesses. A total of fifteen loans remain on the Authority's records, bearing interest at rates between 4.00% and 8.50%. The balances of revolving loans receivable as of December 31, 2010, were as follows:

Notes receivable	\$ 237,672
Less reserve for uncollectible	<u>(123,896)</u>
Net amount collectible	113,776
Less current portion	<u>(17,129)</u>
Noncurrent portion	<u><u>\$ 96,647</u></u>

The corresponding revolving loan liability, which represents the funds that may be utilized for additional loans to other qualified businesses, was composed of the following at December 31, 2010:

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# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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Revolving Loan Fund-Bank Account	\$ 324,307
Loan Receivable-USDA-Current Portion	<u>17,129</u>
Current Portion of Revolving Loan Fund	341,436
Non-current Portion of Revolving Loan Fund	<u>96,647</u>
Total Restricted Loan Fund	<u>\$ 438,083</u>

### 5. GRANT RECEIVABLE AND GRANT DEFERRED REVENUE

In the Authority's continuing efforts to assist with development within the County, the Authority has successfully obtained a variety of grants. In some cases, these grant funds are received in a lump sum before costs are incurred, while other grants funds are received after reimbursable costs have been incurred. Regardless of when funds are received, these grants are recognized as revenue at the time allowable costs are incurred. As a result, at December 31, 2010, the Authority had grants receivable, allowable costs incurred in excess of grants received on some grants, and deferred revenue, grant funds received in excess of allowable costs incurred on other grants.

Grants receivable was composed of the following at December 31, 2010:

Evergreene project	\$ 226,233
Business retention and expansion program	<u>2,000</u>
Total grants receivable	<u>\$ 228,233</u>

At December 31, 2010, management believes that the balance in grants receivable is fully collectible

Deferred revenue was as follows at December 31, 2010:

Mather project	\$ 340,762
Local economic development assistance grant	<u>21,317</u>
Total deferred revenue	<u>\$ 362,079</u>

### 6. LINE OF CREDIT PAYABLE

The Authority has entered into a line-of-credit arrangement with a local bank in the amount of \$2,500,000 to be used to pay certain grant related expenses pending reimbursement from grantors. The balance payable on this line of credit at December 31, 2010, was \$162,836 and carried an interest rate of 4.54% and a maturity date of April 19, 2011.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 7. CONDUIT DEBT

The Authority issues tax-exempt and taxable limited-obligation debt through various lending and financial institutions to provide below-market interest rate financing to private-sector entities for eligible projects. The debt is secured by the property financed and is payable solely from the payments received on the underlying mortgage loans. Neither the Authority, the Commonwealth of Pennsylvania, nor any political subdivision thereof is obligated in any manner for the repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying primary government financial statements. The outstanding balances of bonds and notes issued through the Authority as of December 31, 2010 were:

<u>Company</u>	<u>Total Outstanding</u>
Rolling Meadows	\$ 6,090,000
Monongahela Power	3,000,000
CWS Company	660,000
	<u>\$ 9,750,000</u>

The financing arrangement related to the Rolling Meadows Health Care facility is currently subject to a forbearance agreement, since debt service payments have not been paid for 2006, 2007, 2008, 2009, or 2010.

### 8. BONDS PAYABLE

#### Guaranteed Revenue Bonds - Meadow Ridge Industrial Park

Pursuant to a Trust Indenture dated December 1, 1997, the Authority issued Guaranteed Revenue Bonds, Series of 1997, in the principal amount of \$850,000. The proceeds were used to construct certain public infrastructure improvements in the Meadow Ridge Business Park located in Mt. Morris, Perry Township. Under a separate guaranty agreement, the County guaranteed full and prompt payment of any principal and interest due on these bonds in the event that the Authority lacked sufficient funds to make such debt service payments. The bonds bear interest at rates ranging from 5.2% to 5.55%, and mature beginning in 2002 until final maturity in 2017.

During 2010, the Authority and County utilized Meadow Ridge sale proceeds of \$185,472 and County funds of \$34,528 to call for redemption of \$220,000 in bonds due to mature in 2012. The contribution from the County is included in miscellaneous revenue on the statement of activities.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Long-term debt activity during 2010 was as follows:

		Amounts Payable as of January 1, 2010	Additions	Repayment		Amounts Payable as of December 31, 2010	Due Within One Year
Guaranteed Revenue Bonds	\$	450,000	\$ -	\$ (220,000)	\$	230,000	\$ -

Annual debt service requirements are as follows:

Year Ending December 31,	Principal	Interest	Total
2011	\$ -	\$ 12,766	\$ 12,766
2012	-	12,766	12,766
2013	-	12,766	12,766
2014	-	12,766	12,766
2015	-	12,766	12,766
2016-2017	230,000	25,532	255,532
	\$ 230,000	\$ 89,362	\$ 319,362

## 9. COMMITMENTS AND CONTINGENCIES

### Grant Programs

The Authority participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Except as noted in the next paragraph, management is not aware of any other material items of noncompliance which would result in the disallowance of program expenditures.

The Authority entered into a contract with the Commonwealth of Pennsylvania, Department of Community and Economic Development (DCED) under the Infrastructure and Facilities Improvement Program (IFIP) for the Waynesburg Crossing Project (Project) being developed by McHolmeWaynesburg, LLC (McHolme). The Authority applied to the DCED for IFIP funds at the request of McHolme, and after receiving a commitment letter from the DCED and entering into the agreement with the DCED, entered into an agreement regarding the IFIP grant with McHolme on July 18, 2008. The IFIP agreement between the Authority and the DCED provides for an annual disbursement to the Authority not to exceed \$500,000 based on the debt service paid by McHolme to its mortgage lender for the Project during the ten-year term of the agreement. Under its agreement

# COUNTY OF GREENE, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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with McHolme, the Authority prepares and submits to the DCED a request for an IFIP grant disbursement for each year, based on information provided to it by McHolme. As long as McHolme is not in default under its agreement with the Authority, and to the extent that the Authority receives the proceeds of the IFIP grant and is permitted by its IFIP agreement with the DCED to do so, the Authority is to distribute the IFIP installments to McHolme. In early 2010, the Authority applied to the DCED for an IFIP disbursement based on the 2009 debt service information McHolme provided, and later received a disbursement from the DCED in the amount of \$435,489.

Prior to distributing those funds to McHolme, the Authority was notified by the County that McHolme was in default under an agreement between McHolme and the County. At about the same time, the Authority was notified by an attorney who represented McHolme, that McHolme had ceased doing business in early May 2010. Thereafter, the Authority received a request from the DCED that it return the IFIP funds on the basis that McHolme had breached a condition of the IFIP agreement by not continuing to occupy and develop the Project. It also received correspondence from counsel for McHolme's mortgage lender asserting that it had the right to the IFIP disbursement because of McHolme's default under its mortgage, and a letter from McHolme's counsel consenting to the disbursement of those funds to the Mortgage lender. Because of the competing claims for the IFIP funds, the Authority did not disburse the funds.

The DCED recently filed a compliant against the Authority claiming that it is entitled to the return of the funds totaling \$435,489. The Authority filed an answer to the compliant and a petition for interpleader. Under the petition for interpleader, the court will then decide whether the DCED or bank is entitled to the funds. The DCED is in agreement with the petition for interpleader since there are competing claims for the funds. The Authority is awaiting an order from the Dauphin County Court authorizing the Authority to deduct any fees and expenses incurred in connection with this matter. The remaining sum of the money will be immediately paid into the courts. The disputed funds totaling \$435,589 are included in accounts payable on the statement of net assets for the year ending December 31, 2010.

### Litigation

In the normal course of operations, the Authority may be involved in various civil disputes. Management is not aware of any litigation that would have a material effect on the Authority's financial position.



**Required Supplementary  
Information**

# COUNTY OF GREENE, PENNSYLVANIA

## SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES - EMPLOYEES RETIREMENT FUND

<u>Annual Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2005	\$ 390,418	100%
2006	426,300	106%
2007	447,615	101%
2008	424,472	97%
2009	445,695	118%
2010	638,240	118%

The information presented above was determined as part of the actuarial valuations for the dates indicated.

See accompanying note to supplementary schedules.

# COUNTY OF GREENE, PENNSYLVANIA

## SCHEDULE OF FUNDING PROGRESS FOR THE PENSION TRUST FUND

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets Over (Under) AAL (b) - (a)		Funded Ratio (a)/(b)	Covered Payroll (c)	Excess (Deficiency) as a Percentage of Covered Payroll [(b)-(a)]/(c)
1/1/2010	\$ 11,993,510	\$ 14,494,466	\$	(2,500,956)	82.75%	\$ 8,379,320	(29.85%)

Source: Actuarial reports

Note: The County used the aggregate actuarial funding method. That method did not require a Schedule of Funding Progress prior to implementation of GASB 50. As a result, information prior to the 2010 valuation for years prior to 2008 is not available.

See accompanying note to supplementary schedules.

# COUNTY OF GREENE, PENNSYLVANIA

## NOTE TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2010

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The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2010
Actuarial cost method	Entry Age (% Pay)
Asset valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

Effective for the January 1, 2010 valuation, the actuarial cost method was changed to the Entry Age Normal Cost Method from the Aggregate Cost Method. The actuarial assumptions remain the same as used in the January 1, 2008 valuation. The initial unfunded actuarial accrued liability has been established as of January 1, 2010, the first adoption by the Plan of the entry age normal actuarial cost method.