



30 North Third Street
Suite 200
PO Box 1190
Harrisburg, PA 17108-1190

Independent Auditors' Report

Commissioners of Cumberland County:

We have audited the general purpose financial statements of the County of Cumberland, Pennsylvania, as of and for the year ended December 31, 2001 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the County of Cumberland Industrial Development Authority (IDA), which represents 49% of the assets and 5% of the revenues of the component units. The financial statements of the IDA were audited by other auditors whose report thereon was furnished to us, and our opinion herein, insofar as it relates to the amounts included for the IDA, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Cumberland, Pennsylvania, at December 31, 2001, and the results of its operations and cash flows of its proprietary fund types 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 April 26, 2002, on our consideration of the County of Cumberland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Cumberland, Pennsylvania. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary pension information on page 71 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

KPMG LLP

April 26, 2002



COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Balance Sheet – All Fund Types, Account Groups,
and Discretely Presented Component Units

December 31, 2001

Assets and Other Debits	Governmental fund types			
	General	Special revenue	Debt service	Capital projects
Assets:				
Cash and cash equivalents	\$ 6,607,011	1,455,021	91,368	637,321
Restricted assets:				
Cash and cash equivalents	—	—	—	60,402
Investments	887,011	—	—	220,144
Investments	100,000	1,022,000	—	—
Due from other funds	1,323,912	1,175,313	—	—
Due from component unit	97,659	—	—	—
Notes receivable	—	—	—	—
Accrued interest receivable	—	—	—	—
Due from other governments	349,493	1,816,451	—	—
Taxes receivable	1,333,387	50,000	—	—
Accounts receivable	353,248	1,023,713	—	—
Prepaid items	665,040	40,605	—	—
Fixed assets, net of depreciation	—	—	—	—
Other assets	34,231	—	—	—
Other debits:				
Amount to be provided for retirement of general long-term debt	—	—	—	—
Amount available in the Debt Service Fund	—	—	—	—
Total assets and other debits	\$ 11,750,992	6,583,103	91,368	917,867

Proprietary fund types		Fiduciary fund type	Account groups		Total primary government (memorandum only)	Component units	Total reporting entity (memorandum only)
Enterprise	Internal service	Trust and agency	General fixed assets	General long-term debt			
781,825	1,073,938	6,766,337	—	—	17,412,821	464,241	17,877,062
177,484	—	—	—	—	237,886	—	237,886
9,443,118	—	—	—	—	10,550,273	—	10,550,273
154,000	—	70,518,620	—	—	71,794,620	67,965	71,862,585
93,643	—	—	—	—	2,592,868	—	2,592,868
—	—	—	—	—	97,659	—	97,659
—	—	—	—	—	—	351,554	351,554
4,987	—	463,158	—	—	468,145	—	468,145
624,462	104,953	—	—	—	2,895,359	67,401	2,962,760
—	—	—	—	—	1,383,387	—	1,383,387
3,142,629	1,700	—	—	—	4,521,290	98,542	4,619,832
198,609	—	—	—	—	904,254	—	904,254
19,193,486	669,844	—	18,523,980	—	38,387,310	—	38,387,310
448,618	—	—	—	—	482,849	1,338	484,187
—	—	—	—	13,026,784	13,026,784	—	13,026,784
—	—	—	—	8,862	8,862	—	8,862
<u>34,262,861</u>	<u>1,850,435</u>	<u>77,748,115</u>	<u>18,523,980</u>	<u>13,035,646</u>	<u>164,764,367</u>	<u>1,051,041</u>	<u>165,815,408</u>

(Continued)

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Balance Sheet – All Fund Types, Account Groups,
and Discretely Presented Component Units

December 31, 2001

Liabilities, Fund Equity and Other Credits	Governmental fund types			
	General	Special revenue	Debt service	Capital projects
Liabilities:				
Accounts payable	\$ 1,758,394	1,160,461	—	42,020
Accrued liabilities and withholdings	1,069,850	233,034	—	—
Due to other funds	—	1,137,555	82,506	61,489
Capital lease obligation	—	—	—	—
Due to other governments	1,228,270	8,631	—	—
Due to primary government	—	—	—	—
Deferred taxes	1,152,684	—	—	—
Deferred revenue	769,528	127,503	—	—
Other liabilities	—	4,935	—	34,500
Funds held as fiduciary	31,453	—	—	—
Long-term debt	—	—	—	—
Total liabilities	6,010,179	2,672,119	82,506	138,009
Fund equity and other credits:				
Investment in fixed assets	—	—	—	—
Contributed capital	—	—	—	—
Retained earnings:				
Designated for capital contributions	—	—	—	—
Unreserved	—	—	—	—
Fund balance:				
Reserved for pension benefits	—	—	—	—
Reserved for prepaid items	665,040	—	—	—
Reserved for debt service	—	—	8,862	—
Reserved for restricted contributions	—	412,484	—	—
Reserved for farmland preservation	235,352	—	—	—
Reserved for offenders' supervision	410,832	—	—	—
Reserved for landfill closure	—	—	—	—
Reserved for capital projects	—	—	—	779,858
Reserved for long-term receivables	—	—	—	—
Unreserved	4,429,589	3,498,500	—	—
Total fund equity and other credits	5,740,813	3,910,984	8,862	779,858
Total liabilities, fund equity and other credits	\$ 11,750,992	6,583,103	91,368	917,867

See accompanying notes to general purpose financial statements.

Proprietary fund types		Fiduciary fund type	Account groups		Total primary government (memorandum only)	Component units	Total reporting entity (memorandum only)
Enterprise	Internal service	Trust and agency	General fixed assets	General long-term debt			
1,028,984	32,756	—	—	—	4,022,615	54,000	4,076,615
1,408,838	947,326	—	—	2,329,794	5,988,842	11,731	6,000,573
910,147	49,176	351,995	—	—	2,592,868	—	2,592,868
—	—	—	—	220,692	220,692	—	220,692
—	—	1,010,620	—	—	2,247,521	—	2,247,521
—	—	—	—	—	—	97,659	97,659
—	—	—	—	—	1,152,684	—	1,152,684
68,078	27,961	—	—	—	993,070	16,874	1,009,944
—	—	536,357	—	—	575,792	—	575,792
296,654	—	—	—	—	328,107	—	328,107
25,129,357	—	—	—	10,485,160	35,614,517	—	35,614,517
<u>28,842,058</u>	<u>1,057,219</u>	<u>1,898,972</u>	<u>—</u>	<u>13,035,646</u>	<u>53,736,708</u>	<u>180,264</u>	<u>53,916,972</u>
—	—	—	18,523,980	—	18,523,980	—	18,523,980
2,545,085	414,970	—	—	—	2,960,055	—	2,960,055
731,000	—	—	—	—	731,000	—	731,000
2,144,718	378,246	—	—	—	2,522,964	—	2,522,964
—	—	75,232,394	—	—	75,232,394	—	75,232,394
—	—	—	—	—	665,040	—	665,040
—	—	—	—	—	8,862	—	8,862
—	—	—	—	—	412,484	—	412,484
—	—	—	—	—	235,352	—	235,352
—	—	—	—	—	410,832	—	410,832
—	—	616,749	—	—	616,749	—	616,749
—	—	—	—	—	779,858	—	779,858
—	—	—	—	—	—	351,554	351,554
—	—	—	—	—	7,928,089	519,223	8,447,312
<u>5,420,803</u>	<u>793,216</u>	<u>75,849,143</u>	<u>18,523,980</u>	<u>—</u>	<u>111,027,659</u>	<u>870,777</u>	<u>111,898,436</u>
<u>34,262,861</u>	<u>1,850,435</u>	<u>77,748,115</u>	<u>18,523,980</u>	<u>13,035,646</u>	<u>164,764,367</u>	<u>1,051,041</u>	<u>165,815,408</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances – All Governmental Fund Types, Expendable Trust Fund, and Discretely
Presented Component Units

For the year ended December 31, 2001

	Governmental fund types		
	General	Special revenue	Debt service
Revenues:			
Taxes	\$ 22,994,309	666,192	—
Licenses and permits	88,544	—	—
Grants	3,402,555	14,249,160	—
County charges	4,853,889	1,693,025	—
Court costs, fines and forfeits	996,136	306,932	—
Interest	603,833	126,425	1,210
Contributions and other	926,539	234,083	—
Total revenues	<u>33,865,805</u>	<u>17,275,817</u>	<u>1,210</u>
Expenditures:			
Current:			
General government – administrative	7,278,117	144,163	—
General government – judicial	10,473,949	3,210,780	—
Public safety	8,719,373	—	—
Public works and enterprises	—	918,206	—
Human services	1,483,953	14,126,661	—
Culture and recreation	828,196	666,090	—
Conservation and development	1,102,821	392,518	—
Other	15,772	—	—
Debt service	—	—	2,893,914
Capital outlay	—	—	—
Total expenditures	<u>29,902,181</u>	<u>19,458,418</u>	<u>2,893,914</u>
Excess (deficiency) of revenues over expenditures	<u>3,963,624</u>	<u>(2,182,601)</u>	<u>(2,892,704)</u>
Other financing sources (uses):			
Operating transfers in	292,009	2,657,740	2,891,273
Transfer to component units	(49,015)	—	—
Transfer from primary government	—	—	—
Operating transfers out	(6,254,801)	(132,383)	—
Proceeds from capital leases	144,171	22,390	—
Proceeds from infrastructure bank loan	—	900,000	—
Total other financing sources (uses)	<u>(5,867,636)</u>	<u>3,447,747</u>	<u>2,891,273</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,904,012)</u>	<u>1,265,146</u>	<u>(1,431)</u>
Fund balances, beginning of year	<u>7,644,825</u>	<u>2,645,838</u>	<u>10,293</u>
Fund balances, end of year	\$ <u>5,740,813</u>	<u>3,910,984</u>	<u>8,862</u>

See accompanying notes to general purpose financial statements.

Capital projects	Fiduciary fund type Expendable trust fund	Total primary government (memorandum only)	Component units	Total (memorandum only)
—	—	23,660,501	—	23,660,501
—	—	88,544	8,750	97,294
—	—	17,651,715	483,420	18,135,135
—	—	6,546,914	72,217	6,619,131
—	—	1,303,068	—	1,303,068
48,860	47,202	827,530	39,388	866,918
124,000	—	1,284,622	8,180	1,292,802
<u>172,860</u>	<u>47,202</u>	<u>51,362,894</u>	<u>611,955</u>	<u>51,974,849</u>
—	—	7,422,280	—	7,422,280
—	—	13,684,729	—	13,684,729
—	—	8,719,373	—	8,719,373
—	—	918,206	—	918,206
—	—	15,610,614	—	15,610,614
—	—	1,494,286	—	1,494,286
—	—	1,495,339	688,922	2,184,261
—	2,507	18,279	—	18,279
—	—	2,893,914	—	2,893,914
405,509	—	405,509	—	405,509
<u>405,509</u>	<u>2,507</u>	<u>52,662,529</u>	<u>688,922</u>	<u>53,351,451</u>
<u>(232,649)</u>	<u>44,695</u>	<u>(1,299,635)</u>	<u>(76,967)</u>	<u>(1,376,602)</u>
—	—	5,841,022	—	5,841,022
—	—	(49,015)	—	(49,015)
—	—	—	49,015	49,015
(197,398)	—	(6,584,582)	—	(6,584,582)
—	—	166,561	—	166,561
—	—	900,000	—	900,000
<u>(197,398)</u>	<u>—</u>	<u>273,986</u>	<u>49,015</u>	<u>323,001</u>
(430,047)	44,695	(1,025,649)	(27,952)	(1,053,601)
<u>1,209,905</u>	<u>572,054</u>	<u>12,082,915</u>	<u>898,729</u>	<u>12,981,644</u>
<u>779,858</u>	<u>616,749</u>	<u>11,057,266</u>	<u>870,777</u>	<u>11,928,043</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances – All Budgeted Governmental Fund Types –
Budget and Actual (Budget Basis)

For the year ended December 31, 2001

	General Fund			Special Revenue Funds	
	Budget	Actual	Variance– favorable (unfavorable)	Budget	Actual
Revenues:					
Taxes	\$ 24,117,233	24,284,067	166,834	591,230	666,192
Licenses and permits	80,700	88,544	7,844	—	—
Grants	3,487,752	3,323,514	(164,238)	13,108,162	14,249,160
County charges	4,505,075	5,226,431	721,356	1,265,034	1,693,025
Court costs, fines and forfeits	984,800	898,794	(86,006)	314,100	306,932
Interest	842,611	603,090	(239,521)	27,970	126,425
Contributions and other	1,431,081	1,577,704	146,623	269,832	234,083
Total revenues	35,449,252	36,002,144	552,892	15,576,328	17,275,817
Expenditures:					
Current:					
General government – administrative	8,430,793	7,946,350	484,443	157,775	144,163
General government – judicial	11,163,844	10,323,713	840,131	3,225,912	3,210,780
Public safety	8,734,562	8,719,373	15,189	—	—
Public works and enterprises	—	—	—	1,040,629	918,206
Human services	1,480,708	1,483,953	(3,245)	12,944,485	14,126,661
Culture and recreation	2,617,108	2,490,495	126,613	590,130	666,090
Conservation and development	496,844	1,102,821	(605,977)	508,509	392,518
Other	80,777	15,772	65,005	—	—
Debt service	—	—	—	—	—
Capital outlay	—	—	—	—	—
Total expenditures	33,004,636	32,082,477	922,159	18,467,440	19,458,418
Excess (deficiency) of revenues over expenditures	2,444,616	3,919,667	1,475,051	(2,891,112)	(2,182,601)
Other financing sources (uses):					
Operating transfers in	579,016	292,009	(287,007)	2,696,216	2,657,740
Transfer out to component units	(75,262)	(49,015)	26,247	—	—
Operating transfers out	(6,013,925)	(6,254,801)	(240,876)	(148,680)	(132,383)
Proceeds from capital leases	—	144,171	144,171	—	22,390
Proceeds from infrastructure bank loan	—	—	—	900,000	900,000
Other	116,114	—	(116,114)	—	—
Total other financing sources (uses)	(5,394,057)	(5,867,636)	(473,579)	3,447,536	3,447,747
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,949,441)	(1,947,969)	1,001,472	556,424	1,265,146
Fund balances, beginning of year	5,471,195	7,593,030	2,121,835	1,511,565	2,645,838
Fund balances, end of year	\$ 2,521,754	5,645,061	3,123,307	2,067,989	3,910,984

See accompanying notes to general purpose financial statements.

nds	Debt Service Fund			Capital Projects Fund		
	Variance– favorable (unfavorable)	Budget	Actual	Variance– favorable (unfavorable)	Budget	Actual
74,962	—	—	—	—	—	—
—	—	—	—	—	—	—
1,140,998	—	—	—	—	—	—
427,991	—	—	—	—	—	—
(7,168)	—	—	—	—	—	—
98,455	—	1,210	1,210	41,000	48,860	7,860
(35,749)	—	—	—	124,000	124,000	—
<u>1,699,489</u>	<u>—</u>	<u>1,210</u>	<u>1,210</u>	<u>165,000</u>	<u>172,860</u>	<u>7,860</u>
13,612	—	—	—	—	—	—
15,132	—	—	—	—	—	—
—	—	—	—	—	—	—
122,423	—	—	—	—	—	—
(1,182,176)	—	—	—	—	—	—
(75,960)	—	—	—	—	—	—
115,991	—	—	—	—	—	—
—	—	—	—	—	—	—
—	2,837,018	2,893,914	(56,896)	—	—	—
—	—	—	—	596,870	405,509	191,361
<u>(990,978)</u>	<u>2,837,018</u>	<u>2,893,914</u>	<u>(56,896)</u>	<u>596,870</u>	<u>405,509</u>	<u>191,361</u>
708,511	(2,837,018)	(2,892,704)	(55,686)	(431,870)	(232,649)	199,221
(38,476)	2,837,018	2,891,273	54,255	39,956	—	(39,956)
—	—	—	—	—	—	—
16,297	—	—	—	(379,016)	(197,398)	181,618
22,390	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>211</u>	<u>2,837,018</u>	<u>2,891,273</u>	<u>54,255</u>	<u>(339,060)</u>	<u>(197,398)</u>	<u>141,662</u>
708,722	—	(1,431)	(1,431)	(770,930)	(430,047)	340,883
1,134,273	4,982,828	10,293	(4,972,535)	746,850	1,209,905	463,055
<u>1,842,995</u>	<u>4,982,828</u>	<u>8,862</u>	<u>(4,973,966)</u>	<u>(24,080)</u>	<u>779,858</u>	<u>803,938</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Revenues, Expenses, and Changes in
Retained Earnings – All Proprietary Fund Types

For the year ended December 31, 2001

	<u>Proprietary fund types</u>		<u>Total (memorandum only)</u>
	<u>Enterprise</u>	<u>Internal service</u>	
Operating revenues:			
County charges	\$ 18,608,706	200,601	18,809,307
Rentals and other revenues	12,900	548,691	561,591
Total operating revenues	<u>18,621,606</u>	<u>749,292</u>	<u>19,370,898</u>
Operating expenses:			
Patient/client services	15,593,980	1,087,868	16,681,848
Loss and loss adjusting	—	213,149	213,149
Depreciation	788,482	230,863	1,019,345
Administrative	2,607,274	79,571	2,686,845
Total operating expenses	<u>18,989,736</u>	<u>1,611,451</u>	<u>20,601,187</u>
Operating loss	<u>(368,130)</u>	<u>(862,159)</u>	<u>(1,230,289)</u>
Nonoperating revenues (expenses):			
Grant revenue	244,717	748,895	993,612
Interest income	431,498	42,781	474,279
Interest expense	(609,782)	—	(609,782)
Loss from discontinued capital projects	(149,155)	—	(149,155)
Other	80,821	—	80,821
Total net nonoperating revenues (expenses)	<u>(1,901)</u>	<u>791,676</u>	<u>789,775</u>
Loss before operating transfers	<u>(370,031)</u>	<u>(70,483)</u>	<u>(440,514)</u>
Operating transfers in	743,560	52,820	796,380
Operating transfers out	<u>(52,820)</u>	<u>—</u>	<u>(52,820)</u>
Net income (loss)	320,709	(17,663)	303,046
Depreciation on fixed assets acquired by contributions and capital grants	<u>19,752</u>	<u>210,268</u>	<u>230,020</u>
Increase in retained earnings	340,461	192,605	533,066
Retained earnings, beginning of year	<u>2,535,257</u>	<u>185,641</u>	<u>2,720,898</u>
Retained earnings, end of year	<u>\$ 2,875,718</u>	<u>378,246</u>	<u>3,253,964</u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Cash Flows –
All Proprietary Fund Types

For the year ended December 31, 2001

	<u>Proprietary fund types</u>		<u>Total (memorandum only)</u>
	<u>Enterprise</u>	<u>Internal service</u>	
Cash flows from operating activities:			
Operating loss	\$ (368,130)	(862,159)	(1,230,289)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	788,482	230,863	1,019,345
Amortization of bond issuance costs	2,840	—	2,840
Nonoperating revenues	80,821	—	80,821
Loss on sale of fixed assets	72,067	9,754	81,821
Loss from discontinued capital projects	(149,155)	—	(149,155)
Change in assets and liabilities:			
Due from other funds	225,560	—	225,560
Due from other governments	255,930	—	255,930
Accounts receivable	138,351	3,823	142,174
Prepaid items	(185,743)	—	(185,743)
Other assets	28,196	—	28,196
Accounts payable	(460,145)	10,540	(449,605)
Accrued liabilities and withholdings	509,815	(65,408)	444,407
Due to other funds	(2,142,623)	(39,495)	(2,182,118)
Due to other governments	—	(18,685)	(18,685)
Funds held as fiduciary	(86,882)	—	(86,882)
Deferred revenue	49,208	(21,795)	27,413
Net cash used in operating activities	<u>(1,241,408)</u>	<u>(752,562)</u>	<u>(1,993,970)</u>
Cash flows from capital financing activities:			
Capital grants	225,847	233,608	459,455
Purchases of fixed assets	(9,519,084)	(279,249)	(9,798,333)
Principal repayments – long-term debt	(224,487)	—	(224,487)
Proceeds from issuance of bonds	9,060,000	—	9,060,000
Contributions and capital grants	(182,274)	—	(182,274)
Interest paid	(609,782)	—	(609,782)
Net cash used in capital financing activities	<u>(1,249,780)</u>	<u>(45,641)</u>	<u>(1,295,421)</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Cash Flows –
All Proprietary Fund Types

For the year ended December 31, 2001

	Proprietary fund types		Total (memorandum only)
	Enterprise	Internal service	
Cash flows from noncapital financing activities:			
Operating grants received	\$ 18,870	515,287	534,157
Operating transfers in	743,560	52,820	796,380
Operating transfers out	(52,820)	—	(52,820)
Net cash provided by noncapital financing activities	<u>709,610</u>	<u>568,107</u>	<u>1,277,717</u>
Cash flows from investing activities:			
Sale of investments	10,628,891	—	10,628,891
Purchases of investments	(19,082,008)	—	(19,082,008)
Investment income received	431,498	42,781	474,279
Total cash provided by (used in) investing activities	<u>(8,021,619)</u>	<u>42,781</u>	<u>(7,978,838)</u>
Net decrease in cash and cash equivalents	(9,803,197)	(187,315)	(9,990,512)
Cash and cash equivalents, beginning of year	<u>10,762,506</u>	<u>1,261,253</u>	<u>12,023,759</u>
Cash and cash equivalents, end of year	<u>\$ 959,309</u>	<u>1,073,938</u>	<u>2,033,247</u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Statement of Changes in Net Assets - Pension Trust Fund

For the year ended December 31, 2001

Additions:	
Contributions:	
Plan members	\$ 1,772,726
Total contributions	<u>1,772,726</u>
Investment income:	
Net depreciation in fair value of investments	(4,039,580)
Interest	1,957,749
Dividends	<u>919,068</u>
Net investment loss	<u>(1,162,763)</u>
Total additions	<u>609,963</u>
Deductions:	
Benefits	2,411,376
Refunds of contributions	1,019,000
Administrative expense	<u>341,519</u>
Total deductions	<u>3,771,895</u>
Net decrease	(3,161,932)
Net assets reserved for pension benefits:	
Beginning of year	<u>78,394,326</u>
End of year	<u>\$ 75,232,394</u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Discretely Presented Component Units –
Combining Balance Sheet

December 31, 2001

Assets	Conservation District	Cumberland County Industrial Development Authority	Total
Cash and cash equivalents	\$ 367,046	97,195	464,241
Investments	—	67,965	67,965
Notes receivable	—	351,554	351,554
Accounts receivable	98,542	—	98,542
Due from other governments	67,401	—	67,401
Other assets	1,338	—	1,338
	<hr/>	<hr/>	<hr/>
Total assets	\$ 534,327	516,714	1,051,041
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 54,000	—	54,000
Accrued liabilities and withholdings	11,731	—	11,731
Due to primary government	97,659	—	97,659
Deferred revenue	16,874	—	16,874
	<hr/>	<hr/>	<hr/>
Total liabilities	180,264	—	180,264
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund equity:			
Reserved for long-term receivables	—	351,554	351,554
Unreserved	354,063	165,160	519,223
	<hr/>	<hr/>	<hr/>
Total fund equity	354,063	516,714	870,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund equity	\$ 534,327	516,714	1,051,041
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Discretely Presented Component Units –
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended December 31, 2001

	Conservation District	Cumberland County Industrial Development Authority	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Licenses and permits	\$ 8,750	—	8,750
Grants	483,420	—	483,420
County charges	72,217	—	72,217
Interest	14,685	24,703	39,388
Contributions and other	1,039	7,141	8,180
	<u>580,111</u>	<u>31,844</u>	<u>611,955</u>
Total revenues			
Expenditures:			
Current:			
Conservation and development	<u>662,326</u>	<u>26,596</u>	<u>688,922</u>
Excess (deficiency) of revenues over expenditures	<u>(82,215)</u>	<u>5,248</u>	<u>(76,967)</u>
Other financing sources:			
Transfer from primary government	<u>49,015</u>	<u>—</u>	<u>49,015</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>(33,200)</u>	<u>5,248</u>	<u>(27,952)</u>
Fund balances, beginning of year	<u>387,263</u>	<u>511,466</u>	<u>898,729</u>
Fund balances, end of year	\$ <u><u>354,063</u></u>	\$ <u><u>516,714</u></u>	\$ <u><u>870,777</u></u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(1) The Reporting Entity

The County of Cumberland is located in south central Pennsylvania, to the immediate west of the City of Harrisburg, the capital of the Commonwealth. It is a County of the fourth class founded January 27, 1750, and operates under an elected three-member Board of Commissioners. The County provides services in many areas to its 213,674 residents, including various general governmental services, health and welfare, and community enrichment programs.

The general purpose financial statements of the County of Cumberland include the accounts of all County operations. The County's major operations include administrative and judicial general government, public safety, public works and enterprises, human services, culture and recreation, and conservation and development. In addition, the County owns and operates the Cumberland County Nursing Home and the County Prison.

Consistent with the guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, the criteria used by the County to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity, are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the County reviews the applicability of the following criteria:

- Organizations that make up the legal County entity.
- Legally separate organizations if County officials 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 as defined below:

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.

Financial Benefit or Burden – Exists if the County (1) is entitled to the organization's resources or (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.

- 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types, account groups, and component units for which the County is financially accountable or for which there is a significant relationship. Specific information on the nature of the component units and a description of how the aforementioned criteria have been considered in determining whether to include such units in the County's financial statements are provided in the following paragraphs. The Cumberland County Industrial Development Authority publishes a separate audit report, which may be obtained at the Cumberland County Commissioner's Office at the following address: Court House, Carlisle, PA 17103. No separate financial statements are prepared for the Cumberland County Conservation District.

(a) *Discretely Presented Component Units*

Discretely presented component units entails reporting the component unit financial data in a column separate from the financial data of the County to emphasize that they are legally separate from the County. The component units presented in this way are the Cumberland County Conservation District and the Cumberland County Industrial Development Authority.

Cumberland County Conservation District

The District was formed by the County Commissioners in 1952 pursuant to the Conservation District Law established by the Commonwealth of Pennsylvania. The seven-member board is made up of one County Commissioner and six members appointed by the Commissioners from a list of nominees received from organizations approved by the Commonwealth. The District was formed to manage the conservation of natural resources in the County. The Commonwealth Law gives the County certain powers to supervise and direct the operations of the District. Employees of the District are County employees subject to the County Salary Board. The County receives from the Commonwealth reimbursement for a percentage of the direct salaries of the District employees. The Law also gives the Commissioners the ability to unilaterally disband the District if they believe a substantial portion of land owners desire such action.

Cumberland County Industrial Development Authority (IDA)

The IDA was established under the Industrial and Commercial Development Authority Law of the Commonwealth to provide a means for developers within the County to obtain funds through the issuance of tax-exempt industrial development obligations. All of the bond issues must be approved by the County Commissioners but the County has no ongoing liability for these bond issues. The IDA is administered by a seven-member board, all of whom are appointed by the Commissioners.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

The activities of the IDA are conducted within the geographic boundaries of the County primarily for the benefit of County residents through the creation of employment opportunities. Revenues are primarily from application and servicing fees received from developers seeking to issue tax-exempt obligations.

(b) *Related Organizations*

The County Commissioners appoint a voting majority of the following organizations' Boards of Directors, but accountability does not extend beyond appointment and the organizations are not included in the County's financial statements. The organizations are as follows:

Cumberland County Housing Authority (Housing Authority)

The Housing Authority was established pursuant to the Housing Authorities Law to promote the availability of safe and sanitary dwelling accommodations at affordable rents to families of low income. The Housing Authority is administered by a five-member board, all of whom are appointed by the County Commissioners.

The Housing Authority oversees low-rent, subsidized housing projects established within the County. The Authority manages the acquisition of federal and state funds for the construction of or improvements to low-income, landlord-owned properties and reviews programs with the landlord to ensure compliance with various rules and regulations.

Cumberland County Redevelopment Authority (Redevelopment Authority)

The Redevelopment Authority was established pursuant to the Urban Redevelopment Act of 1945 (Public Law – 991). The Redevelopment Authority is administered by a five-member Board, all of whom are appointed by the County Commissioners. The Authority carries out revitalization programs within the County, and is authorized to issue revenue bonds to undertake programs for voluntary repair, rehabilitation, and conservation of residential housing.

Cumberland County Library System

The Cumberland County Library System was formed pursuant to the Library Code and its seven Board members are appointed by the County Commissioners to serve for a two-year period. Although the County collects a special voter-approved tax, it cannot affect the Library System's taxing authority or require re-authorization.

The Library Board is an autonomous county-wide organization that oversees the library system, which consists of eight libraries. The Board decides how funds are disbursed to the various libraries based on user demand and inventory needs with no oversight from the County Commissioners.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

The County Commissioners also are responsible for appointing members to the boards of several other organizations, but the County's accountability for these organizations does not extend beyond making appointments and the organizations' financial activities are not significant. These organizations include:

Transportation Authority	Tri-County Regional Planning Commission
Agricultural Land Preservation Board	Tri-County Attendant Care Advisory
Planning Commission	Committee
Private Industry Council	Cumberland County Solid Waste Authority
Aging Advisory Board	Emergency Planning Committee
Children Services Citizen Advisory Committee	Cumberland County Local Emergency
Cumberland County Conservation and	Planning Committee
Open Space Task Force	

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(c) Joint Ventures

The County is a participant with other municipalities in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations and as a result the joint ventures are not recorded in the financial statements. The following is a summary of the significant facts and circumstances for each organization:

Name of organization:	Cumberland, Dauphin, and Harrisburg Transit Authority	Cumberland/ Perry Mental Health/Mental Retardation Program	Cumberland/ Perry Drug and Alcohol Commission
Services provided:	Bus services	Mental health/ Mental retardation services	Drug and alcohol services
Cumberland County Board representation:	two of seven members	three of six members	three of six members
Fiscal year:	June 30, 2001	June 30, 2001	June 30, 2001
Current assets:	\$ 1,557,368	3,609,103	465,101
Fixed assets, net:	8,102,440	131,378	45,039
Total assets:	9,659,808	3,740,481	510,140
Equity:	814,161	—	—
Operating revenue:	4,880,071	17,831,155	2,707,398
Operating income (loss):	(7,545,712)	—	—
Net income (loss):	(895,307)	—	—
Cumberland County contribution to operations:	193,729	456,160	165,936
Cumberland County working capital advances:	\$ <u>10,486</u>	<u>—</u>	<u>—</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

The Cumberland, Dauphin, and Harrisburg Transit Authority issues publicly available financial statements that may be obtained by writing to Capitol Area Transit, P.O. Box 1571, Harrisburg, PA 17105. Separately issued financial statements are not published for the Cumberland/Perry Mental Health/Mental Retardation Program or the Cumberland/Perry Drug and Alcohol Commission.

(2) Summary of Significant Accounting Policies

The accounting policies of the County conform with generally accepted accounting principles applicable to governmental units.

(a) *Fund Accounting*

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and seven generic fund types as follows:

Governmental Funds

(i) *General Fund*

The General Fund, which is the principal fund of the County, accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenues of the General Fund.

(ii) *Special Revenue Funds*

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. The following are used to account for those financial activities:

- The Liquid Fuels Tax Fund accounts for state aid revenues used for building and improving roads and bridges.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

- The Domestic Relations Office Fund accounts for expenditures and reimbursement revenue related to the operation of the County's Child Support Enforcement Program, which is funded with federal, state and county funds.
- The human service-related special revenue funds are used to account for revenue received from various federal, state, and local sources. These funds, which are restricted for the provision of specified social services to eligible County residents, are as follows:
 - Office of Aging Fund
 - Children Services Fund
 - Human Services Development Fund
 - Food and Shelter Fund
 - HealthChoices Fund
- The courts and justices-related special revenue funds are used to account for revenue received from various federal and state sources and fines and costs collected from the general public. These funds, which are restricted to providing specified judicial services, are as follows:
 - Central Booking Fund
 - Witness Assistance Fund
 - Accelerated Rehabilitative Disposition/Driving Under the Influence (ARD/DUI) Program Fund
- The Records Improvement Fund is used to account for revenues received from improvement fees collected on Recorder of Deeds transactions to fund record improvement projects within the County.
- The Solid Waste Fund is used to account for revenues received from system fees and operating grants to fund the operation of the County Solid Waste Plan.
- The Affordable Housing Fund is used to account for revenues received from fees charged for recording deeds and mortgages, to finance affordable housing efforts in the County.
- The Exit 44 Study Fund is used to account for proceeds from an infrastructure bank loan to fund preliminary engineering and environmental study work to initiate a new interchange for a local interstate highway.
- The Hotel Tax Fund is used to account for revenues received from the hotel occupancy tax to fund countywide tourism promotion.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(iii) Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

(iv) Capital Projects Fund

The Capital Projects Fund accounts for the financial resources used for acquisition and capital construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

(i) Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the County is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. The following are used to account for those financial activities:

- The County Nursing Home Fund provides long-term nursing care to qualified residents.
- The 911 Fund provides emergency response communications to the County, funded through a telephone charge to County residents.
- The Hazardous Materials Fund finances the monitoring of the storage of hazardous materials in the County and the operation of response teams, funded through grants and fees charged to responsible parties.

(ii) Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments, on a cost reimbursement basis. The following are used to account for those financial activities:

- The Transportation Department primarily provides transportation services to clients of various County agencies and is reimbursed by those agencies for the services provided. It also provides transportation to its own clients, financed by user fees and grants.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

- The Workers' Compensation Fund accounts for the County's risk management activities related to liabilities incurred as a result of workplace injuries.

Fiduciary Funds

(i) Trust and Agency Funds

Trust and agency 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, or other funds. These include pension and expendable trust trusts, and agency funds. The pension trust is accounted for on the accrual basis of accounting. The landfill post closure trust is accounted for on the modified accrual basis.

- The Employees Retirement Trust Fund is a pension trust fund used to account for the retirement contributions of the County and its employees.
- The Landfill Post Closure Expendable Trust Fund is used to account for investment income and contributions made by municipal landfill owners to the County. The funds are to be utilized by the County to monitor the closure of landfills.
- Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for fees, fines, grants and other monies collected by elected row officers that are subsequently disbursed to the County, other governments, other not-for-profit entities, or citizens for whom they were collected. These funds are as follows:
 - Perry County HealthChoices
 - Clerk of Court
 - Prothonotary
 - Recorder of Deeds
 - Treasurer
 - Register of Wills
 - Sheriff
 - District Attorney

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(b) *Measurement Focus, Fixed Assets, and Long-term Liabilities*

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities generally are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds. Infrastructure, or public domain general fixed assets, consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized with other general fixed assets. Depreciation on exhaustible general fixed assets is recorded in the Account Group using the straight-line method over the estimated useful life of the asset.

The proprietary funds and pension trust fund are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful life of each asset using the straight-line method.

General fixed assets acquired after December 31, 1981, are recorded at historical cost. Assets acquired prior to that date are recorded at estimated historical cost. Assets in service related to the proprietary funds are recorded at cost at the time of purchase. Donated fixed assets are recorded at their estimated fair value on the date donated.

Fixed assets acquired from resources externally restricted for capital acquisition (such as capital grants) are recorded as non-operating grant revenue in the benefiting proprietary fund. Depreciation on these assets is charged as an expense against these operations.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Because they do not affect net current assets, such

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

(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. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Real estate taxes levied and per capita taxes due for the current year are considered available and are, therefore, recognized as revenues if collected during the year or during the first 60 days of the subsequent year.

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

Licenses, fines, penalties and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Interest on investments is recognized when earned.

Expenditures generally are recognized under the modified accrual basis of accounting when the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recognized when due, and (2) compensated absences, which are recognized when the obligations are expected to be liquidated with expendable, available financial resources. Disbursements for inventory type items are considered expenditures at the time of purchase.

Accrual Basis of Accounting

The accrual basis of accounting is followed in all proprietary funds and the Pension Trust Fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

recorded when incurred. The County applies only those applicable Financial Accounting Standards Board pronouncements issued before November 30, 1989, to its proprietary fund types, unless they conflict with GASB pronouncements.

Unbilled patient service charges in the County Nursing Home Enterprise Fund and transportation charges in the Transportation Internal Service Fund are accrued and reported in the financial statements.

Retirement Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(d) Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control in the County's governmental funds. Annual operating budgets are adopted each year through the passage of an annual budget ordinance and, except as described below, generally accepted accounting principles (GAAP) are used to complete the budget. The legally adopted budget does not include the Cumberland County Industrial Development Authority, which is a component unit. Additionally, the County budgets for indirect costs and library taxes as revenue and expenditures, but they are not reported as such under GAAP. Lastly, the County budgets equity transfers out to the County Nursing Home Fund as operating transfers. Accordingly, the applicable columns of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) exclude amounts relating to the unbudgeted amounts and include amounts related to the indirect costs and library taxes.

A reconciliation of revenues from a budget basis to a GAAP basis for budgeted and unbudgeted activity for the year ended December 31, 2001, follows:

	General fund
Total revenues (budget basis)	\$ 36,002,144
Unbudgeted funds revenues:	
Indirect costs	(668,233)
District Attorney programs	194,193
Library taxes	<u>(1,662,299)</u>
Total revenues (GAAP basis)	<u>\$ 33,865,805</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

A reconciliation of expenditures from a budget basis to a GAAP basis for budgeted and unbudgeted activity for the year ended December 31, 2001, follows:

	<u>General fund</u>
Total expenditures (budget basis)	\$ 32,082,477
Unbudgeted funds expenditures:	
Indirect costs	(668,233)
District Attorney programs	150,236
Library tax reimbursement	<u>(1,662,299)</u>
Total expenditures (GAAP basis)	<u>\$ 29,902,181</u>

The County of Cumberland follows these procedures in establishing the budget data presented in the financial statements:

1. During the months of July and August each department reviews current and prior year financial information to develop budget projections for the upcoming fiscal year. These projections often are developed in consultation with the County Finance Office. The results are submitted by each department in a standard format to the County Finance Office as a preliminary budget proposal.
2. The County Finance Office reviews all submissions and consults with departments as needed to substantiate the basis for requests and to refine the budget projections. The County Finance Office makes necessary adjustments to department submissions and compiles the data for presentation to the Board of County Commissioners, which is discussed during a public hearing process.
3. The County Finance Office, the Chief Clerk, and the County Administrator develop a revenue projection and financing strategy in support of the proposed budget. A preliminary budget including revenue and expenditure projections are submitted to the County Commissioners for consideration.
4. The final budget is presented to the County Commissioners and after proper public notice, is placed on display for a period of 20 days in accordance with the County Code. The County Commissioners adopt the budget after the necessary inspection period by enacting a formal budget resolution. The resulting budget is published in written form.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

5. The County Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand. These funds include amounts estimated to be received within the fiscal year and not otherwise appropriated as well as the proceeds of any borrowing authorized by law. The County Commissioners may authorize the transfer of all or part of any unencumbered balances. 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, \$561,770 in general fund supplemental appropriations were enacted. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) reflects these revisions. Actual expenditures and operating transfers out may not legally exceed “budget” appropriations at the individual fund level. See note 12 for funds that have exceeded their budgets.

Encumbered and unencumbered appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

(e) ***Statement of Cash Flows***

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(f) ***Investments***

Investments are recorded at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

(g) ***Accumulated Unpaid Vacation and Sick Pay***

Accumulated unpaid vacation, sick, and holiday pay liability is determined according to the following personnel policies of the County:

- Upon termination, all unused vacation time up to a maximum of 30 days, and one-half of unused sick leave earned prior to August 1, 1997, up to a maximum of 45 days, will be paid with the final check. Subsequent to August 1, 1997, employees earn 5 days of sick leave annually. These 5 sick days are not permitted to be carried over, however, at the end of the annual period, or upon termination, unused sick leave is paid for one half of the unused balance.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

- For those departments required to provide 24-hour coverage on holidays, employees will be paid a supplemental day's wages for all accumulated holidays worked.

All compensated absences liabilities related to the governmental funds are reported in the General Long-term Debt Account Group because they are not payable with expendable, available financial resources. In the Proprietary Funds, the liability is reported within each respective fund.

(h) Retirement Benefits

The County funds accrued pension cost on its contributory defined benefit pension plan covering substantially all employees. Prior service costs have been fully amortized. The County provides no other postretirement benefits for County employees.

(i) Risk Management, Including Self Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which it carries commercial insurance. Insurance settlements have not exceeded insurance coverage during the past three years.

The County establishes claims liabilities for its workers' compensation self-insurance activities. The liability is based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the claims involved. Estimated amounts of subrogation and reinsurance that are recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The County has established a trust account with a local bank to fund its workers' compensation liabilities and has accounted for this in an internal service fund.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(j) *Reserve for Restricted Contributions*

The Office of Aging Fund receives contributions from participants in their programs that must be used in the program in the following fiscal year. The balance of unexpended contributions on hand is reserved for future expenditures under the aging program.

(k) *Reserve for Farmland Preservation*

The County has set aside cash and investments to provide required matching contributions to a state program that allows farmers to sell their rights to develop agriculture land to the County. The program is designed to reduce the development of County farmland.

(l) *Reserve for Offenders' Supervision*

The County receives administrative fees from probationers within the County. The funds are restricted to be used for probation expenditures.

(m) *Reserve for Landfill Closure*

The County established and manages a post-closure trust fund for operating the municipal waste landfill in the County. The trust fund may be used to prevent or abate adverse effects upon the environment after the landfill closure. The funds also may be used for purpose of the Environment Stewardship and Water Shed Protection Act.

(n) *Total Columns on Combined Statements*

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(o) *Use of Estimates*

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(3) Deposits and Investments

Pennsylvania statutes provide for investment of governmental and proprietary fund resources into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and 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 and proprietary funds, fiduciary fund investments also may 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 and investments of the governmental funds are maintained in demand deposits or savings accounts, certificates of deposit, and repurchase agreements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(a) Deposits

The following is a summary of the County's cash deposits, which are insured by the Federal Depository Insurance Company (Category 1), collateralized with securities held by the depository's trust department in the County's name (Category 2), and the balance, which was not insured nor collateralized in the County's name, but was collateralized in accordance with Pennsylvania State Act 72. That Act requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name (Category 3).

	Category 1	Category 2	Category 3	Bank balance	Carrying amount
Primary government					
Petty cash	\$ —	—	—	—	11,143
Checking and savings accounts	400,000	1,878,802	8,503,145	10,781,947	10,836,810
Certificates of deposit	200,000	—	7,878,754	8,078,754	8,078,754
	<u>\$ 600,000</u>	<u>1,878,802</u>	<u>16,381,899</u>	18,860,701	18,926,707
Less: deposits classified as investments				(1,276,000)	(1,276,000)
Less: restricted cash and cash equivalents				<u>(237,886)</u>	<u>(237,886)</u>
Total cash and cash equivalents				<u>\$ 17,346,815</u>	<u>17,412,821</u>
Component units					
Checking and savings accounts	\$ —	127,235	97,195	224,430	224,241
Certificates of deposit	—	—	240,000	240,000	240,000
Total cash and cash equivalents	<u>\$ —</u>	<u>127,235</u>	<u>337,195</u>	<u>464,430</u>	<u>464,241</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(b) Investments

The investments of the County at December 31, 2001, have been categorized to indicate the level of risk assumed by the County. All of the County's investments are in Category 3 because they are uninsured and unregistered investments held by the counterparty or by its trust department or agency, but not in the County's name. Investments in guaranteed investment contracts are not categorized because securities are not used as evidence of the investment.

The fair value and category of the investments of the County at December 31, 2001, were as follows:

	Total fair value
Primary government	
U.S. Treasury and agency obligations	\$ 12,978,508
Common stocks	22,751,633
Corporate debt	22,880,729
Mutual fund	14,488,249
Guaranteed investment contracts	7,891,888
Other	77,886
	<hr/> 81,068,893
Add: deposits classified as investments	1,276,000
Less: restricted investments	<u>(10,550,273)</u>
Total investments	<u>\$ 71,794,620</u>
Component units	
U.S. Treasury obligations	<u>\$ 67,965</u>

The Pension Trust Fund can purchase certain derivative or derivative-like financial instruments to increase the total rate of return for the portfolio over similar non-derivative instruments and to diversify the portfolio. All of these instruments are rated AAA by national credit rating agencies. The market risk relating to those instruments is minimal and similar to that of a non-derivative mortgage product.

The Pension Trust Fund is also invested in asset-backed securities issued by private-sector financial services corporations. The majority of the market risk on those financial instruments is related to interest rate changes. The fair value of those securities was \$3,673,103 at December 31, 2001. There were no other material derivatives in the County's portfolio as of December 31, 2001.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(4) Real Estate Taxes

Real estate taxes attach as an enforceable lien on property as of January 1 and are levied on March 1. The County bills these taxes which are collected by elected tax collectors. Taxes paid through April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on bonded debt. For 2001, County real estate taxes were levied at the rate of 1.546 mills for general County purposes and .233 mills for debt service on every dollar of adjusted valuation for general and debt service purposes. An additional levy was approved by the electorate for the County library system at .103 mills. This tax is accounted for as an agency transaction and the revenues are not recognized by the County.

(5) Due from Other Governments and Accounts Receivable

Amounts due from other governments are primarily grants receivable from the Commonwealth of Pennsylvania at December 31, 2001. Additionally, the County Nursing Home Fund has \$624,462 of Medicaid cost settlements receivable and \$2,698,412 in patient accounts receivable, which is primarily Medical Assistance reimbursement receivable from the Commonwealth of Pennsylvania. The cost reimbursements receivable is subject to audit and final determination by the Department of Public Welfare.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(6) Fixed Assets

(a) Changes in Fixed Assets

A summary of changes in fixed assets for 2001 follows:

	<u>Land and improvements</u>	<u>Buildings and improvements</u>	<u>Movable furniture and equipment</u>	<u>Fixed equipment</u>	<u>Construction in progress</u>	<u>Total fixed assets</u>
General Fixed Assets						
Balance at January 1, 2001	\$ 1,787,197	28,211,513	8,193,525	3,711,322	78,977	41,982,534
Additions and transfers	—	342,242	1,784,437	70,402	372,875	2,569,956
Deletions and transfers	—	4,965	2,237,409	57,155	386,617	2,686,146
Balance at December 31, 2001	<u>1,787,197</u>	<u>28,548,790</u>	<u>7,740,553</u>	<u>3,724,569</u>	<u>65,235</u>	<u>41,866,344</u>
Less accumulated depreciation	—	15,147,186	5,061,014	3,134,164	—	23,342,364
Net book value at December 31, 2001	<u>\$ 1,787,197</u>	<u>13,401,604</u>	<u>2,679,539</u>	<u>590,405</u>	<u>65,235</u>	<u>18,523,980</u>
Enterprise Funds Fixed Assets						
Balance at January 1, 2001	\$ 132,581	8,786,359	4,348,912	1,429,970	6,840,746	21,538,568
Additions and transfers	96,904	3,696,047	1,333,702	2,535,211	9,906,861	17,568,725
Deletions and transfers	1,678	2,187	455,281	6,055	8,032,617	8,497,818
Balance at December 31, 2001	<u>227,807</u>	<u>12,480,219</u>	<u>5,227,333</u>	<u>3,959,126</u>	<u>8,714,990</u>	<u>30,609,475</u>
Less accumulated depreciation	127,791	6,711,436	3,255,847	1,320,915	—	11,415,989
Net book value at December 31, 2001	<u>\$ 100,016</u>	<u>5,768,783</u>	<u>1,971,486</u>	<u>2,638,211</u>	<u>8,714,990</u>	<u>19,193,486</u>
Internal Service Funds Fixed Assets						
Balance at January 1, 2001	\$ —	—	1,644,772	9,402	—	1,654,174
Additions and transfers	—	—	184,988	—	94,262	279,250
Deletions and transfers	—	—	30,258	—	—	30,258
Balance at December 31, 2001	<u>—</u>	<u>—</u>	<u>1,799,502</u>	<u>9,402</u>	<u>94,262</u>	<u>1,903,166</u>
Less accumulated depreciation	—	—	1,231,360	1,962	—	1,233,322
Net book value at December 31, 2001	<u>\$ —</u>	<u>—</u>	<u>568,142</u>	<u>7,440</u>	<u>94,262</u>	<u>669,844</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(b) Estimated Useful Lives

Estimated useful lives for each fixed asset category are as follows:

Land and improvements	15 to 20 years
Buildings and improvements	15 to 40 years
Movable furniture and equipment	5 to 20 years
Fixed equipment	4 to 25 years

(c) Depreciation

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets. The current addition to accumulated depreciation on general fixed assets is \$1,810,106. On fixed assets of the Enterprise Funds and the Internal Service Funds, the current provisions for depreciation are \$788,482 and \$230,863, respectively.

(d) Construction in Progress

Construction in progress represents substantial bond proceeds that have been spent for the County's Emergency Telephone 800 megahertz radio project and the Cumberland Nursing and Rehabilitation Center's renovations project for \$3,969,076 and \$4,520,067, respectively. Additionally, Emergency Telephone expended grant proceeds of \$225,847 for the future implementation of a computer-aided emergency service dispatch system. The remainder of the construction in progress balance is made up of software engineering costs associated with a Clerk of Court's project, and a building addition study performed for a recently purchased County building.

(7) Long-term Debt

The following is a summary of long-term debt transactions of the County for the year ended December 31, 2001:

	General long-term debt	Enterprise funds	Total
Long-term debt, January 1, 2001	\$ 11,924,905	16,291,004	28,215,909
Debt issued	900,000	9,060,000	9,960,000
Debt retired	(2,340,513)	(224,487)	(2,565,000)
Amortization of discount on zero coupon bonds	768	2,840	3,608
Long-term debt, December 31, 2001	\$ <u>10,485,160</u>	<u>25,129,357</u>	<u>35,614,517</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

Long-term debt payable at December 31, 2001 is comprised of the following individual issues:

	<u>Interest rate</u>	<u>Final maturity</u>	<u>Total</u>
General obligation bonds – 1998 issue	3.80% – 4.80%	2013	\$ 8,120,000
General obligation bonds – 1999 issue	3.30% – 4.35%	2012	6,635,000
General obligation bonds – 2000 issue	Variable rate	2020	10,935,000
General obligation bonds – 2001 issue	Variable rate	2021	9,060,000
General obligation note – 2001 issue	3.375%	2004	<u>900,000</u>
Long-term debt, December 31, 2001			35,650,000
Less unamortized discount			<u>(35,483)</u>
Long-term debt, net of discount, December 31, 2001			<u>\$ 35,614,517</u>

Of the outstanding balance of the 1998 bond issue, \$2,994,169 of the principal and \$7,202 of the unamortized discount have been accounted for in the County Nursing Home Fund and \$1,975,929 of the principal and \$5,594 of the unamortized discount have been accounted for in the 911 Fund.

Of the outstanding balance of the 1999 bond issue, \$177,412 of the principal and \$359 of the unamortized discount have been accounted for in the County Nursing Home Fund.

Of the outstanding balance of the 2000 bond issue, \$3,818,502 of the principal has been accounted for in the County Nursing Home Fund and \$7,116,498 of the principal has been accounted for in the 911 Fund.

Of the outstanding balance of the 2001 bond issue, \$7,394,772 of the principal has been accounted for in the County Nursing Home Fund and \$1,665,228 of the principal has been accounted for in the 911 Fund.

The 2000 and 2001 bond issues have a variable interest rate that is determined weekly based upon the lowest rate of interest, which would cause the bonds to have a market value equal to the principal amount plus accrued interest. The variable rate is capped at fifteen percent. The County has the option of converting the 2000 and 2001 bonds to a fixed rate if certain conditions are met.

A \$900,000 infrastructure bank loan from the Commonwealth was secured by the County to pay for the Exit 44 study. The note is the responsibility of the County and five municipalities sharing in the Exit 44 study project.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

The annual debt service requirements for the next five years and in the aggregate thereafter on long-term debt outstanding as of December 31, 2001, including interest payments are as follows:

	General long-term debt	Enterprise funds	Total
	<u> </u>	<u> </u>	<u> </u>
2002	\$ 2,779,447	1,464,547	4,243,994
2003	1,051,517	1,545,956	2,597,473
2004	2,048,131	1,540,433	3,588,564
2005	1,051,421	1,542,988	2,594,409
2006	1,054,956	1,543,916	2,598,872
Thereafter	4,313,870	34,413,970	38,727,840
	<u>12,299,342</u>	<u>42,051,810</u>	<u>54,351,152</u>
Total			
Less interest	<u>(1,791,852)</u>	<u>(16,909,300)</u>	<u>(18,701,152)</u>
Principal	\$ <u>10,507,490</u>	<u>25,142,510</u>	<u>35,650,000</u>

The following is a summary of changes in the vacation and sick pay liabilities, which are accounted for as accrued expenses and withholdings:

	General long-term debt	Proprietary funds
	<u> </u>	<u> </u>
Balance, January 1, 2001	\$ 2,294,690	889,954
Net change	35,104	42,505
Balance, December 31, 2001	\$ <u>2,329,794</u>	<u>932,459</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(8) Defeased Bonds Outstanding

In prior years, the County defeased various general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's general purpose financial statements. As of December 31, 2001, defeased bonds outstanding are as follows:

<u>Bond issue</u>	<u>Year refunded</u>	<u>Par value outstanding</u>
General obligation bonds – 1985 issue	1999	\$ <u>1,640,000</u>

(9) Capital Lease Obligation

In 1999, the County has entered into a capital lease agreement for financing the acquisition of a county-wide time clock system. Additionally, in 2000, the County entered into a capital lease agreement for financing the acquisition of three vehicles for the Sheriff's department. The capital lease activity for 2001 consisted of one vehicle purchased for the Sheriff's department, one vehicle for Central Booking, one vehicle for the Maintenance department, and two vehicles for the department of Vector Control. The leased equipment is included in the general fixed asset account group with a total capitalized cost of \$388,736.

The following is a summary of changes in the capital lease liabilities that is maintained in the General Long-Term Debt Account Group:

Balance, January 1, 2001	\$ 165,511
Additions	166,561
Deletions	<u>(111,380)</u>
Balance, December 31, 2001	\$ <u>220,692</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

The following is a schedule of future minimum payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2001:

2002	\$	138,875
2003		77,146
2004		17,349
		<hr/>
		233,370
Less amount representing interest		<hr/> (12,678)
Present value of net minimum lease payments	\$	<hr/> <hr/> 220,692

(10) Cumberland County Retirement Plan

(a) Plan Description

The County of Cumberland Employees Retirement Trust Fund (the Plan) is a single employer defined benefit pension plan covered by the County Pension Law Act 96 of 1971 of the General Assembly of the Commonwealth of Pennsylvania, as amended. The Plan is reported as a Pension Trust Fund in the accompanying financial statements and does not issue a stand-alone report.

As of December 31, 2001, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries receiving benefits	304
Terminated plan members entitled to but not yet receiving benefits	64
Active plan members	<hr/> 1,048
Total	<hr/> <hr/> 1,416

All full-time employees are required to participate in the Plan. The pension plan provides pension benefits for normal retirement at age 60 (or 55 with 20 years of service) based on a formula including final average salary and years of credited service, in addition to the member's accumulated contribution to the Plan. Early retirement is available upon 20 years of service or after 8 years if involuntary termination. Members become vested after 8 years of service. County employees who terminate after 8 years of credited service will receive a deferred annuity commencing at retirement age. The Plan also provides for death and disability benefits. Cost-of-living adjustments are provided at the discretion of the Retirement Board.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(b) Funding Policy and Contributions

The County's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate sufficient assets to pay benefits when due. Effective January 1, 1997, level percentage of payroll employer contribution rates are determined using the aggregate actuarial funding method. Separate determination of the unfunded actuarial liability is not part of the aggregate cost method and is not required to be reported.

There were no County contributions required to be made in 2001 in accordance with actuarially determined contribution requirements, determined through an actuarial valuation performed at December 31, 2001, and state law, using the following assumptions:

	December 31, 2001
Investment rate of return	\$ 7.5%
Projected salary increases	4.5%
Includes inflation at	3.05%
Asset valuation method	five-year smoothed market

As a condition of participation, employees are required to contribute 5% of their salary as stipulated in the County Pension Law. Employees may elect to contribute up to 15% of their salary. Interest is credited to the employee's account each year at the annual rate of 5.5% as voted upon by the County Retirement Board.

(c) Historical Trend Information

Historical trend information for the Plan is presented as required supplementary information on page 71 of this report.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(11) Interfund and Transfer Accounts

Individual interfund receivable and payable balances at December 31, 2001, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General	\$ 1,323,912	—
Special revenue:		
Domestic Relations Office	—	379,832
Office of Aging	—	68,155
Children Services	—	576,906
Human Services Development	38,486	—
Food and Shelter	198,313	—
Central Booking	13,946	—
Witness Assistance	12,502	—
Records Improvement	8,702	—
ARD/DUI Program	1,285	—
Solid Waste	—	27,688
Affordable Housing	15,068	—
Exit 44 Study	887,011	—
Hotel Tax	—	84,974
Total special revenue	<u>1,175,313</u>	<u>1,137,555</u>
Debt Service	—	82,506
Capital Projects	—	61,489
Enterprise:		
County Nursing Home	71,095	448,022
911 Fund	6,536	462,125
Hazardous Materials	16,012	—
Total enterprise	<u>93,643</u>	<u>910,147</u>
Internal service:		
Transportation Department	—	49,176
Total internal service	<u>—</u>	<u>49,176</u>
Agency funds:		
Clerk of Court	—	114,805
Prothonotary	—	35,695
Recorder of Deeds	—	154,272
Treasurer	—	828
Register of Wills	—	19,219
Sheriff	—	20,681
District Attorney	—	6,495
Total trust and agency funds	<u>—</u>	<u>351,995</u>
Total primary government	\$ <u>2,592,868</u>	<u>2,592,868</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

Interfund transfers for the year ended December 31, 2001, are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental fund types	\$ 5,841,022	6,584,582
Transfer to component units	—	49,015
Proprietary fund types	<u>796,380</u>	<u>52,820</u>
Total primary government	6,637,402	6,686,417
Transfer from primary government-component units	<u>49,015</u>	—
Total reporting entity	\$ <u>6,686,417</u>	<u>6,686,417</u>

(12) Excess of Expenditures over Appropriations in Individual Funds

The legal level of budgetary control, as defined by the County Code, is the fund level. The following funds had an excess of actual expenditures over budget for the year ended December 31, 2001:

<u>Fund/Department</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Percent of excess over appropriation</u>
Special Revenue:			
Office of Aging (A)	2,699,253	2,822,722	4.57%
Children Services (A)	7,112,478	7,558,559	6.27%
Human Services Development (A)	317,891	343,783	8.14%
Food and Shelter (A)	2,497,297	2,710,552	8.54%
ARD/DUI (B)	132,000	193,000	46.21%
Affordable Housing (C)	283,509	359,030	26.64%
Hotel Tax (D)	590,130	666,090	12.87%
HealthChoices (E)	—	389,005	100.00%
Debt Service (F)	2,837,018	2,893,914	2.01%

(A) The appropriations shown for these funds covers the fiscal year July 1, 2000 through June 30, 2001. All expenditure figures are reported based on 2001 calendar year (January – December) activities. The over-appropriation is due to this.

(B) The ARD/DUI over appropriation is offset by revenues greater than expected in the same amount.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

- (C) Projects approved subsequent to adoption of the original budget drove the variance in Affordable Housing.
- (D) The over appropriation in Hotel Tax was due to the program being new, and is offset by revenues in excess of original budgeted amounts.
- (E) HealthChoices was a new program (budgeted on a fiscal year basis) and did not have an approved budget at calendar year end.
- (F) Debt Service expenditures were over budget due to a change in the 1998 Bond distribution and due to new vehicle leases.

County reinforced management has reviewed this process (excluding item (A)) and has policies to monitor budget compliance. Appropriate budget amendments will be completed in the future according to policy.

(13) Litigation

The County is involved in several lawsuits arising in the normal course of business. It is the County solicitor's opinion that the aggregate amount of potential claims not covered by insurance resulting from actions against the County would not materially affect the financial position of the County at December 31, 2001.

(14) Contributed Capital

During the year, contributed capital changed by the following amounts:

	<u>Enterprise funds</u>	<u>Internal service funds</u>
Contributed capital, January 1, 2001	\$ 2,564,837	625,238
Depreciation of equipment purchased with capital grants from the Commonwealth	<u>(19,752)</u>	<u>(210,268)</u>
Contributed capital, December 31, 2001	<u>\$ 2,545,085</u>	<u>414,970</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(15) Segment Information – Enterprise Funds

The County maintains three enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. Financial statement information as of and for the year ended December 31, 2001, is presented below:

	County Nursing Home	911 Fund	Hazardous Materials	Total
Operating revenues	\$ 16,276,449	2,318,882	26,275	18,621,606
Depreciation expense	398,218	378,063	12,201	788,482
Operating income (loss)	316,931	(575,021)	(110,040)	(368,130)
Net income	299,037	6,266	15,406	320,709
Operating transfers in	—	663,984	79,576	743,560
Operating transfers out	—	(52,820)	—	(52,820)
Property, plant, and equipment additions	7,460,792	2,046,072	12,220	9,519,084
Property, plant, and equipment deletions	329,512	108,813	26,876	465,201
Net working capital (deficit)	2,492,389	(437,532)	4,828	2,059,685
Total assets	21,952,198	12,237,554	73,109	34,262,861
Long-term debt	14,377,296	10,752,061	—	25,129,357
Total equity	4,978,292	395,855	46,656	5,420,803

(16) Commitments

(a) Grants

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

(b) Leases

The County leases building space for certain County and District Justices' offices and equipment. All of these leases are classified as operating leases with expiration dates extending through 2012. Total costs for such leases were \$286,600 for the year ended December 31, 2001.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

The following is a schedule of future minimum lease payments for operating leases with initial or remaining terms in excess of one year as of December 31, 2001:

<u>Year ending December 31,</u>	<u>Lease payments</u>
2002	\$ 319,943
2003	285,462
2004	186,206
2005	102,830
2006	<u>85,371</u>
Total	<u>\$ 979,812</u>

(17) Self Insurance

Workers' Compensation

The County has established a Workers' Compensation Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss due to employee claims. Under this program, the Workers' Compensation Fund provides coverage for up to a maximum of \$300,000 for each individual workers' compensation occurrence. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in the last three years of self-insurance.

All County employees are covered by the Workers' Compensation Fund and funds of the County participate in the program and make payments to the Workers' Compensation Fund based on estimates of the amounts needed to pay prior and current year claims. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. Changes in the Fund's claims liability (net of excess insurance) for the two years ended December 31, 2001, were:

	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at year end</u>
2001	\$ 955,774	213,149	299,512	869,411
2000	<u>\$ 800,000</u>	<u>397,774</u>	<u>241,970</u>	<u>955,774</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2001

(18) Non-Recourse Debt

(a) *Cumberland County Municipal Authority*

The Municipal Authority issues revenue bonds to provide financing to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Municipal Authority has no on-going obligation for the bonds and does not include the debt in its financial statements.

As of December 31, 2001, there were nine series of revenue bonds outstanding. The aggregate principal amount payable could not be determined; however, their original issue amounts totaled \$210 million.

(b) *Cumberland County Industrial Development Authority (IDA)*

The IDA has entered into installment sales agreements (the Agreements) with various parties (the Buyers), whereunder the IDA agrees to sell to the Buyers certain premises, equipment, and other projects. The purchase price is payable in specified monthly installments over varying periods.

To finance the costs of the projects and related costs and expenses, the IDA has borrowed from lending institutions (the Banks), and has executed and delivered to the banks its promissory notes. In connection with such borrowings, the IDA has entered into loan agreements with the Buyers and, as security for payment of principal and interest on the notes, has, with the Buyers' consent, assigned and transferred to the Banks all of its rights, title, and interest in and installments payable under the Agreements, together with certain other receipts and revenues available to it under the Agreements.

The Authority, as a result of the assignments, has no on-going obligation for the debt and does not include the debt or related sales agreements in its financial statements of its operating fund. As of December 31, 2001 the projects had \$31,908,739 in outstanding principal balances.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Required Supplementary Information

(Unaudited)

Employee's Retirement Plan 1996-2001

Retirement Plan Contributions:

<u>Year ended December 31</u>		<u>Annual required contribution (1)</u>	<u>County contribution</u>	<u>Percentage contributed</u>
1996	\$	—	184,475	—
1997		21,000	21,000	100%
1998		—	—	—
1999		—	—	—
2000		—	—	—
2001		—	—	—

The information presented in the above schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2001
Actuarial cost method	Aggregate (2)
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return *	7 1/2%
Projected salary increases *	4 1/2%
* Includes inflation rate of	3%

- (1) The County's Annual Required Contribution (ARC) was not calculated in conformity with the parameters of GASB prior to 1997. Therefore, the ARC is only presented for 1997 to 2001.
- (2) Plans that use the aggregate actuarial cost method are not required to present a schedule of funding progress. Determination and amortization of the unfunded actuarial liability are not part of the aggregate actuarial cost method and a schedule of funding progress is not required when that method is used.