

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, 1999, 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, which represents 52% of the assets and 8% of the revenues of the component units. The financial statements of that entity 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 that entity, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2000, 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.

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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary pension information on page 67 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

May 25, 2000

COUNTY OF CUMBERLAND, PENNSYLVANIA

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

December 31, 1999

	Governmental fund types			Proprietary fund types		Fiduciary fund type	Account groups		Total primary government (memorandum only)	Component units	Total reporting entity (memorandum only)
	General	Special revenue	Debt service	Capital projects	Enterprise	Internal service	General fixed assets	General long-term debt			
Assets and Other Debits											
Cash and cash equivalents	\$ 6,541,092	2,600,501	10,867	8,535,791	387,118	1,112,147	—	—	22,501,175	486,821	22,987,996
Restricted assets:											
Cash and cash equivalents	—	—	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	265,519	—	—	—	265,519	—	265,519
Due from other funds	100,000	951,654	—	—	688,000	—	—	—	688,000	—	688,000
Due from component unit	6,168,493	622,613	—	—	272,000	77,922,551	—	—	79,246,205	82,246	79,328,451
Notes receivable	9,275	—	—	—	4,516,675	—	—	—	11,307,781	—	11,307,781
Notes receivable from internal service funds	—	—	—	—	—	—	—	—	9,275	—	9,275
Accrued interest receivable	4,226,841	—	—	—	—	—	—	—	—	341,188	341,188
Taxes receivable	670,331	—	—	—	—	—	—	—	4,226,841	—	4,226,841
Accounts receivable	943,861	2,348,281	—	—	7,405	333,959	—	—	333,959	—	333,959
Prepaid items	578,992	183,524	—	41,200	3,439,713	69,787	—	—	3,026,017	51,012	3,077,029
Fixed assets, net of depreciation	130,232	—	—	36,270	25,527	8,440	—	—	4,313,216	943	4,314,159
Other assets	—	13,670	—	—	5,219,522	5,129,952	15,357,889	—	200,469	—	200,469
Other debits:					94,691	—	—	—	25,707,363	1,945	25,707,363
Amount to be provided for retirement of general long-term debt	—	—	—	—	—	—	—	—	108,361	—	110,306
Amount available in the Debt Service Fund	—	—	—	—	—	—	—	—	—	—	—
Total assets and other debits	\$ 19,369,117	6,720,243	10,867	8,613,261	14,916,170	6,320,326	15,357,889	15,850,488	168,738,097	964,155	169,702,252

COUNTY OF CUMBERLAND, PENNSYLVANIA

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

December 31, 1999

	Governmental fund types			Proprietary fund types		Fiduciary fund type	Account groups		Total primary government memorandum only)	Component units	Total reporting entity memorandum only)
	General	Special revenue	Debt service	Capital projects	Enterprise	Internal service	General fixed assets	General long-term debt			
Liabilities, Fund Equity and Other Credits											
Liabilities:											
Accounts payable	\$ 4,440,910	169,618	—	641,463	315,206	6,129	—	—	5,573,326	1,817	5,575,143
Accrued liabilities and withholdings	549,430	315,792	—	4,120	1,465,120	851,099	—	2,216,551	5,402,112	8,498	5,410,610
Due to other funds	69,324	2,537,825	1,300	6,568,731	1,841,058	54,164	—	—	11,307,781	—	11,307,781
Capital lease obligation	—	—	—	—	—	—	—	142,752	142,752	—	142,752
Notes payable to the General Fund	—	—	—	—	—	4,226,841	—	—	4,226,841	—	4,226,841
Due to other governments	742,924	40,968	—	—	—	22,385	—	—	1,413,349	—	1,413,349
Due to primary government	—	—	—	—	—	—	—	—	—	9,275	9,275
Deferred taxes	780,376	—	—	—	—	—	—	—	780,376	—	780,376
Deferred revenue	218,910	140,956	—	—	10,895	4,655	—	—	375,416	36,458	411,874
Other liabilities	—	31,862	—	20,000	—	—	—	—	51,862	—	51,862
Deferred interfund note proceeds	4,226,841	—	—	—	—	—	—	—	4,226,841	—	4,226,841
Funds held as fiduciary	25,388	—	—	—	374,904	—	—	—	1,218,482	—	1,218,482
Long-term debt	—	—	—	—	6,204,147	—	—	13,500,752	19,704,899	—	19,704,899
Total liabilities	11,054,103	3,237,021	1,300	7,234,314	10,211,330	5,165,273	—	15,860,055	54,424,037	56,048	54,480,085
Fund equity and other credits:											
Investment in fixed assets	—	—	—	—	—	—	15,357,889	—	15,357,889	—	15,357,889
Contributed capital	—	—	—	—	2,574,834	609,282	—	—	3,184,116	—	3,184,116
Retained earnings:											
Reserved for restricted contributions	—	—	—	—	688,000	—	—	—	688,000	—	688,000
Unreserved	—	—	—	—	1,442,006	545,771	—	—	1,987,777	—	1,987,777
Fund balance:											
Reserved for pension benefits	—	—	—	—	—	—	—	—	79,909,528	—	79,909,528
Reserved for prepaid items	130,232	—	—	—	—	—	—	—	130,232	—	130,232
Reserved for debt service	—	—	9,567	—	—	—	—	—	9,567	—	9,567
Reserved for restricted contributions	—	499,000	—	—	—	—	—	—	499,000	—	499,000
Reserved for farmland preservation	128,726	—	—	—	—	—	—	—	128,726	—	128,726
Reserved for offenders' supervision	258,256	—	—	—	—	—	—	—	258,256	—	258,256
Reserved for landfill closure	—	521,544	—	—	—	—	—	—	521,544	—	521,544
Reserved for capital projects	—	—	—	1,378,947	—	—	—	—	1,378,947	—	1,378,947
Reserved for long-term receivables	—	—	—	—	—	—	—	—	—	341,188	341,188
Unreserved	7,797,800	2,462,678	—	—	—	—	—	—	10,260,478	566,919	10,827,397
Total fund equity and other credits	8,315,014	3,483,222	9,567	1,378,947	4,704,840	1,155,053	15,357,889	—	114,314,060	908,107	115,222,167
Total liabilities, fund equity, and other credits	\$ 19,369,117	6,720,243	10,867	8,613,261	14,916,170	6,320,326	15,357,889	15,860,055	168,738,097	964,155	169,702,252

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

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

For the year ended December 31, 1999

	Governmental fund types				Total primary government (memorandum only)	Component units	Total (memorandum only)
	General	Special revenue	Debt service	Capital projects			
Revenues:							
Taxes	\$ 21,043,579	—	—	—	21,043,579	—	21,043,579
Licenses and permits	40,864	—	—	—	40,864	9,500	50,364
Grants	3,450,953	11,448,736	—	—	14,899,689	288,128	15,187,817
County charges	4,240,401	1,517,342	—	—	5,757,743	63,998	5,821,741
Court costs, fines, and forfeits	831,394	283,341	—	—	1,114,735	—	1,114,735
Interest	685,888	151,911	136,577	169,000	1,143,376	41,732	1,185,108
Contributions and other	578,372	119,806	—	—	698,178	9,060	707,238
Total revenues	30,871,451	13,521,136	136,577	169,000	44,698,164	412,418	45,110,582
Expenditures:							
Current:							
General government - administrative	7,282,419	—	—	—	7,282,419	—	7,282,419
General government - judicial	9,648,216	2,664,021	—	—	12,312,237	—	12,312,237
Public safety	7,186,286	—	—	—	7,186,286	—	7,186,286
Public works and enterprises	—	636,057	—	—	636,057	—	636,057
Human services	1,481,035	10,902,329	—	—	12,383,364	—	12,383,364
Culture and recreation	707,579	—	—	—	707,579	—	707,579
Conservation and development	952,945	209,170	—	—	1,162,115	468,404	1,630,519
Other	5,984	—	—	454	6,438	—	6,438
Debt service	—	—	8,354,908	—	8,354,908	—	8,354,908
Capital outlay	—	—	—	369,821	369,821	—	369,821
Total expenditures	27,264,464	14,411,577	8,354,908	370,275	50,401,224	468,404	50,869,628
Excess (deficiency) of revenues over expenditures	3,606,987	(890,441)	(8,218,331)	(201,275)	(5,703,060)	(55,986)	(5,759,046)
Other financing sources (uses):							
Operating transfers in	1,703,077	2,314,173	2,530,435	—	6,547,685	—	6,547,685
Transfer to component units	(75,262)	—	—	—	(75,262)	—	(75,262)
Transfer from primary government	—	—	—	—	—	75,262	75,262
Operating transfers out	(5,741,102)	(44,219)	—	(1,541,571)	(7,326,892)	—	(7,326,892)
Proceeds from capital leases	150,000	—	—	—	150,000	—	150,000
Proceeds of refunding bonds	—	—	8,324,309	—	8,324,309	—	8,324,309
Payment to refunded bond escrow agent	—	—	(8,053,736)	—	(8,053,736)	—	(8,053,736)
Total other financing sources (uses)	(3,963,287)	2,269,954	2,801,008	(1,541,571)	(433,896)	75,262	(358,634)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(356,300)	1,379,513	(5,417,323)	(1,742,846)	(6,136,956)	19,276	(6,117,680)
Fund balances, beginning of year, as restated	8,671,314	2,103,709	5,426,890	3,121,793	19,323,706	888,831	20,212,537
Fund balances, end of year	\$ 8,315,014	3,483,222	9,567	1,378,947	13,186,750	908,107	14,094,857

See accompanying notes to general purpose financial statements.

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, 1999

	General Fund			Special Revenue Funds			Debt Service Fund			Capital Projects Fund		
	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)
Revenues:												
Taxes	\$ 21,917,364	22,224,999	307,635	—	—	—	—	—	—	—	—	—
Licenses and permits	36,300	40,864	4,564	—	—	—	—	—	—	—	—	—
Grants	2,068,149	2,009,847	(58,302)	11,273,157	11,448,736	175,579	—	—	—	—	—	—
County charges	3,989,725	4,456,310	466,585	1,009,566	1,260,530	250,964	—	—	—	—	—	—
Court costs, fines and forfeits	538,200	747,651	209,451	257,130	283,341	26,211	—	—	—	—	—	—
Interest	757,686	673,417	(84,269)	5,670	131,820	126,150	—	136,577	136,577	169,000	169,000	—
Contributions and other	1,130,612	1,212,317	81,705	74,800	119,806	45,006	—	—	—	—	—	—
Total revenues	30,438,036	31,365,405	927,369	12,620,323	13,244,233	623,910	—	136,577	136,577	169,000	169,000	—
Expenditures:												
Current:												
General government - administrative	7,861,065	7,888,728	(27,663)	—	—	—	—	—	—	—	—	—
General government - judicial	8,206,590	7,943,344	263,246	2,522,804	2,664,021	(141,217)	—	—	—	—	—	—
Public safety	7,402,453	7,186,286	216,167	—	—	—	—	—	—	—	—	—
Public works and enterprises	—	—	—	871,180	636,057	235,123	—	—	—	—	—	—
Human services	1,576,164	1,481,035	95,129	11,447,336	10,902,329	545,007	—	—	—	—	—	—
Culture and recreation	2,049,789	2,049,034	755	—	—	—	—	—	—	—	—	—
Conservation and development	959,869	952,945	6,924	—	—	—	—	—	—	—	—	—
Other	292,953	5,984	286,969	—	—	—	—	—	—	—	454	—
Debt service	—	—	—	—	—	—	3,069,508	8,354,908	(5,285,400)	344,905	369,821	(24,916)
Capital outlay	—	—	—	—	—	—	—	—	—	344,905	370,275	(24,916)
Total expenditures	28,348,883	27,507,356	841,527	14,841,320	14,202,407	638,913	3,069,508	8,354,908	(5,285,400)	344,905	370,275	(24,916)
Excess (deficiency) of revenues over expenditures	2,089,153	3,858,049	1,768,896	(2,220,997)	(958,174)	1,262,823	(3,069,508)	(8,218,331)	(5,148,823)	(175,905)	(201,275)	(24,916)
Other financing sources (uses):												
Operating transfers in	2,245,174	1,541,571	(703,603)	2,536,804	2,314,173	(222,631)	3,069,508	2,530,435	(539,073)	—	—	—
Transfer out to component units	(75,262)	(75,262)	—	—	—	—	—	—	—	—	—	—
Operating transfers out	(5,049,608)	(5,770,692)	(721,084)	—	(44,219)	(44,219)	—	—	—	(1,557,377)	(1,541,571)	15,806
Proceeds from capital leases	—	150,000	150,000	—	—	—	—	—	—	—	—	—
Proceeds of refunding bonds	—	—	—	—	—	—	—	8,324,309	8,324,309	—	—	—
Payment to refund bond escrow agent	—	—	—	—	—	—	—	(8,053,736)	(8,053,736)	—	—	—
Total other financing sources (uses)	(2,879,696)	(4,154,383)	(1,274,687)	2,536,804	2,269,954	(266,850)	3,069,508	2,801,008	(268,500)	(1,557,377)	(1,541,571)	15,806
Excess (deficiency) of revenues and other sources over expenditures and other uses	(790,543)	(296,334)	494,209	315,807	1,311,780	995,973	—	(5,417,323)	(5,417,323)	(1,733,282)	(1,742,846)	(9,110)
Fund balances, beginning of year, as restated	6,900,000	8,440,307	1,540,307	(218,398)	1,795,143	2,013,541	—	5,426,890	5,426,890	—	3,121,793	3,121,793
Fund balances, end of year	\$ 6,109,457	\$ 8,143,973	\$ 2,034,516	\$ 97,409	\$ 3,106,923	\$ 3,009,514	\$ —	\$ 9,567	\$ 9,567	\$ (1,733,282)	\$ 1,378,947	\$ 3,112,683

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

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

For the year ended December 31, 1999

	Proprietary fund types		Total
	Enterprise	Internal service	(memorandum only)
Operating revenues:			
County charges	\$ 18,680,641	923,579	19,604,220
Rentals and other revenues	—	481,315	481,315
Total operating revenues	18,680,641	1,404,894	20,085,535
Operating expenses:			
Patient/client services	16,372,587	922,303	17,294,890
Loss and loss adjusting	—	192,833	192,833
Depreciation	714,419	344,664	1,059,083
Administrative	2,285,728	87,237	2,372,965
Total operating expenses	19,372,734	1,547,037	20,919,771
Operating loss	(692,093)	(142,143)	(834,236)
Nonoperating revenues (expenses):			
Grant revenue	—	321,825	321,825
Interest income	268,312	47,434	315,746
Interest expense	(290,846)	(248,748)	(539,594)
Other	13,447	—	13,447
Total net nonoperating revenues (expenses)	(9,087)	120,511	111,424
Loss before operating transfers	(701,180)	(21,632)	(722,812)
Operating transfers in	759,459	19,748	779,207
Net income (loss)	58,279	(1,884)	56,395
Depreciation on fixed assets acquired by contributions and capital grants	43,562	204,526	248,088
Increase in retained earnings	101,841	202,642	304,483
Retained earnings, beginning of year, as restated	2,028,165	343,129	2,371,294
Retained earnings, end of year	\$ 2,130,006	545,771	2,675,777

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, 1999

	<u>Proprietary fund types</u>		<u>Total</u>
	<u>Enterprise</u>	<u>Internal service</u>	<u>(memorandum only)</u>
Cash flows from operating activities:			
Operating loss	\$ (692,093)	(142,143)	(834,236)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	714,419	344,664	1,059,083
Amortization of bond issuance costs	11,473	—	11,473
Nonoperating revenues	13,447	—	13,447
Loss on sale of fixed assets	6,133	2,026	8,159
Change in assets and liabilities:			
Due from other funds	297,564	—	297,564
Due from other governments	3,520	—	3,520
Accounts receivable	571,782	22,672	594,454
Prepaid items	(24,514)	(8,440)	(32,954)
Accounts payable	(171,936)	7,511	(164,425)
Accrued liabilities and withholdings	(2,881)	(20,484)	(23,365)
Due to other funds	237,573	34,860	272,433
Due to other governments	—	19,227	19,227
Funds held as fiduciary	(24,882)	—	(24,882)
Deferred revenue	10,895	4,655	15,550
Net cash provided by operating activities	<u>950,500</u>	<u>264,548</u>	<u>1,215,048</u>
Cash flows from capital financing activities:			
Capital grants	—	271,202	271,202
Purchases of fixed assets	(1,274,511)	(260,786)	(1,535,297)
Principal repayments – long-term debt	(804,654)	—	(804,654)
Proceeds from issuance of bonds	229,152	—	229,152
Bond issuance costs	(454)	—	(454)
Interest paid	(303,764)	(248,748)	(552,512)
Net cash used in capital financing activities	<u>(2,154,231)</u>	<u>(238,332)</u>	<u>(2,392,563)</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Cash Flows – All Proprietary Fund Types

For the year ended December 31, 1999

	<u>Proprietary fund types</u>		<u>Total</u>
	<u>Enterprise</u>	<u>Internal service</u>	<u>(memorandum only)</u>
Cash flows from noncapital financing activities:			
Operating grants received	\$ —	321,825	321,825
Repayment of advance from General Fund	—	(214,972)	(214,972)
Operating transfers in	759,459	19,748	779,207
Net cash provided by noncapital financing activities	759,459	126,601	886,060
Cash flows from investing activities:			
Sales of investments	336,996	—	336,996
Purchases of investments	(33,773)	—	(33,773)
Investment income received	268,312	47,434	315,746
Total cash provided by investing activities	571,535	47,434	618,969
Net increase in cash and cash equivalents	127,263	200,251	327,514
Cash and cash equivalents, beginning of year	525,374	911,896	1,437,270
Cash and cash equivalents, end of year	\$ <u>652,637</u>	<u>1,112,147</u>	<u>1,764,784</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, 1999

Additions:

Contributions:

Employer	\$ —
Plan members	1,640,364
Total contributions	<u>1,640,364</u>

Investment income:

Net appreciation in fair value of investments	4,838,618
Interest	1,810,646
Dividends	519,997
	<u>7,169,261</u>
Less investment expense	(193,513)
Net investment income	<u>6,975,748</u>
Total additions	<u>8,616,112</u>

Deductions:

Benefits	2,009,162
Refunds of contributions	431,761
Administrative expense	71,194
	<u>2,512,117</u>
Total deductions	<u>2,512,117</u>
Net increase	6,103,995

Net assets reserved for pension benefits:

Beginning of year	<u>73,805,533</u>
End of year	\$ <u><u>79,909,528</u></u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Discretely Presented Component Units – Combining Balance Sheet

December 31, 1999

Assets	Conservation District	Cumberland County Industrial Development Authority	Total
Cash	\$ 405,289	81,532	486,821
Investments	—	82,246	82,246
Notes receivable	—	341,188	341,188
Due from other government	51,012	—	51,012
Accounts receivable	943	—	943
Other assets	1,945	—	1,945
Total assets	<u>\$ 459,189</u>	<u>504,966</u>	<u>964,155</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,817	—	1,817
Accrued liabilities and withholdings	8,498	—	8,498
Due to primary government	9,275	—	9,275
Deferred revenue	36,458	—	36,458
Total liabilities	<u>56,048</u>	<u>—</u>	<u>56,048</u>
Fund balances:			
Reserved for long-term receivables	—	341,188	341,188
Unreserved	403,141	163,778	566,919
Total fund equity	<u>403,141</u>	<u>504,966</u>	<u>908,107</u>
Total liabilities and fund equity	<u>\$ 459,189</u>	<u>504,966</u>	<u>964,155</u>

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, 1999

	Conservation District	Cumberland County Industrial Development Authority	Total
Revenues:			
Licenses and permits	\$ 9,500	—	9,500
Grants	288,128	—	288,128
County charges	63,998	—	63,998
Contributions and other	2,355	6,705	9,060
Interest	15,603	26,129	41,732
Total revenues	<u>379,584</u>	<u>32,834</u>	<u>412,418</u>
Expenditures:			
Conservation and development	<u>412,422</u>	<u>55,982</u>	<u>468,404</u>
Deficiency of revenues over expenditures	<u>(32,838)</u>	<u>(23,148)</u>	<u>(55,986)</u>
Other financing sources:			
Transfer from primary government	<u>75,262</u>	<u>—</u>	<u>75,262</u>
Excess (deficiency) of revenues over expenditures and other financing sources	42,424	(23,148)	19,276
Fund balances, beginning of year	<u>360,717</u>	<u>528,114</u>	<u>888,831</u>
Fund balances, end of year	<u>\$ 403,141</u>	<u>504,966</u>	<u>908,107</u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(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 208,634 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, corrections, public safety, civil defense, and health and welfare. 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

- 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.

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. Unless otherwise noted, the component units have separately published audit reports, 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 Municipal Authority, Cumberland County Conservation District, Cumberland/Perry Mental Health/Mental Retardation Program, and Cumberland/Perry Drug and Alcohol Commission.

(a) *Blended Component Unit*

One component unit, despite being legally separate, is so intertwined with the County that it is, in substance, the same as the County and is reported as part of the County. The component unit reported in this way is the Cumberland County Municipal Authority.

Cumberland County Municipal Authority

The Municipal Authority was formed in 1987 pursuant to the Municipality Authorities Act for the purpose of acquiring and leasing office space to the County. The five-member Board of Directors is appointed by the County Commissioners. The Authority purchased and leases back the Human Services and Domestic Relations buildings. The Authority also issues non-recourse debt to provide a means for third party 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 Authority is accounted for as an internal service fund in the County's financial statements.

(b) *Discretely Presented Component Units*

Component units that are not blended as part of the County are discretely presented, which entails reporting 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

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.

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.

(c) *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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

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 seven 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.

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
Agricultural Land Preservation Board
Planning Commission
Private Industry Council
Aging Advisory Board
Children Services Citizen Advisory Committee
Cumberland County Conservation and
Open Space Task Force

Tri-County Regional Planning Commission
Tri-County Attendant Care Advisory
Committee
Cumberland County Solid Waste Authority
Emergency Planning Committee
Cumberland County Local Emergency
Planning Committee

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(d) 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, 1999	June 30, 1999	June 30, 1999
Current assets:	\$ 2,474,452	2,850,462	514,138
Fixed assets, net:	7,977,386	80,874	38,920
Total assets:	10,451,838	2,931,336	553,058
Equity:	9,518,191	—	—
Operating revenue:	4,323,391	19,173,725	2,566,789
Operating income (loss):	(5,650,092)	—	—
Net income (loss):	(613,344)	—	—
Cumberland County contribution to operations:	177,638	443,037	140,613
Cumberland County working capital advances:	\$ 31,591	—	—

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

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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, 1999

- 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 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
- 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.

(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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

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(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 Cumberland County Municipal Authority, a component unit, owns and leases real estate to various County departments.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

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- 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.
- The Workers' Compensation Fund accounts for the activity of the trust account the County has established to fund the 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 trust and agency funds. Pension trust funds are accounted for in essentially the same manner as proprietary funds because capital maintenance is critical. Agency funds are custodial in nature and do not involve measurement of results of operations.

The Employees Retirement Trust Fund is a pension trust fund used to account for the retirement contributions of the County and its employees.

The agency funds are used to account for cash held by elected row officers (the Clerk of Courts, Prothonotary, Recorder of Deeds, Treasurer, Register of Wills, Sheriff) and other County offices that is subsequently disbursed to the County, other governments, other not-for-profit entities, or citizens for whom it was collected.

(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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

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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 only 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 contributed capital in the benefiting proprietary fund. Depreciation on these assets is recorded as an expense but is closed to contributed capital rather than to retained earnings.

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 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(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 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 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

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 most of 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 several small special revenue funds or the component units. These funds and units are budgeted based on grantor awards and available resources, respectively. The legally adopted budget also excludes certain programs of the District Attorney's office, the Grants Administration Fund, the Homestead Act, the Records Improvement Fund and the Prison Canteen Fund. 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 actual revenues for budgeted and unbudgeted funds for the year ended December 31, 1999, follows:

	General fund	Special revenue
Budgeted funds revenues (budget basis)	\$ 31,365,405	13,244,233
Unbudgeted funds revenues:		
Affordable Housing	—	276,903
Indirect costs	(641,745)	—
Natural areas	29,994	—
Grants Administration	613,986	—
Homestead Act	36,525	—
Greenway Study	26,734	—
Prison Canteen	5,824	—
District Attorney programs	832,057	—
Library taxes	(1,397,329)	—
Total revenues (GAAP basis)	<u>\$ 30,871,451</u>	<u>13,521,136</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

A reconciliation of actual expenditures for budgeted and unbudgeted funds for the year ended December 31, 1999, follows:

	General fund	Special revenue
Budgeted funds expenditures (budget basis)	\$ 27,507,356	14,202,407
Unbudgeted funds expenditures:		
Affordable Housing	—	209,170
Indirect costs	(641,745)	—
Natural areas	29,140	—
Grants Administration	764,095	—
Homestead Act	35,436	—
Greenway Study	26,734	—
District Attorney programs	940,777	—
Library tax reimbursement	(1,397,329)	—
Total expenditures (GAAP basis)	<u>\$ 27,264,464</u>	<u>14,411,577</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

A reconciliation of actual other financing sources (uses) for budgeted and unbudgeted funds for the year ended December 31, 1999, follows:

	General fund	Special revenue
Budgeted funds other financing sources/uses (budget basis)	\$ (4,154,383)	2,269,954
Grants Administration	133,874	—
56K Grant	27,587	—
District Attorney programs	29,635	—
Total other financing sources/uses (GAAP basis)	<u>\$ (3,963,287)</u>	<u>2,269,954</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 department 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 and discussion 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 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, 1999

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, \$2,186,131 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 14 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.

In the Pension Trust Fund, 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. Sick leave is 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

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- 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 all reported within the 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

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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.

(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.

The Cumberland County Nursing Home received a contribution from a patient's estate. The contribution must be used for the purchase of assets or payments of the principal portion of bond issues used to finance the purchase of assets.

(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 receives a fee for each ton of trash deposited into landfills within the County. The funds are restricted to be used for landfill closure costs if the operator cannot complete facility closure.

(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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(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.

(p) *Reclassifications*

Certain reclassifications have been made to memorandum totals for the prior year in order to conform with the 1999 presentation. The reclassifications had no effect on fund balances.

(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, 1999

(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).

Primary government	Category 1	Category 2	Category 3	Bank balance	Carrying amount
Petty cash	\$ —	—	—	—	11,998
Checking and savings accounts	534,122	2,096,963	5,135,937	7,767,022	7,649,491
Certificates of deposit	200,000	—	8,796,856	8,996,856	8,988,971
	<u>\$ 734,122</u>	<u>2,096,963</u>	<u>13,932,793</u>	16,763,878	16,650,460
Add: deposits classified as investments				6,116,234	6,116,234
Less: restricted cash and cash equivalents				(265,519)	(265,519)
Total cash and cash equivalents				<u>\$ 22,614,593</u>	<u>22,501,175</u>
Component units					
Checking and savings accounts	\$ 181,532	—	12,289	193,821	193,821
Certificates of deposit	163,130	—	193,000	356,130	356,130
	<u>\$ 344,662</u>	<u>—</u>	<u>205,289</u>	549,951	549,951
Less: deposits classified as investments				(63,130)	(63,130)
Total cash and cash equivalents				<u>\$ 486,821</u>	<u>486,821</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(b) *Investments*

The investments of the County at December 31, 1999, 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, 1999, were as follows:

	Total fair value
Primary government	
U.S. Treasury and agency obligations	\$ 16,068,865
Common stocks	34,360,649
Corporate debt	10,753,036
Repurchase agreements	7,825,234
Guaranteed investment contracts	16,815,764
Other	226,891
	<hr/> 86,050,439
Less: deposits classified as investments	(6,116,234)
Less: restricted investments	(688,000)
Total investments	<hr/> \$ 79,246,205 <hr/>
Component units	
U.S. Treasury obligations	\$ 19,116
Deposits classified as investments	63,130
Total investments	<hr/> \$ 82,246 <hr/>

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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

The 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 market value of those securities was \$2,795,000 at December 31, 1999. There were no other material derivatives in the County's portfolio as of December 31, 1999.

(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 1999 County real estate taxes were levied at the rate of 22.6 mills for general County purposes and 3.4 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 1.5 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, 1999. Additionally, the County Nursing Home Fund has \$7,405 of Medicaid cost settlement receivable and \$3,038,519 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, 1999

(6) Fixed Assets

(a) Changes in Fixed Assets

A summary of changes in fixed assets for 1999 follows:

	Land and improvements	Buildings and improvements	Movable furniture and equipment	Fixed equipment	Construction in progress	Total fixed assets
General Fixed Assets						
Balance at January 1	\$ 606,299	11,788,613	2,792,693	404,952	152,051	15,744,608
Additions and transfers	—	260,145	986,825	248,082	369,821	1,864,873
Deletions and transfers	—	—	60,623	—	521,872	582,495
Balance at December 31	606,299	12,048,758	3,718,895	653,034	—	17,026,986
Less accumulated depreciation	—	699,694	939,750	29,653	—	1,669,097
Net book value at December 31, 1999	\$ 606,299	11,349,064	2,779,145	623,381	—	15,357,889
Enterprise Funds Fixed Assets						
Balance at January 1	\$ 128,893	8,730,614	3,846,793	1,383,789	328,348	14,418,437
Additions and transfers	—	6,850	344,776	10,314	1,153,076	1,515,016
Deletions and transfers	—	2,128	39,153	—	238,684	279,965
Balance at December 31	128,893	8,735,336	4,152,416	1,394,103	1,242,740	15,653,488
Less accumulated depreciation	125,886	6,278,487	2,896,015	1,133,578	—	10,433,966
Net book value at December 31, 1999	\$ 3,007	2,456,849	1,256,401	260,525	1,242,740	5,219,522
Internal Service Funds Fixed Assets						
Balance at January 1	\$ —	5,113,710	1,524,350	5,914	—	6,643,974
Additions and transfers	—	—	260,786	—	—	260,786
Deletions and transfers	—	—	231,359	—	—	231,359
Balance at December 31	—	5,113,710	1,553,777	5,914	—	6,673,401
Less accumulated depreciation	—	595,546	946,498	1,405	—	1,543,449
Net book value at December 31, 1999	\$ —	4,518,164	607,279	4,509	—	5,129,952

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(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 \$1,669,097. On fixed assets of the Enterprise Fund and the Internal Service Funds, the current provisions for depreciation are \$714,419 and \$344,664, respectively.

(d) *Construction in Progress*

Construction in progress represented courthouse expansion costs and renovation costs to the judges' chamber and elevators in the new courthouse and the implementation costs of the mobile command unit for Emergency Management.

(7) *Advance Refundings*

1990 Series to Refund the 1985 Series

On June 1, 1990 the County issued \$5,465,000 in general obligation bonds with an average interest rate 6.6 percent to partially defease portions of certain future debt service payments of the 1985 bond issue, with an average interest rate of 7.8 percent. The net proceeds from the 1990 bond issue of \$5,011,000 were used to purchase U.S. Government securities deposited in an irrevocable trust with an escrow agent. In addition, from November 1, 1990 through May 1, 1999, the County agreed to use certain of its tax and other revenues to purchase U.S. Government securities in the amount of \$10,991,208 for deposit into an irrevocable trust with an escrow agent. As a result of the last security purchased on May 1, 1999, the 1985 Series bonds are considered to be defeased and \$4,250,941 of outstanding 1985 Series bonds has been removed from the County's financial statements.

The County advance refunded the 1985 Series bonds to reduce certain future debt service payments over the next 2 years by approximately \$2,600 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,200.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

1999 Series to Refund the 1994 Series

On March 1, 1999 the County issued \$8,570,000 in general obligation bonds with an average interest rate of 3.9 percent to advance refund \$8,275,000 of outstanding 1994 Series bonds, with an average interest rate of 4.8 percent. After deducting the discount of \$102,693, the County received \$8,467,307 plus accrued interest on the bonds from May 1, 1999 to May 10, 1999 in the amount of \$8,126. Underwriting fees and other issuance costs were \$52,335. Net proceeds of \$8,414,971 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the County's financial statements.

The County advance refunded the 1994 Series bonds to reduce its total debt service payments over the next 13 years by approximately \$245,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$230,000.

(8) Long-term Debt

The following is a summary of long-term debt transactions of the County for the year ended December 31, 1999:

	General long-term debt	Enterprise funds	Total
Long-term debt, January 1, 1999	\$ 20,194,448	6,779,613	26,974,061
Proceeds of refunding bonds, net of discount of \$16,993	8,324,309	228,698	8,553,007
Debt retired	(3,388,090)	(356,911)	(3,745,001)
Bonds refunded by escrow accounts:			
1985 Series	(3,996,929)	(254,012)	(4,250,941)
1994 Series	(8,053,736)	(221,264)	(8,275,000)
Amortization of discount on zero coupon bonds	420,750	28,023	448,773
Long-term debt, December 31, 1999	<u>\$ 13,500,752</u>	<u>6,204,147</u>	<u>19,704,899</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

Long-term debt payable at December 31, 1999, is comprised of the following individual issues:

	Interest rate	Final maturity	Total
General obligation bonds – 1994 issue	4.1%	2000	\$ 1,785,000
General obligation bonds – 1998 issue	3.80% – 4.80%	2013	9,395,000
General obligation bonds – 1999 issue	3.30% – 4.35%	2012	8,570,000
Long-term debt, December 31, 1999			19,750,000
Less unamortized discount on zero coupon bonds			(45,101)
Long-term debt, net of discount, December 31, 1999			<u>\$ 19,704,899</u>

Of the outstanding balance of the 1994 bond issue, \$47,729 of principal has been accounted for in the County Nursing Home. Of the outstanding balance of the 1998 bond issue, \$3,678,403 of principal and \$10,284 of the unamortized discount have been accounted for in the County Nursing Home and \$2,266,149 of principal and \$6,573 of the unamortized discount have been accounted for in the 911 Fund. Of the outstanding balance of the 1999 bond issue, \$229,150 of principal and \$428 of the unamortized discount has been accounted for in the County Nursing Home.

The annual debt service requirements for the next five years and in the aggregate thereafter on long-term debt outstanding as of December 31, 1999, including interest payments are as follows:

	General long-term debt	Enterprise funds	Total
2000	\$ 2,651,161	538,861	3,190,022
2001	2,679,448	540,277	3,219,725
2002	2,693,878	540,638	3,234,516
2003	967,545	620,849	1,588,394
2004	968,892	619,816	1,588,708
Thereafter	6,077,859	5,605,737	11,683,596
Total	16,038,783	8,466,178	24,504,961
Less interest	(2,510,214)	(2,244,747)	(4,754,961)
Principal	<u>\$ 13,528,569</u>	<u>6,221,431</u>	<u>19,750,000</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

During 1999, the County restated December 31, 1998 fund equity for the Capital Projects Fund and the 911 Fund in the amount of \$396,421. This change is a result of a correction of an error recording the refunding of a loan with the 1998 bond Series proceeds.

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

	General long-term debt	Proprietary funds
Balance, January 1, 1999	\$ 2,158,940	1,047,941
Net change	57,611	(63,565)
Balance, December 31, 1999	<u>\$ 2,216,551</u>	<u>984,376</u>

(9) Defeased Bonds Outstanding

In the current and 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, 1999, defeased bonds outstanding are as follows:

Bond issue	Year refunded	Par value outstanding
General obligation bonds – 1985 issue	1999	\$ 4,920,000
General obligation bonds – 1994 issue	1999	8,275,000
Total defeased bonds outstanding		<u>\$ 13,195,000</u>

(10) Capital Lease Obligation

The County has entered into a capital lease agreement for financing the acquisition of a county-wide time clock system. The leased time clock system is included in the general fixed asset account group with a total capitalized cost of \$150,000.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

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, 1999:

2000	\$	57,780
2001		57,780
2002		48,150
		<hr/>
		163,710
Less amount representing interest		20,958
		<hr/>
Present value of net minimum lease payments	\$	<u>142,752</u>

(11) 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, 1999, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries receiving benefits	275
Terminated plan members entitled to but not yet receiving benefits	48
Active plan members	<hr/> 1,056
Total	<hr/> <u>1,379</u>

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, 1999

(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.

Contributions were made in 1999 in accordance with actuarially determined contribution requirements, determined through an actuarial valuation performed at December 31, 1999, and state law, using the following assumptions:

	December 31, 1999
Investment rate of return	7.5%
Projected salary increases	4.5%
Includes inflation at	3.0%
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 in the required supplementary information on page 67 of this report.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(12) Interfund and Transfer Accounts

Individual interfund receivable and payable balances at December 31, 1999, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General	\$ 6,168,493	69,324
Special revenue:		
Liquid Fuels	—	41,286
Domestic Relations Office	144,133	301,753
Office of Aging	94,584	302,391
Children Services	—	1,405,008
Human Services Development	56,291	8,079
Food and Shelter	—	289,463
Central Booking	69,324	—
Witness Assistance	52,353	3,677
Records Improvement	—	21,000
ARD/DUI Program	204,459	124,700
Solid Waste	1,469	—
Affordable Housing	—	40,468
Total special revenue	<u>622,613</u>	<u>2,537,825</u>
Debt Service	—	1,300
Capital Improvements	—	6,568,731
Enterprise:		
County Nursing Home	2,818,571	1,160,047
911 Fund	1,689,570	680,663
Hazardous Materials	8,534	348
Total enterprise	<u>4,516,675</u>	<u>1,841,058</u>
Internal service:		
Transportation Department	—	54,164
Total internal service	<u>—</u>	<u>54,164</u>
Agency funds:		
Clerk of Courts	—	64,879
Prothonotary	—	35,639
Recorder of Deeds	—	92,827
Treasurer	—	2,161
Register of Wills	—	20,298
Sheriff	—	17,394
Probation	—	2,181
Total agency funds	<u>—</u>	<u>235,379</u>
Total primary government	<u>\$ 11,307,781</u>	<u>11,307,781</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

Interfund transfers for the year ended December 31, 1999, are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental fund types	\$ 6,547,685	7,326,892
Transfer to component units	—	75,262
Proprietary fund types	779,207	—
	<hr/>	<hr/>
Total primary government	7,326,892	7,402,154
Transfer from primary government	75,262	—
	<hr/>	<hr/>
Total reporting entity	\$ <u>7,402,154</u>	<u>7,402,154</u>

(13) Notes Receivable from the Municipal Authority

In 1994, the County sold the Domestic Relations Building to the Authority for \$420,000. Additionally, on July 1, 1995, the County sold the Human Services Building to the Authority for \$4,693,710. The Authority issued notes payable to the County for the purchase prices of the buildings, which were secured by long-term leases of the buildings to the County. Because the note proceeds are not available to pay current obligations of the County, deferred revenue in the amount of the notes receivable is shown in the General Fund balance sheet. The outstanding principal balance of both notes as of December 31, 1999 was \$4,226,841, with final maturity in 2012.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(14) 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, 1999:

<u>Fund/Department</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Percent of excess over appropriation</u>
Food and shelter	\$ 2,098,543	2,342,042	11.60%
Central Booking	523,136	754,721	44.27%

(15) 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, 1999.

(16) Contributed Capital

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

	<u>Enterprise funds</u>	<u>Internal service funds</u>
Capital equipment grants from the Commonwealth	\$ —	271,202
Depreciation of equipment purchased with capital grants from the Commonwealth	(43,562)	(204,526)
Total change	(43,562)	66,676
Contributed capital, January 1, 1999	2,618,396	542,606
Contributed capital, December 31, 1999	<u>\$ 2,574,834</u>	<u>609,282</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(17) 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, 1999, is presented below:

	County Nursing Home	911 Fund	Hazardous Materials	Total
Operating revenues	\$ 16,280,413	2,367,773	32,455	18,680,641
Depreciation expense	276,661	428,497	9,261	714,419
Operating loss	(102,837)	(522,554)	(66,702)	(692,093)
Net income	—	58,196	83	58,279
Operating transfers in	108,874	600,000	50,585	759,459
Property, plant, and equipment additions	1,142,092	106,461	25,958	1,274,511
Property, plant, and equipment deletions	31,724	9,557	—	41,281
Net working capital (deficit)	3,877,866	1,428,141	(3,366)	5,302,641
Total assets	10,843,644	4,022,396	50,130	14,916,170
Long-term debt	3,814,578	2,117,678	—	5,932,256
Total equity	3,884,965	787,964	31,911	4,704,840

(18) 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

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, 1999:

<u>Year ending December 31,</u>	<u>Lease payments</u>
2000	\$ 721,047
2001	694,073
2002	644,207
2003	624,734
2004	544,976
Thereafter	<u>3,739,011</u>

The County also has a lease with the Cumberland County Municipal Authority that requires annual payments in the amount of \$426,447 through 2012 on the Human Services Building and \$37,273 through 2012 on the Domestic Relations Building (see note 13).

(19) Retained Deficit

The Transportation Department, an Internal Service Fund, has a retained deficit balance of \$57,498 as of December 31, 1999. The balance of the deficit will be funded by fare increases to begin in February 2000.

(20) 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, and aggregate coverage for total claims in excess of \$1,000,000. 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

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, 1999, were:

	Beginning of year liability	Current year claims and changes in estimates	Claim payments	Balance at year end
1999	\$ 827,113	192,833	219,946	800,000
1998	\$ 878,010	165,638	216,535	827,113

(21) 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, 1999, there were nine series of revenue bonds outstanding. The aggregate principal amount payable could not be determined; however, their original issue amounts totaled \$182 million.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 1999

(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 to said 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, 1999, the projects had \$36,330,538 in outstanding principal balances.

(22) Subsequent Events

During 1999, the County finalized an agreement to provide 911 emergency telephone services to Fulton County, Pennsylvania. The agreement will go into effect during 2000. Required annual payments to Cumberland County are as follows:

Year 1	\$	43,675
Year 2		46,798
Year 3		50,104
Year 4		53,686
Year 5		57,525
Year 6		61,638