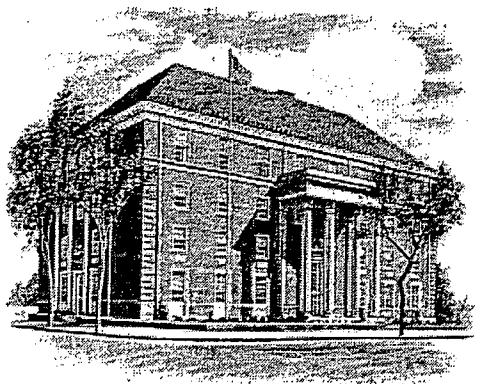


# Controller of Cumberland County

ONE COURTHOUSE SQUARE ♦ CARLISLE, PA 17013



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CONTROLLER

ROBERT J. DAGROSA, CPA  
FIRST DEPUTY CONTROLLER

MICHAEL A. CLAPSADL, CPA  
SECOND DEPUTY CONTROLLER

TINA L. POOL  
ADMINISTRATIVE ASSISTANT

JAMES D. BOGAR  
SOLICITOR

May 22, 2006

TO: THE COMMISSIONERS AND CITIZENS OF CUMBERLAND COUNTY

County Code requires the elected County Controller to annually prepare a financial report and audit of the County's books. The Controller publishes a Comprehensive Annual Financial Report (CAFR) as part of satisfying this requirement. Cumberland County's CAFR is prepared in accordance with U.S. generally accepted accounting principals (GAAP). The CAFR is audited by an independent firm of certified public accountants in cooperation with the Controller.

This report consists of management's representations concerning the finances of Cumberland County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal control should not outweigh their benefits, the County's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As the Controller, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

Two "government-wide" financial statements are included in the County's CAFR: the Statement of Net Assets and the Statement of Activities. These financial statements are discussed more fully in Note 1 to the financial statements.

These government-wide financial statements help taxpayers:

- Assess the finances of the County in its entirety, including the year's operating results.
- Determine whether the County's overall financial position improved or deteriorated.
- Evaluate whether the County's current-year revenues were sufficient to pay for current-year services.
- See the County's cost of providing services to its citizenry.

- See how the County finances its programs – through user fees and other program revenues versus County tax revenues.
- Understand the extent to which the County has invested in capital assets, including bridges.
- Make better comparisons between governments.

The County's financial statements have been audited by Ernst & Young LLP in cooperation with the Controller. Ernst & Young LLP is a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2005, are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). A letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

### PROFILE OF THE COUNTY

Cumberland County is a fourth class county founded January 27, 1750. It is governed by an elected Board of Commissioners consisting of three members. The County is located in the south central part of the state, between two Appalachian Mountain Ranges. Generally, the County's boundaries follow definite physical features. It is bounded on the North by the Blue Mountain Range, on the East by the west bank of the Susquehanna River, on the South its southeastern boundary follows the Yellow Breeches Creek from the Susquehanna River to Williams Grove with the remainder of its southeastern and southern boundary following Mains Run, Gum Run, Middle Spring Creek and Laughlin Run. There are eleven boroughs and twenty-two townships in the County. Harrisburg, the State Capital of Pennsylvania, is located in the county adjacent to Cumberland County. The County has a land area of 555 square miles and an estimated 2005 population of 223,089. Twenty-nine percent of the land is in forest and fifty-four percent is in crop and pasture land. It is the 16th most populous county in the state and ranks 40th out of 67 counties in size.

The Pennsylvania Turnpike, a major east-west highway, and Interstate 81, a major north-south highway, intersect in Cumberland County creating one of the major crossroads of the nation. Another major north-south artery is U.S. Route 11. Interstate 83 provides quick access to Baltimore and Washington, D.C. The Route 581 connector to Route 81 provides a beltway around Harrisburg connecting I-81, I-83 and Route 11. This network of highways has caused the County to become a hub for trucking terminals and distribution centers. Bus service is available to County residents through Capital Area Transit System, Capitol Trailways and Greyhound. Taxi service is provided by various companies. Train service is available from Amtrak in nearby Harrisburg. Airline service is available from nearby Harrisburg International Airport.

Cumberland County has exciting recreational and educational attractions. For example, the new 66,000 square foot Military History Institute, a part of the National Museum of the U.S. Army, located in Carlisle,

was dedicated in September 2004. The County is the site of many charming and historic small towns. The Appalachian Trail and many of the best and most abundant trout streams on the east coast provide ample opportunity for outdoor recreation.

Every part of the County is in close proximity to many cultural, historical and tourist attractions - Harrisburg, the State Capital; Washington, D.C., the Nation's Capital; Gettysburg, the Civil War Battlefield; Inner Harbor in Baltimore, Maryland; and nearby Hershey, with its well-known Hershey Park.

### LOCAL ECONOMY

Cumberland County's low 3% unemployment rate at the end of 2005, one of the lowest in the State over the last five (5) years, benefited from continued growth in the distribution and retail industries.

Over 64,000 new jobs were created in the County which continues to outpace the rest of the State.

Companies that experienced expansion or major job growth in 2005 include JLG Industries; Ames True Temper; Borders Group; Kessler Products; MH Technologies; Cumberland Valley Endocrinology; Perfect Order; Computer Associates and the Carlisle Regional Medical Center.

The U.S. Army War College and the Carlisle Barracks avoided the final Department of Defense Base Realignment and Closure list and the Army Heritage and Education Center will begin the construction of a \$10 million Visitors and Education Building in the near future.

The Dickinson School of Law, a division of the Penn State University Law School System, announced plans to keep the law school in Carlisle for at least 20 years after \$50 million was pledged for the local law school campus.

### LONG-TERM PLANNING

The Board of County Commissioners continues its efforts to establish operational and financial priorities for their current term of office (ending in December 2007) and beyond.

The Commissioners are applying sound business practices in their efforts to manage Cumberland County's financial operations. To further their efforts at continuous financial and operational improvements, the Commissioners conducted a national search to recruit another professional to fill a newly created position of Chief Operations Officer (COO). The Commissioners and the COO have established strategic planning and performance management as a central part of this effort.

The first phase of the County's strategic planning process concluded with the May 2005 document entitled "Vision of the County for Year 2015." Building on the first phase, the Commissioners and the COO have taken the following steps to institutionalize public administration best practices:

- Established the goal of being one of the top five best run counties in Pennsylvania within five years and are contemplating the goal of competing for "America's Most Livable Places" designation for 2010.

- Identified Chester County, Pennsylvania's GFOA award-winning budget as a model for Cumberland County to transform its budget format for 2007.
- Identified Maricopa County, Arizona's Managing for Results process as a best practices model for Cumberland County and Charlotte Mecklenburg, North Carolina as a best practice for the balanced scorecard system of focused performance management.
- Based on the Maricopa County model, departments submitted almost 100 Issue Statements to the COO and the Performance Management Committee which will be used to update the May 2005 strategic planning document. This will be the basis for modifying, if necessary, department mission statements and core activities, and serve as the basis of Cumberland County's first balanced scorecard approach to align strategic priorities with County performance measures.

The Commissioners' strategic planning process has also identified priorities for capital projects and major service initiatives:

- Utilizing \$3.5 million in existing and new County funds to leverage \$6.4 million in State funds for open space and farmland preservation as part of the County's smart growth initiative. This will maintain the County's high quality of life for its citizens, and continue to retain high quality soils to keep agriculture as part of the County's balanced economy.
- Begin the architectural and engineering drawings for the expansion of the County Prison facility for 2008-09 occupancy.
- In order to alleviate the present overcrowding conditions at the County Prison, the Criminal Justice Policy Team recommended the use of electronic monitoring bracelets for non-violent offenders and the establishment of a Day Reporting Center. The Center's intensive oversight and programming will be a viable alternative to imprisonment.
- As part of the Help America Vote Act, the County has selected new federally compliant voting machines which will be utilized by the May 2006 Primary Election, as federally mandated.
- New east-west bus routes were established in recognition of the County population growth commuter patterns while the County Commissioners continue to analyze and negotiate the potential of establishing a Bus Rapid Transit system in the County.
- A County building and department reorganization analysis to ascertain the optimum building configurations which will best serve our citizens.

#### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cumberland County for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the seventeenth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Cumberland County also earned an Award for Outstanding Achievement in Popular Annual Financial Reporting for its Annual Report Summary for the fiscal year ended December 31, 2004, from the GFOA. This award is a prestigious national award recognizing conformance with the highest standards for

preparation of state and local government popular reports, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Cumberland County has received the Award for the last two consecutive years. We believe our current Annual Report Summary continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the Controller's Office, the Finance Office and all department fiscal officers. Credit must also be given to the Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Cumberland County's finances.

Respectfully submitted,



Alfred L. Whitcomb  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Cumberland,  
Pennsylvania

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



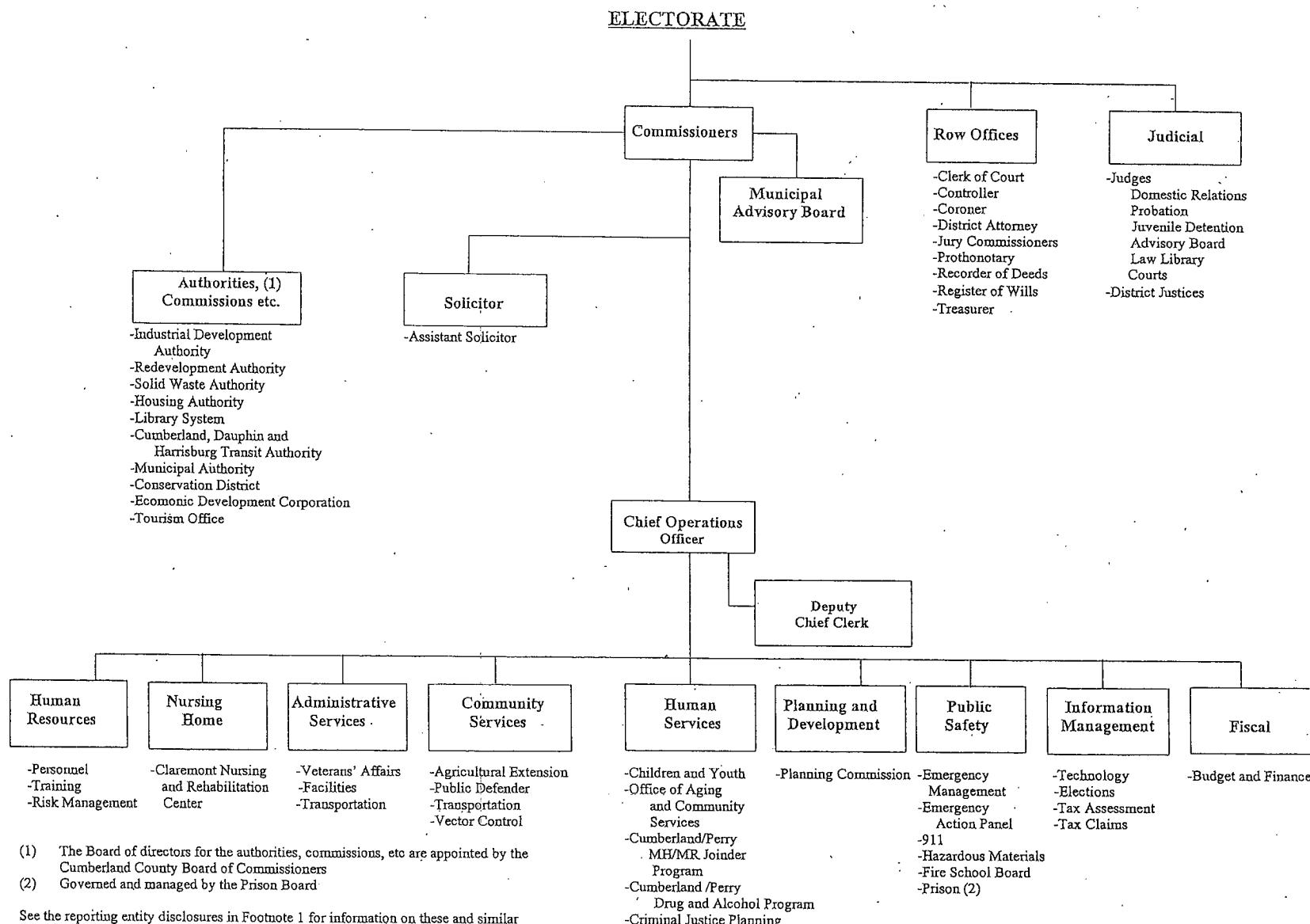
*Carla E. Enyeart*

President

*Jeffrey R. Enyeart*

Executive Director

**COUNTY OF CUMBERLAND, PENNSYLVANIA  
ORGANIZATIONAL CHART**



COUNTY OF CUMBERLAND

LIST OF ELECTED OFFICIALS

DECEMBER 31, 2005

COMMISSIONERS

Bruce Barclay, Chairperson  
Gary Eichelberger  
Richard L. Rovegno

CONTROLLER

Alfred L. Whitcomb

PROTHONOTARY

Curtis R. Long

REGISTER OF WILLS

Glenda Farner-Strasbaugh

CLERK OF COURT

Dennis E. Lebo

CORONER

Michael L. Norris

JUDGES OF COURT

Honorable George E. Hoffer, President Judge  
Honorable Edgar B. Bayley  
Honorable Kevin A. Hess  
Honorable J. Wesley Oler  
Honorable Edward E. Guido

RECORDER OF DEEDS

Robert P. Ziegler

JURY COMMISSIONERS

Ralph G. Viehman, Jr.  
Larry Babitts

TREASURER

John C. Gross, II

DISTRICT ATTORNEY

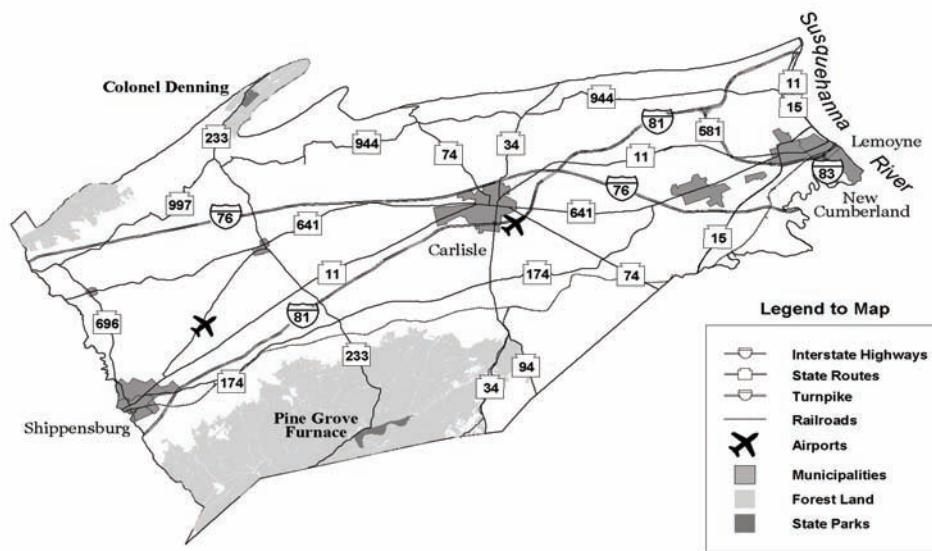
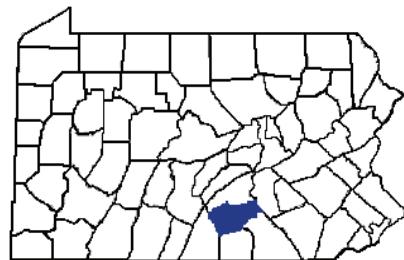
Merle L. Ebert, Jr.

SHERIFF

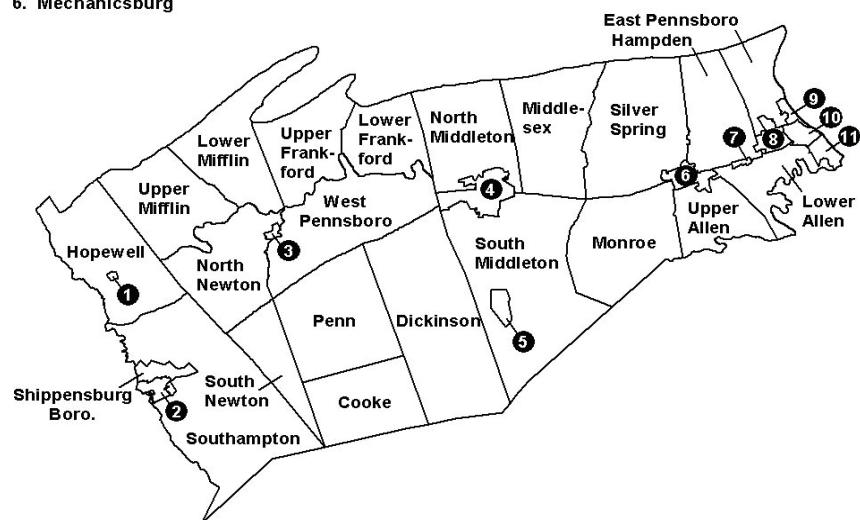
R. Thomas Kline

## COUNTY OF CUMBERLAND, PENNSYLVANIA

### MAP



- 1. Newburg
- 2. Shippensburg Twp.
- 3. Newville
- 4. Carlisle
- 5. Mt. Holly Springs
- 6. Mechanicsburg
- 7. Shiremanstown
- 8. Camp Hill
- 9. Wormleysburg
- 10. Lemoyne
- 11. New Cumberland



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