

**County of Greene,
Pennsylvania**

Single Audit

December 31, 2013

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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COUNTY OF GREENE, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2013

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Independent Auditor's Report

Board of County Commissioners
County Controller
County of Greene, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of the County as of December 31, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 xvii and 34 through 36, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual other governmental funds and agency funds financial statements are presented for purposes of additional analysis and is not a required part of the financial statements. The 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 other governmental funds and agency funds financial statements, the schedule of expenditures of federal awards, and the schedule of 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. Such 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014 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* in considering the County's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
August 26, 2014

COUNTY OF GREENE, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2013

<u>Assets</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 14,518,368
Investments	1,315,770
Receivables:	
Taxes receivable, net of allowance	1,482,840
Due from other governments	1,380,963
Accounts receivable	344,169
Prepaid expenses/other assets	1,864
Net pension asset	288,837
Capital assets not being depreciated	7,809,022
Capital assets, net of accumulated depreciation	13,888,157
Infrastructure assets, net of accumulated depreciation	18,065,944
Total Assets	59,095,934
<u>Liabilities</u>	
Accounts payable	2,626,630
Accrued liabilities and withholdings	421,936
Accrued interest payable	141,053
Due to other governments	36
Unearned revenue	3,553,536
Accrued compensated absences	326,076
Bonds and lease payable:	
Amount due within one year	732,349
Amount due in more than one year	10,397,240
Bond discount	(124,898)
Total Liabilities	18,073,958
<u>Net Position</u>	
Net investment in capital assets	28,633,534
Restricted for:	
Capital projects	4,310,248
Debt service	446,195
Other purposes	1,825,242
Unrestricted	5,806,757
Total Net Position	\$ 41,021,976

See accompanying notes to financial statements.

COUNTY OF GREENE, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 9,608,994	\$ 5,397,709	\$ 766,162	\$ -	\$ (3,445,123)
Public safety	4,400,992	418,782	536,895	-	(3,445,315)
Public works	1,229,641	36,509	105,856	-	(1,087,276)
Human services	8,122,113	153,382	8,023,480	-	54,749
Culture and recreation	1,871,632	706,782	356,115	161,078	(647,657)
Community and economic development	1,967,229	323,104	748,827	460,009	(435,289)
Unallocated depreciation	135,532	-	-	-	(135,532)
Interest and amortization	526,709	-	-	-	(526,709)
Total governmental activities	\$ 27,862,842	\$ 7,036,268	\$ 10,537,335	\$ 621,087	(9,668,152)
General revenues:					
					10,726,863
					1,082,248
					107,546
					46,828
					457,562
					(200,049)
					1,973,924
Total general revenues					14,194,922
Change in Net Position					4,526,770
Net Position:					
Beginning of year					36,495,206
End of year					\$ 41,021,976

See accompanying notes to financial statements.

COUNTY OF GREENE, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2013

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

See accompanying notes to financial statements.

COUNTY OF GREENE, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2013

Total Fund Balance - Governmental Funds					\$ 11,162,734
Amounts reported for governmental activities in the statement of net position 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 the governmental funds.					39,763,123
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 reported as deferred inflows in the funds.					1,279,102
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these accounts are capitalized and amortized in the statement of activities.					124,898
The net pension asset is not an available resource and, therefore, is not reported in the funds.					288,837
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	\$	(326,076)		
	GO bonds/leases		(11,129,589)		
	Accrued interest on bonds		<u>(141,053)</u>		
					<u>(11,596,718)</u>
Total Net Position - Governmental Activities					<u>\$ 41,021,976</u>

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, 2013

	General Fund	Behavioral Health	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 10,698,487	\$ -	\$ -	\$ 1,402,761	\$ 12,101,248
Licenses and permits	39,924	-	-	-	39,924
Fines and forfeits	145,303	-	-	-	145,303
Intergovernmental	843,387	2,197,649	451,197	7,574,234	11,066,467
Charges for services	5,577,170	-	-	1,043,367	6,620,537
Interest	1,789	288	39,393	5,343	46,813
Rental income	442,022	-	-	15,540	457,562
Donations	60,074	-	-	31,881	91,955
Total revenues	17,808,156	2,197,937	490,590	10,073,126	30,569,809
Expenditures:					
General government - administration	4,800,473	-	1,138,729	16,400	5,955,602
General government - judicial	3,357,239	-	-	735,929	4,093,168
Public safety:					
Corrections	3,231,256	-	489,220	-	3,720,476
EMA/911	558,170	-	587,923	317,368	1,463,461
Public works:					
Highways and bridges	-	-	16,345	1,891,608	1,907,953
Sanitation/solid waste	-	-	-	-	-
Airport	142,716	-	679,598	-	822,314
Human services:					
Child/youth services	-	-	-	2,661,149	2,661,149
Drug and alcohol	-	-	-	563,102	563,102
Mental health/intellectual disability	-	2,117,820	-	-	2,117,820
Other human services	-	-	-	2,664,925	2,664,925
Culture and recreation:					
Parks and recreation	1,456,941	-	164,763	336,957	1,958,661
Libraries	-	-	-	281,385	281,385
Conservation and economic development:					
Conservation/development	97,949	-	-	380,874	478,823
Housing/community development	48,815	-	58,000	246,294	353,109
Economic development	922,874	-	-	-	922,874
Tourist promotion	4,447	-	-	203,631	208,078
Debt service:					
Debt interest	-	-	-	385,656	385,656
Debt principal payments	79,154	-	-	630,000	709,154
Total expenditures	14,700,034	2,117,820	3,134,578	11,315,278	31,267,710
Excess (Deficiency) of Revenues Over Expenditures	3,108,122	80,117	(2,643,988)	(1,242,152)	(697,901)
Other Financing Sources (Uses):					
Transfers in	705,748	58,633	2,405,622	833,309	4,003,312
Other sources from sale of assets/ prior period reimbursement	208,181	-	-	1,306,872	1,515,053
Transfers out	(3,297,564)	(138,750)	-	(566,998)	(4,003,312)
Other uses	(691)	-	-	-	(691)
Total other financing sources (uses)	(2,384,326)	(80,117)	2,405,622	1,573,183	1,514,362
Net Change in Fund Balance	723,796	-	(238,366)	331,031	816,461
Fund Balance:					
Beginning of year	3,627,542	-	4,548,614	2,170,117	10,346,273
End of year	\$ 4,351,338	\$ -	\$ 4,310,248	\$ 2,501,148	\$ 11,162,734

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, 2013

Net Change in Fund Balance - Governmental Funds \$ 816,461

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	\$ 4,568,629	
	Less: Depreciation expense	<u>(1,122,560)</u>	3,446,069

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. 45,927

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 position. 709,154

Governmental funds report the effect of 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. (222,527)

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. (141,053)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and offset against proceeds from the sale of capital assets resulting in a gain (loss) 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	(6,741)	
	Gain (loss) on the sale of capital assets	<u>(200,049)</u>	(206,790)

The change in net pension asset is reflected in the statement of activities, but is not considered an available resource in the fund financial statements. 28,720

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. 50,809

Change in Net Position of Governmental Activities \$ 4,526,770

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, 2013

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

See accompanying notes to financial statements.

COUNTY OF GREENE, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2013

	Employees Pension Plan	Tax Claim Bureau	Escrow Accounts	Total
Assets				
Cash and cash equivalents	\$ 27,312	\$ 222,551	\$ 1,160,274	\$ 1,410,137
Investments	20,661,284	-	-	20,661,284
Due from other funds	44,710	-	-	44,710
Accounts receivable	76,899	-	-	76,899
Total Assets	20,810,205	222,551	1,160,274	22,193,030
Liabilities				
Due to other governments	-	222,551	1,057,491	1,280,042
Due to other funds	-	-	102,783	102,783
Total Liabilities	-	222,551	1,160,274	1,382,825
Net Position				
Net Position Held in Trust for Pension Benefits	\$ 20,810,205	\$ -	\$ -	\$ 20,810,205

See accompanying notes to financial statements.

COUNTY OF GREENE, PENNSYLVANIA

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2013

Additions:

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Contributions:	
Employer	\$ 556,000
Plan member	688,017
	<hr/>
Total contributions	1,244,017
	<hr/>
Investment earnings:	
Net increase in fair value of investments	2,666,157
Interest and dividends	483,235
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Net investment earnings	3,149,392
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Total additions	4,393,409
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Deductions:

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Pension benefits	381,183
Refund of contributions	507,871
Administrative expenses	146,765
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Total deductions	1,035,819
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Change in Net Position 3,357,590

Net Position Held in Trust for Pension Benefits:

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Beginning of year	17,452,615
	<hr/>
End of year	\$ 20,810,205
	<hr/>

See accompanying notes to financial statements.

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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.

The reporting entity for the County includes the accounts of all County operations, including administrative and judicial government, corrections, and health and welfare.

Management has evaluated all potential component units, and has determined the County has no discretely presented component units that will be included. Consistent with applicable guidance, the criteria used by the County to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the County reviews the applicability of the following criteria:

1. Organizations that make up the legal County entity.
2. Legally separate organizations if the Commissioners appoint a voting majority of the organization’s governing body and the County is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.
 - a. Impose its Will - If the County can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden - Exists if the County (1) is entitled to the organization’s resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the County.
4. In management’s judgment, exclusion of the component unit would render the financial statements misleading.

Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

as funds of the primary government. The following agencies were reviewed and were determined to be blended component units of the County:

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

The following agencies were reviewed and were determined not to be component units of the County, and are considered to be related organizations:

- 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 Development Authority

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.

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 position, 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. The County generally uses restricted resources before unrestricted resources when an expense incurred for a purpose that both restricted and unrestricted net position is 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

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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(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, 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. It accounts for all financial resources of the general government, except those accounted for in another fund.

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:

COUNTY OF GREENE, PENNSYLVANIA

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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 or committed to expenditures for specified purposes.

Debt Service Fund

The *Debt Service Fund* accounts for the servicing of general long-term debt.

Additionally, the County reports the following fund types:

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 Employees' Pension Plan, the Tax Claim Bureau, and Escrow Accounts.

The *Employees' Pension Plan* (Plan) is used to account for the pension plan for the County employees. The Plan 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.

Unearned revenues arise when resources are received by the County before it has legal claim to them, such as when intergovernmental funds are received prior to the occurrence of qualifying

COUNTY OF GREENE, PENNSYLVANIA

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expenditures. During subsequent periods, when the County has a legal claim to the resources, the unearned revenue is removed as a liability and the revenue is recognized.

Deferred inflows of resources reported on the governmental funds balance sheet arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.

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.

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.

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 OF GREENE, PENNSYLVANIA

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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 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.

Expenditures in Excess of Appropriations

The County exceeded certain budgetary appropriations in the General Fund. The excess was covered by actual revenues exceeding budgeted by approximately \$464,000.

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 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 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>
General	\$ 3,144,714	\$ 1,151,791
BHS MH/ID	-	327,156
Capital Projects	200,000	901,117
Other governmental funds	963,796	1,870,373
Fiduciary	44,710	102,783
	<u>\$ 4,353,220</u>	<u>\$ 4,353,220</u>

Individual fund transfers at December 31, 2013 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfers Out</u>
General	\$ 705,748	\$ 3,297,564
BHS MH/ID	58,633	138,750
Capital Projects	2,405,622	-
Other governmental funds	833,309	566,998
	<u>\$ 4,003,312</u>	<u>\$ 4,003,312</u>

COUNTY OF GREENE, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2013

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. Capital 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. The capital assets are 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

All capital 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 value on the date donated.

K. 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 that 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	\$ 78,850
Amount for sick day buy-backs retirement eligible	15,673
Amount for severance pay	210,000
Amount for compensated absences for non-exempt and union	<u>21,553</u>
Total Compensated Absences Liability	<u>\$ 326,076</u>

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

L. 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.
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.

M. Classification of Fund Balance

Governmental Accounting Standards Board (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. This category includes prepaid expenditures.
 - Restricted -- This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. The County's restricted fund balances consist of external enabling legislation for the state, federal, or local government grants. This category includes funds that are legally restricted for capital projects, debt service and 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. This category includes amounts committed for the Fair Board.
 - 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 County's Board of
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COUNTY OF GREENE, PENNSYLVANIA

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Commissioners has delegated the Authority to assign fund balance to the Chief Executive. The present procedure is for the Chief Executive to assign amounts to be used for specific purposes before issuance of audited financial statements. This category includes amounts relating to the General Fund HRA.

- 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.

N. Classification of Net Position

The government-wide financial statements are required to report three components of net position:

- Net investment in capital assets -- This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted -- This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted -- This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

O. Adoption of Accounting Pronouncements

GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities.”* This statement reclassifies certain items that were reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. As a result of this Statement, deferred bond issue

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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costs in the amount of \$211,725 that previously was considered an asset was written-off in the current year. The deferred bond issue costs were not material to the financial statements and were therefore reported as a current period expense.

P. Pending Pronouncements

GASB has issued Statement No. 67, *“Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,”* effective for the year ending December 31, 2014. Statement No. 67 replaces the requirements of Statements No. 25, *“Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,”* and No. 50, *“Pension Disclosures,”* as they relate to pension plans that are administered through trusts or equivalent arrangements. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 68, *“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,”* effective for the year ending December 31, 2015. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 69, *“Government Combinations and Disposals of Government Operations,”* effective for financial statements for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 70, *“Accounting and Financial Reporting for Nonexchange Financial Guarantees,”* effective for financial statements for periods beginning after June 15, 2013. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government be required to make a payment on the liability. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68,”* effective for financial statements for periods beginning after December 15, 2014. This statement improves accounting and financial reporting by addressing an issue GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit plans prior to implementation of GASB Statement No. 68 by employees and non-employer contributing entities. The effect of implementation of this statement has not yet been determined.

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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), and interest rate 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, 2013, \$1,007,702 of the County's \$15,275,163 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$14,267,461 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 \$14,506,323 as of December 31, 2013 and are classified as cash and cash equivalents in the statement of net position.

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, 2013

The County uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for County funds. These funds are invested in the Pennsylvania Local Government Investment Trust (PLGIT), which separately issues audited financial statements that are available to the public. The fair value of the County's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. As of December 31, 2013, the bank balance of the investment in PLGIT is \$12,045. The carrying value of the investment in PLGIT of \$12,045 is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet.

The County also has investments of \$1,315,770 invested in certificates of deposits at local financial institutions. These accounts are recorded as an investment on the statement of net position and the governmental funds balance sheet. As of December 31, 2013, \$276,052 of the balance of \$1,315,770 was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$1,039,718 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, 2013, the County's investments in PLGIT have received an AAAM 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 certificate of deposit bear interest at a rate of 2.75% and will mature in January 2014.

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 position. Receipts and disbursements for these programs were \$5,584,839 and \$5,067,291, respectively, for the year ended December 31, 2013. The carrying amount of deposits for the row offices and other County offices was \$1,160,274 and the bank balance was \$1,446,282. The carrying amount of deposits for the Tax Claim Bureau was \$222,551 and the bank balance was \$210,574. \$1,446,282 of the bank balances were covered by federal depository insurance and the remaining 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.

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Employees' Pension Plan

The Employees' Pension Plan (Plan) investments are held separately from those of other County Funds. Investments were consistent with those authorized. The Plan 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, 2013, the County had the following investments in the Plan:

<u>Cash or Investment Type</u>	<u>Investment Maturities (In Years) from December 31, 2013</u>				
	<u>Fair Market Value</u>	<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>6 -10 Years</u>	<u>11 or more Years</u>
U.S. Treasuries	\$ 2,830,433	\$ -	\$ 2,456,331	\$ 374,102	\$ -
U.S. Government Agency Obligations	141,637	-	12,819	59,253	69,565
Municipal Bonds and Notes	763,185	-	602,856	160,329	-
Corporate Bonds	<u>4,592,887</u>	<u>50,490</u>	<u>1,582,674</u>	<u>2,335,941</u>	<u>623,782</u>
Total debt securities	<u>8,328,142</u>	<u>\$ 50,490</u>	<u>\$ 4,654,680</u>	<u>\$ 2,929,625</u>	<u>\$ 693,347</u>
Cash and cash equivalents	454,910				
Common stock equities	<u>11,878,232</u>				
Total cash, cash equivalents, and other investments	<u>12,333,142</u>				
Total cash, cash equivalents, and investments reported on statement of net position - fiduciary funds	<u>\$ 20,661,284</u>				

The following is a description of the Plan 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 Plan 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, 2013, the Plan investments in fixed income bonds have received the following ratings from Standard & Poor's:

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Credit Quality Distribution for Securities with Credit Exposure

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage of Total Plan Debt Securities</u>
Municipal Bonds	AA+	2.85%
Municipal Bonds	AA-	5.77%
Municipal Bonds	A	3.39%
Municipal Bonds	A-	1.87%
Governmental Bonds	Unrated	2.58%
Corporate Bonds	AAA	3.49%
Corporate Bonds	AA+	2.98%
Corporate Bonds	A+	9.10%
Corporate Bonds	A	25.59%
Corporate Bonds	A-	11.36%
Corporate Bonds	BBB+	11.14%
Corporate Bonds	BBB+	8.94%
Corporate Bonds	BBB-	9.38%
Corporate Bonds	Unrated	1.57%
		<u>100%</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Plan 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 Plan does not have a formal deposit or investment policy for custodial credit risk. As of December 31, 2013, the County's entire pension investment balance of \$20,661,284 (bank and book balance) was exposed to custodial credit risk.

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

Interest Rate Risk - The Plan does 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 2013 levy was based, was \$1,538,513,022. 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, 2013, 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

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2013 was 0.7 mills per \$1,000. The tax rate related to library services for the year ended December 31, 2013 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 position 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 General Fund taxes receivable balance is 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
1943-2008	\$ 211,313	20.0%	\$ 169,050
2009-2010	57,536	1.0%	56,961
2011-2012	428,099	0.3%	426,815
2013	795,579	0.0%	795,578
	<u>\$ 1,492,527</u>		<u>\$ 1,448,404</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. CAPITAL ASSETS

The following table illustrates the changes in capital assets as they have occurred in fiscal year 2013.

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

	Balance at January 1, 2013	Additions	Transfers	Deletions	Balance at December 31, 2013
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,444,785	\$ -	\$ -	\$ -	\$ 2,444,785
Construction in progress	2,073,755	3,358,123	(67,641)	-	5,364,237
Total capital assets not being depreciated	4,518,540	3,358,123	(67,641)	-	7,809,022
Capital assets being depreciated:					
Buildings and improvements	17,422,475	-	-	-	17,422,475
Vehicles	2,133,811	649,953	-	187,359	2,596,405
Furniture and equipment	2,870,560	560,553	67,641	345,001	3,153,753
Total capital assets being depreciated	22,426,846	1,210,506	67,641	532,360	23,172,633
Less accumulated depreciation for:					
Buildings and improvements	5,821,591	408,246	-	-	6,229,837
Vehicles	1,142,790	178,536	-	93,178	1,228,148
Furniture and equipment	1,804,582	254,301	-	232,392	1,826,491
Total accumulated depreciation	8,768,963	841,083	-	325,570	9,284,476
Total capital assets being depreciated, net of accumulated depreciation	13,657,883	369,423	67,641	206,790	13,888,157
Infrastructure assets	21,158,390	-	-	-	21,158,390
Less accumulated depreciation	2,810,969	281,477	-	-	3,092,446
Infrastructure assets, net of accumulated depreciation	18,347,421	(281,477)	-	-	18,065,944
Governmental assets capital assets, net	\$ 36,523,844	\$ 3,446,069	\$ -	\$ 206,790	\$ 39,763,123

Included in equipment above is \$411,033 of assets purchased under a capital lease. These assets have a net value of \$249,589 at December 31, 2013.

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

Governmental Activities:	
General government	\$ 210,678
Public safety	149,740
Public works	340,887
Human services	115,117
Culture and recreation	166,261
Community and economic development	4,345
Unallocated depreciation	135,532
Total depreciation expense - governmental activities	\$ 1,122,560

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013.

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, 2013 was \$9,604,104.

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, 2013, the date of the most recent valuation, participants in the Plan were as follows:

Participants:	
Retirees and beneficiaries	72
Deferred vested	17
Active plan members	<u>251</u>
Total	<u><u>340</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.

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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. 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 entry age funding method and the same actuarial assumptions used to calculate the pension benefit calculation.

As a condition of participation, employees are to currently contribute 7% 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 \$513,042 or 5.34% of covered payroll, were calculated in accordance with actuarially determined contribution requirements based on an actuarial valuation dated January 1, 2013.

Required Governmental Accounting Standards Board Statements No. 25 and No. 27 Disclosures

<u>Annual Pension Cost and Net Pension Obligation</u>	<u>2013</u>
Annual Required Contribution ARC	\$ 513,042
Interest on Net Pension Obligation (Asset)	(19,509)
Adjustment to the ARC	<u>33,747</u>
Annual Pension Cost APC	527,280
Contributions made	<u>556,000</u>
Change in Net Pension Obligation (Asset)	(28,720)
Net Pension Obligation (Asset) Beginning of Year	<u>(260,117)</u>
Net Pension Obligation (Asset) End of Year	<u>\$ (288,837)</u>

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Accounting Information

Annual pension costs for the year beginning January 1, 2013:

Annual Required Contribution	\$	513,042
Interest on NPO (Asset)		(19,509)
Adjustment to the ARC		33,747
		33,747
Annual pension cost	\$	527,280

Other disclosure information:

Actuarial cost method	Entry age
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	4.50%
Underlying inflation rate	3.00%

Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2011	\$ 723,701	101.8%	\$ 41,136
12/31/2012	497,872	160.5%	(260,117)
12/31/2013	527,280	105.4%	(288,837)

Funded Status

The County's funded status and related information as of the latest actuarial valuation date, January 1, 2013, is as follows:

Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
\$ 17,452,615	\$ 17,765,776	\$ (313,161)	98.24%	\$ 9,604,104	(3.26)%

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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.

The Plan is invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur and that such a change could materially affect the amount reported on the statement of net position – fiduciary funds.

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, 2013 are as follows:

	At December 31, 2012	Issuances	Repayments	At December 31, 2013	Due Within One Year
G. O. Bond 2008	\$ 5,850,000	\$ -	\$ 590,000	\$ 5,260,000	\$ 610,000
G. O. Bond 2011	5,660,000	-	40,000	5,620,000	40,000
Capital Lease	328,743	-	79,154	249,589	82,349
Total	<u>\$ 11,838,743</u>	<u>\$ -</u>	<u>\$ 709,154</u>	<u>\$ 11,129,589</u>	<u>\$ 732,349</u>

General Obligation Bonds

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, 2013

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2014	\$ 610,000	\$ 177,560	\$ 787,560
2015	630,000	158,025	788,025
2016	650,000	136,895	786,895
2017	675,000	113,864	788,864
2018	700,000	89,108	789,108
2019-2021	<u>1,995,000</u>	<u>107,014</u>	<u>2,102,014</u>
Total	<u>\$ 5,260,000</u>	<u>\$ 782,466</u>	<u>\$ 6,042,466</u>

During 2011, the County issued \$5,710,000 in General Obligation Bonds to currently refund the 2006 Bonds and to acquire or construct various capital improvement projects and additions. Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 2.00% to 3.70%.

<u>Year Ending December 31,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2014	\$ 40,000	\$ 188,991	\$ 228,991
2015	40,000	188,191	228,191
2016	40,000	187,391	227,391
2017	40,000	186,416	226,416
2018	40,000	185,266	225,266
2019-2023	<u>2,150,000</u>	<u>832,664</u>	<u>2,982,664</u>
2024-2027	<u>3,270,000</u>	<u>209,647</u>	<u>3,479,647</u>
Total	<u>\$ 5,620,000</u>	<u>\$ 1,978,566</u>	<u>\$ 7,598,566</u>

Maturities of all outstanding bonds 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>
2014	\$ 650,000	\$ 366,551	\$ 1,016,551
2015	670,000	346,216	1,016,216
2016	690,000	324,286	1,014,286
2017	715,000	300,280	1,015,280
2018	740,000	274,374	1,014,374
2019-2023	<u>4,145,000</u>	<u>939,678</u>	<u>5,084,678</u>
2024-2027	<u>3,270,000</u>	<u>209,647</u>	<u>3,479,647</u>
Total	<u>\$ 10,880,000</u>	<u>\$ 2,761,032</u>	<u>\$ 13,641,032</u>

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Capital Lease

During 2011, the County signed a lease with PNC Equipment Finance in the amount of \$411,033 with an interest rate of 3.97% for a period of 60 months for the purpose of leasing 28 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>
2014	\$ 82,349	\$ 8,407	\$ 90,756
2015	85,673	5,083	90,756
2016	81,567	1,625	83,192
Total	<u>\$ 249,589</u>	<u>\$ 15,115</u>	<u>\$ 264,704</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 2, 2013 for a total of \$2,000,000, with an interest rate of 1.49%; however, the County did not draw down on the TAN in 2013.

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.

12. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial

COUNTY OF GREENE, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

insurance. There have been no significant changes in insurance coverage in any of the past three years.

13. SUBSEQUENT EVENT

During January 2014, the County issued \$5,400,000 in General Obligation Bonds to currently refund the 2008 series bond issuance. Interest payments are payable semi-annually on January 15 and July 15, with rates ranging from .32% to 2.40%. The refunding was completed to reduce the County's debt service payments over the next seven years by approximately \$254,000 and to obtain an economic gain (difference between present values of old and new debt service payments) of approximately \$260,000.

**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>
2008	\$ 424,472	97%
2009	445,695	118%
2010	638,240	118%
2011	736,803	102%
2012	500,103	160%
2013	513,042	108%

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)
1/1/2013	\$ 17,452,615	\$ 17,765,776	\$ (313,161)	98.24%	\$ 9,604,104	(3.26%)
1/1/2012	15,303,352	16,684,016	(1,380,664)	91.72%	9,148,757	(15.09%)
1/1/2010	11,993,510	14,494,466	(2,500,956)	82.75%	8,379,320	(29.85%)

Source: Actuarial reports

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

See accompanying note to supplementary schedules.

COUNTY OF GREENE, PENNSYLVANIA

NOTE TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013

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	1/1/2013
Actuarial cost method	Entry Age
Asset valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.50%
Underlying inflation rate	3.00%