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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, 2000, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the County of Cumberland Industrial Development Authority (IDA), which represents 49% of the assets and 10% of the revenues of the component units. The financial statements of the IDA were audited by other auditors whose report thereon was furnished to us, and our opinion herein, insofar as it relates to the amounts included for the IDA, is based solely upon the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Cumberland, Pennsylvania, at December 31, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2001, on our consideration of the County of Cumberland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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

The supplementary pension information on page 66 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, 2001

COUNTY OF CUMBERLAND, PENNSYLVANIA

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

December 31, 2000

Assets and Other Debits	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	Trust and agency	General fixed assets	General long-term debt				
	General	Special revenue	Debt service	Capital projects	Enterprise	Internal service	Trust and agency	General fixed assets	General long-term debt					
Cash and cash equivalents	\$ 6,843,650	1,249,229	10,347	924,955	10,513,943	1,261,253	4,293,339	—	—	25,096,716	562,929	25,659,645		
Restricted assets:														
Cash and cash equivalents	—	—	—	—	248,563	—	—	—	—	248,563	—	248,563		
Investments	—	—	—	—	731,000	—	—	—	—	731,000	—	731,000		
Investments	—	1,259,000	—	1,530,232	413,000	—	75,731,677	—	—	78,933,909	84,384	79,018,293		
Due from other funds	6,043,353	222,478	—	—	319,203	—	—	—	—	6,585,034	—	6,585,034		
Due from component unit	80,811	—	—	—	—	—	—	—	—	80,811	—	80,811		
Notes receivable	—	—	—	—	—	—	—	—	—	—	—	347,995	347,995	
Accrued interest receivable	—	—	—	—	16,503	—	383,421	—	—	399,924	—	399,924		
Due from other governments	66,389	2,421,381	—	—	880,392	86,268	—	—	—	3,454,430	48,460	3,502,890		
Taxes receivable	1,032,045	—	—	—	—	—	—	—	—	1,032,045	—	1,032,045		
Accounts receivable	498,061	666,588	—	4,844	3,269,464	5,523	—	—	—	4,444,480	—	4,444,480		
Prepaid items	355,853	—	—	—	12,866	—	—	—	—	368,719	—	368,719		
Fixed assets, net of depreciation	—	—	—	—	10,534,951	631,212	—	19,205,402	—	30,371,565	—	30,371,565		
Other assets	—	3,517	—	—	294,540	—	—	—	—	298,057	1,212	299,269		
Other debits:														
Amount to be provided for retirement of general long-term debt	—	—	—	—	—	—	—	—	14,374,813	14,374,813	—	14,374,813		
Amount available in the Debt Service Fund	—	—	—	—	—	—	—	—	10,293	10,293	—	10,293		
Total assets and other debits	\$ 14,920,162	5,822,193	10,347	2,460,031	27,234,425	1,984,256	80,408,437	19,205,402	14,385,106	166,430,359	1,044,980	167,475,339		

24

(Continued)

COUNTY OF CUMBERLAND, PENNSYLVANIA

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

December 31, 2000

Liabilities, Fund Equity and Other Credits	Governmental fund types					Proprietary fund types		Fiduciary fund type	Account groups		Total primary government	Component units	Total reporting entity (memorandum only)
	General		Special revenue	Debt service	Capital projects	Enterprise	Internal service	Trust and agency	General fixed assets	General long-term debt	(memorandum only)		
	General	General	Special revenue	Debt service	Capital projects	Enterprise	Internal service	Trust and agency	General fixed assets	General long-term debt	Total primary government (memorandum only)		
Liabilities:													
Accounts payable	\$ 3,890,864	739,448	—	103,682	1,489,129	22,216	—	—	—	—	6,245,339	2,502	6,247,841
Accrued liabilities and withholdings	711,458	13,332	—	—	899,022	1,012,734	—	—	—	2,294,690	4,931,236	—	4,931,236
Due to other funds	—	2,219,837	54	995,104	3,052,770	88,671	228,598	—	—	—	6,585,034	—	6,585,034
Capital lease obligation	—	—	—	—	—	—	—	—	—	165,511	165,511	—	165,511
Due to other governments	1,610,576	—	—	—	—	—	—	496,034	—	—	2,106,610	—	2,106,610
Due to primary government	—	—	—	—	—	—	—	—	—	—	—	80,811	80,811
Deferred taxes	930,048	—	—	—	—	—	—	—	—	—	930,048	—	930,048
Deferred revenue	109,394	174,776	—	—	—	18,870	49,756	—	—	—	352,796	62,938	415,734
Other liabilities	—	28,962	—	—	151,340	—	—	—	—	—	180,302	—	180,302
Funds held as fiduciary	22,997	—	—	—	—	383,536	—	717,425	—	—	1,123,958	—	1,123,958
Long-term debt	—	—	—	—	—	16,291,004	—	—	—	11,924,905	28,215,909	—	28,215,909
Total liabilities	7,275,337	3,176,355	54	1,250,126	22,134,331	1,173,377	1,442,057	—	—	14,385,106	50,836,743	146,251	50,982,994
Fund equity and other credits:													
Investment in fixed assets	—	—	—	—	—	—	—	19,205,402	—	—	19,205,402	—	19,205,402
Contributed capital	—	—	—	—	2,564,837	625,238	—	—	—	—	3,190,075	—	3,190,075
Retained earnings:													
Reserved for restricted contributions	—	—	—	—	—	731,000	—	—	—	—	731,000	—	731,000
Unreserved	—	—	—	—	—	1,804,257	185,641	—	—	—	1,989,898	—	1,989,898
Fund balance:													
Reserved for pension benefits	—	—	—	—	—	—	78,394,326	—	—	—	78,394,326	—	78,394,326
Reserved for prepaid items	355,853	—	—	—	—	—	—	—	—	—	355,853	—	355,853
Reserved for debt service	—	—	10,293	—	—	—	—	—	—	—	10,293	—	10,293
Reserved for restricted contributions	—	425,798	—	—	—	—	—	—	—	—	425,798	—	425,798
Reserved for farmland preservation	219,601	—	—	—	—	—	—	—	—	—	219,601	—	219,601
Reserved for offenders' supervision	366,134	—	—	—	—	—	—	—	—	—	366,134	—	366,134
Reserved for landfill closure	—	—	—	—	—	—	572,054	—	—	—	572,054	—	572,054
Reserved for capital projects	—	—	—	1,209,905	—	—	—	—	—	—	1,209,905	—	1,209,905
Reserved for long-term receivables	6,703,237	2,220,040	—	—	—	—	—	—	—	—	8,923,277	347,995	347,995
Unreserved	—	—	—	—	—	—	—	—	—	—	—	550,734	9,474,011
Total fund equity and other credits	7,644,825	2,645,838	10,293	1,209,905	5,100,094	810,879	78,966,380	19,205,402	—	115,593,616	898,729	116,492,345	
Total liabilities, fund equity, and other credits	\$ 14,920,162	5,822,193	10,347	2,460,031	27,234,425	1,984,256	80,408,437	19,205,402	14,385,106	166,430,359	1,044,980	167,475,339	

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, Expendable Trust Fund, and Discretely
Presented Component Units

For the year ended December 31, 2000

	Governmental fund types				Fiduciary fund type	Total primary government (memorandum only)	Component units	Total (memorandum only)
	General	Special revenue	Debt service	Capital projects	Expendable trust fund			
Revenues:								
Taxes	\$ 21,407,108	—	—	—	—	21,407,108	—	21,407,108
Licenses and permits	43,587	—	—	—	—	43,587	10,750	54,337
Grants	3,218,101	12,646,966	—	—	—	15,865,067	246,224	16,111,291
County charges	4,090,449	1,634,422	—	—	19,500	5,744,371	64,346	5,808,717
Court costs, fines, and forfeits	860,594	292,340	—	—	—	1,152,934	—	1,152,934
Interest	817,467	186,015	726	141,106	35,109	1,180,423	47,467	1,227,890
Contributions and other	689,650	175,371	—	—	—	865,021	14,333	879,354
Total revenues	31,126,956	14,935,114	726	141,106	54,609	46,258,511	383,120	46,641,631
Expenditures:								
Current:								
General government – administrative	7,702,155	135,166	—	—	—	7,837,321	—	7,837,321
General government – judicial	9,895,192	2,762,374	—	—	—	12,657,566	—	12,657,566
Public safety	7,730,701	—	—	—	—	7,730,701	—	7,730,701
Public works and enterprises	—	1,019,596	—	—	—	1,019,596	—	1,019,596
Human services	1,352,335	12,443,954	—	—	—	13,796,289	—	13,796,289
Culture and recreation	578,646	—	—	—	—	578,646	—	578,646
Conservation and development	1,069,537	414,993	—	—	—	1,484,530	448,075	1,932,605
Other	20,816	—	—	38,706	4,099	63,621	—	63,621
Debt service	—	—	2,794,767	—	—	2,794,767	—	2,794,767
Capital outlay	—	—	—	125,438	—	125,438	—	125,438
Total expenditures	28,349,382	16,776,083	2,794,767	164,144	4,099	48,088,475	448,075	48,536,550
Excess (deficiency) of revenues over expenditures	2,777,574	(1,840,969)	(2,794,041)	(23,038)	50,510	(1,829,964)	(64,955)	(1,894,919)
Other financing sources (uses):								
Operating transfers in	2,105,052	2,181,236	2,794,767	250,000	—	7,331,055	—	7,331,055
Transfer to component units	(55,577)	—	—	—	—	(55,577)	—	(55,577)
Transfer from primary government	—	—	—	—	—	—	55,577	55,577
Operating transfers out	(5,569,414)	(823,093)	—	(1,039,095)	—	(7,431,602)	—	(7,431,602)
Proceeds from capital leases	72,176	—	—	—	—	72,176	—	72,176
Proceeds from 1998 bond issue from enterprise fund	—	—	—	643,091	—	643,091	—	643,091
Total other financing sources (uses)	(3,447,763)	1,358,143	2,794,767	(146,004)	—	559,143	55,577	614,720
Excess (deficiency) of revenues and other sources over expenditures and other uses	(670,189)	(482,826)	726	(169,042)	50,510	(1,270,821)	(9,378)	(1,280,199)
Fund balances, beginning of year, as restated	8,315,014	3,128,664	9,567	1,378,947	521,544	13,353,736	908,107	14,261,843
Fund balances, end of year	\$ 7,644,825	2,645,838	10,293	1,209,905	572,054	12,082,915	898,729	12,981,644

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, 2000

	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	\$ 22,389,437	22,572,941	183,504	—	—	—	—	—	—	—	—	—
Licenses and permits	85,225	43,587	(41,638)	—	—	—	—	—	—	—	—	—
Grants	2,355,244	2,151,338	(203,906)	12,407,440	12,646,966	239,526	—	—	—	—	—	—
County charges	4,519,347	4,318,441	(200,906)	1,148,863	1,634,422	485,559	—	—	—	—	—	—
Court costs, fines and forfeits	545,686	584,959	39,273	257,740	292,340	34,600	—	—	—	—	—	—
Interest	832,713	803,758	(28,955)	27,570	186,015	158,445	—	726	726	72,900	141,106	68,206
Contributions and other	1,239,805	1,415,500	175,695	234,291	175,371	(58,920)	—	—	—	—	—	—
Total revenues	31,967,457	31,890,524	(76,933)	14,075,904	14,935,114	859,210	—	726	726	72,900	141,106	68,206
Expenditures:												
Current:												
General government – administrative	8,407,332	8,374,245	33,087	191,538	135,166	56,372	—	—	—	—	—	—
General government – judicial	8,440,202	8,485,825	(45,623)	2,598,922	2,762,374	(163,452)	—	—	—	—	—	—
Public safety	8,002,148	7,730,701	271,447	—	—	—	—	—	—	—	—	—
Public works and enterprises	—	—	—	1,089,565	1,019,596	69,969	—	—	—	—	—	—
Human services	1,430,295	1,352,335	77,960	12,272,589	12,443,954	(171,365)	—	—	—	—	—	—
Culture and recreation	1,942,350	1,972,471	(30,121)	—	—	—	—	—	—	—	—	—
Conservation and development	1,183,642	1,048,787	134,855	405,650	414,993	(9,343)	—	—	—	—	—	—
Other	61,717	20,816	40,901	—	—	—	—	—	—	20,000	38,706	(18,706)
Debt service	—	—	—	—	—	—	2,651,160	2,794,767	(143,607)	—	—	—
Capital outlay	—	—	—	—	—	—	—	—	—	194,643	125,438	69,205
Total expenditures	29,467,686	28,985,180	482,506	16,558,264	16,776,083	(217,819)	2,651,160	2,794,767	(143,607)	214,643	164,144	50,499
Excess (deficiency) of revenues over expenditures	2,499,771	2,905,344	405,573	(2,482,360)	(1,840,969)	641,391	(2,651,160)	(2,794,041)	(142,881)	(141,743)	(23,038)	118,705
Other financing sources (uses):												
Operating transfers in	1,479,871	1,845,856	365,985	2,546,505	2,181,236	(365,269)	2,386,988	2,794,767	407,779	250,000	250,000	—
Transfer out to component units	(75,262)	(55,577)	19,685	—	—	—	—	—	—	—	—	—
Operating transfers out	(5,505,360)	(5,559,478)	(54,118)	(640,580)	(823,093)	(182,513)	—	—	—	(754,871)	(1,039,095)	(284,224)
Proceeds from capital leases	72,175	72,176	1	—	—	—	—	—	—	—	—	—
Proceeds from 1998 bond issue from enterprise fund	—	—	—	—	—	—	—	—	—	—	643,091	643,091
Total other financing sources (uses)	(4,028,576)	(3,697,023)	331,553	1,905,925	1,358,143	(547,782)	2,386,988	2,794,767	407,779	(504,871)	(146,004)	358,867
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,528,805)	(791,679)	737,126	(576,435)	(482,826)	93,609	(264,172)	726	264,898	(646,614)	(169,042)	477,572
Fund balances, beginning of year, as restated	7,000,000	8,143,973	1,143,973	2,088,000	3,128,664	1,040,664	5,247,000	9,567	(5,237,433)	1,393,464	1,378,947	(14,517)
Fund balances, end of year	\$ 5,471,195	7,352,294	1,881,099	1,511,565	2,645,838	1,134,273	4,982,828	10,293	(4,972,535)	746,850	1,209,905	463,055

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, 2000

	Proprietary fund types		Total (memorandum only)
	Enterprise	Internal service	
Operating revenues:			
County charges	\$ 19,613,855	458,079	20,071,934
Rentals and other revenues	10,276	496,591	506,867
Total operating revenues	<u>19,624,131</u>	<u>954,670</u>	<u>20,578,801</u>
Operating expenses:			
Patient/client services	15,954,121	976,361	16,930,482
Loss and loss adjusting	—	397,744	397,744
Depreciation	614,161	228,237	842,398
Administrative	2,531,515	83,279	2,614,794
Total operating expenses	<u>19,099,797</u>	<u>1,685,621</u>	<u>20,785,418</u>
Operating income (loss)	<u>524,334</u>	<u>(730,951)</u>	<u>(206,617)</u>
Nonoperating revenues (expenses):			
Grant revenue	791	353,969	354,760
Interest income	368,578	66,062	434,640
Interest expense	(398,951)	—	(398,951)
Other	16,855	—	16,855
Total net nonoperating revenues (expenses)	<u>(12,727)</u>	<u>420,031</u>	<u>407,304</u>
Income (loss) before operating transfers	<u>511,607</u>	<u>(310,920)</u>	<u>200,687</u>
Operating transfers in	366,195	14,811	381,006
Operating transfers out	(280,459)	—	(280,459)
Net income (loss)	<u>597,343</u>	<u>(296,109)</u>	<u>301,234</u>
Depreciation on fixed assets acquired by contributions and capital grants	<u>20,210</u>	<u>227,301</u>	<u>247,511</u>
Increase (decrease) in retained earnings	617,553	(68,808)	548,745
Retained earnings, beginning of year, as restated	<u>1,917,704</u>	<u>254,449</u>	<u>2,172,153</u>
Retained earnings, end of year	<u>\$ 2,535,257</u>	<u>185,641</u>	<u>2,720,898</u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

**Combined Statement of Cash Flows –
All Proprietary Fund Types**

For the year ended December 31, 2000

	Proprietary fund types		Total (memorandum only)
	Enterprise	Internal service	
Cash flows from operating activities:			
Operating income (loss)	\$ 524,334	(730,951)	(206,617)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	614,161	228,237	842,398
Amortization of bond issuance costs	1,292	—	1,292
Nonoperating revenues	16,855	—	16,855
Loss on sale of fixed assets	1,913	759	2,672
Change in assets and liabilities:			
Due from other funds	2,184,013	—	2,184,013
Due from other governments	816,583	—	816,583
Accounts receivable	153,746	64,264	218,010
Prepaid items	(199,641)	8,440	(191,201)
Accounts payable	1,173,923	2,295	1,176,218
Accrued liabilities and withholdings	(545,600)	175,427	(370,173)
Due to other funds	892,509	34,507	927,016
Due to other governments	—	(108,653)	(108,653)
Funds held as fiduciary	8,632	—	8,632
Deferred revenue	7,975	45,101	53,076
Net cash provided by (used in) operating activities	5,650,695	(280,574)	5,370,121
Cash flows from capital financing activities:			
Capital grants	—	243,257	243,257
Purchases of fixed assets	(5,921,290)	(248,419)	(6,169,709)
Principal repayments – long-term debt	(211,343)	—	(211,343)
Proceeds from issuance of bonds	10,940,000	—	10,940,000
Bond issuance costs	(199,849)	—	(199,849)
Interest paid	(419,449)	—	(419,449)
Net cash (provided by) capital financing activities	4,188,069	(5,162)	4,182,907

COUNTY OF CUMBERLAND, PENNSYLVANIA

Combined Statement of Cash Flows –
All Proprietary Fund Types

For the year ended December 31, 2000

	Proprietary fund types		Total (memorandum only)
	Enterprise	Internal service	
Cash flows from noncapital financing activities:			
Operating grants received	\$ 791	353,969	354,760
Operating transfers in	366,195	14,811	381,006
Operating transfers out	(280,459)	—	(280,459)
Net cash provided by noncapital financing activities	<u>86,527</u>	<u>368,780</u>	<u>455,307</u>
Cash flows from investing activities:			
Purchases of investments	(184,000)	—	(184,000)
Investment income received	<u>368,578</u>	<u>66,062</u>	<u>434,640</u>
Total cash provided by investing activities	<u>184,578</u>	<u>66,062</u>	<u>250,640</u>
Net increase in cash and cash equivalents	<u>10,109,869</u>	<u>149,106</u>	<u>10,258,975</u>
Cash and cash equivalents, beginning of year	<u>652,637</u>	<u>1,112,147</u>	<u>1,764,784</u>
Cash and cash equivalents, end of year	<u>\$ 10,762,506</u>	<u>1,261,253</u>	<u>12,023,759</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, 2000

Additions:

Contributions:

Plan members	\$ 1,683,905
Total contributions	<u>1,683,905</u>

Investment income:

Net depreciation in fair value of investments	(2,407,620)
Interest	2,122,333
Dividends	<u>576,565</u>
Net investment income	<u>291,278</u>
Total additions	<u>1,975,183</u>

Deductions:

Benefits	1,806,626
Refunds of contributions	1,314,030
Administrative expense	<u>369,729</u>
Total deductions	<u>3,490,385</u>
Net decrease	(1,515,202)

Net assets reserved for pension benefits:

Beginning of year	<u>79,909,528</u>
End of year	<u>\$ 78,394,326</u>

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

**Discretely Presented Component Units –
Combining Balance Sheet**

December 31, 2000

Assets	Conservation District	Cumberland County Industrial Development Authority	Total
Cash and cash equivalents	\$ 483,842	79,087	562,929
Investments	—	84,384	84,384
Notes receivable	—	347,995	347,995
Due from other governments	48,460	—	48,460
Other assets	1,212	—	1,212
Total assets	\$ 533,514	511,466	1,044,980
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 2,502	—	2,502
Due to primary government	80,811	—	80,811
Deferred revenue	62,938	—	62,938
Total liabilities	146,251	<b">—</b">	146,251
Fund balances:			
Reserved for long-term receivables	—	347,995	347,995
Unreserved	387,263	163,471	550,734
Total fund equity	387,263	511,466	898,729
Total liabilities and fund equity	\$ 533,514	511,466	1,044,980

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, 2000

	Conservation District	Cumberland County Industrial Development Authority	Total
Revenues:			
Licenses and permits	\$ 10,750	—	10,750
Grants	246,224	—	246,224
County charges	64,346	—	64,346
Interest	22,019	25,448	47,467
Contributions and other	2,505	11,828	14,333
Total revenues	345,844	37,276	383,120
Expenditures:			
Conservation and development	417,299	30,776	448,075
Excess (deficiency) of revenues over expenditures	(71,455)	6,500	(64,955)
Other financing sources:			
Transfer from primary government	55,577	—	55,577
Excess (deficiency) of revenues over expenditures and other financing sources	(15,878)	6,500	(9,378)
Fund balances, beginning of year	403,141	504,966	908,107
Fund balances, end of year	\$ 387,263	511,466	898,729

See accompanying notes to general purpose financial statements.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(1) The Reporting Entity

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

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

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

- Organizations that make up the legal County entity.
- Legally separate organizations if County officials appoint a voting majority of the organization's governing body and the County is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County as defined below:

Impose its Will – If the County can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the County (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the County.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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

(a) Discretely Presented Component Units

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

Cumberland County Conservation District

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

Cumberland County Industrial Development Authority (IDA)

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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

(b) Related Organizations

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

Cumberland County Housing Authority (Housing Authority)

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

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

Cumberland County Redevelopment Authority (Redevelopment Authority)

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

Cumberland County Library System

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

The Library Board is an autonomous county-wide organization that oversees the library system, which consists of 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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(c) Joint Ventures

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

Name of organization:	Cumberland, Dauphin, and Harrisburg Transit Authority	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, 2000	June 30, 2000	June 30, 2000
Current assets:	\$ 1,605,166	2,033,467	408,597
Fixed assets, net:	8,105,798	70,504	33,346
Total assets:	9,710,964	2,103,971	441,243
Equity:			
Operating revenue:	4,690,240	16,399,019	2,551,721
Operating income (loss):	(7,245,610)	16,158	—
Net income (loss):	(1,521,856)	16,158	—
Cumberland County contribution to operations:	181,943	478,228	151,664
Cumberland County working capital advances:	\$ 11,508	—	—

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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, 2000

- The Domestic Relations Office Fund accounts for expenditures and reimbursement revenue related to the operation of the County's Child Support Enforcement Program, which is funded with federal, state and county funds.
- The human service-related special revenue funds are used to account for revenue received from various federal, state, and local sources. These funds, which are restricted for the provision of specified social services to eligible County residents, are as follows:
 - Office of Aging Fund
 - Children Services Fund
 - Human Services Development Fund
 - Food and Shelter Fund
- 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

December 31, 2000

(iv) Capital Projects Fund

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

Proprietary Funds

(i) Enterprise Funds

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

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

(ii) Internal Service Funds

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

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

Fiduciary Funds

(i) Trust and Agency Funds

Trust and agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These include pension and expendable trust funds, and agency funds. Pension trust is maintained on the accrual basis of accounting. The landfill post closure trust is accounted for in a manner similar to governmental funds (modified accrual basis). 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 Landfill Post Closure Expendable Trust Fund is used to account for investment income and contributions made by municipal landfill owners to the County. The funds are to be utilized by the County to monitor the closure of landfills.

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

December 31, 2000

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.

(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.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

Modified Accrual Basis of Accounting

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

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

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

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

Interest on investments is recognized when earned.

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

Accrual Basis of Accounting

The accrual basis of accounting is followed in all proprietary funds and the Pension Trust Fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. The County applies only those applicable Financial Accounting Standards Board pronouncements issued before November 30, 1989, to its proprietary fund types, unless they conflict with GASB pronouncements.

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

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(d) Budgets and Budgetary Accounting

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

A reconciliation of revenues from a budget basis to a GAAP basis for budgeted and unbudgeted activity for the year ended December 31, 2000, follows:

	General fund
Total revenues (budget basis)	\$ 31,890,524
Unbudgeted funds revenues:	
Indirect costs	(725,951)
Grants Administration	516,755
Homestead Act	53,303
Greenway Study	12,014
Prison Canteen	7,212
District Attorney programs	766,924
Library taxes	(1,393,825)
Total revenues (GAAP basis)	<u><u>\$ 31,126,956</u></u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

A reconciliation of expenditures from a budget basis to a GAAP basis for budgeted and unbudgeted activity for the year ended December 31, 2000, follows:

	General fund
Total expenditures (budget basis)	\$ 28,985,180
Unbudgeted funds expenditures:	
Indirect costs	(725,951)
Grants Administration	707,263
Homestead Act	53,861
Greenway Study	20,750
District Attorney programs	702,104
Library tax reimbursement	(1,393,825)
Total expenditures (GAAP basis)	<u>\$ 28,349,382</u>

A reconciliation of other financing sources (uses) from a budget basis to a GAAP basis for budgeted and unbudgeted activity for the year ended December 31, 2000, follows:

	General fund
Total other financing sources/uses (budget basis)	\$ (3,697,023)
Grants Administration	190,507
District Attorney programs	58,753
Total other financing sources/uses (GAAP basis)	<u>\$ (3,447,763)</u>

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

1. During the months of July and August each department reviews current and prior year financial information to develop budget projections for the upcoming fiscal year. These projections often are developed in consultation with the County Finance Office. The results are submitted by each department in a standard format to the County Finance Office as a preliminary budget proposal.
2. The County Finance Office reviews all submissions and consults with departments as needed to substantiate the basis for requests and to refine the budget projections. The County Finance Office makes necessary adjustments to department submissions and compiles the data for presentation to the Board of County Commissioners and discussion during a public hearing process.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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.
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. Management may authorize transfers between operating expenditure categories within their own departments, without the authorization of the Commissioners. However, all transfers between personnel and capital expenditure categories, as well as transfers between funds, require the authorization of the Commissioners.

During the year, \$966,001 in general fund supplemental appropriations were enacted. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) reflects these revisions. Actual expenditures and operating transfers out may not legally exceed “budget” appropriations at the individual fund level. See note 12 for funds that have exceeded their budgets.

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

(e) *Statement of Cash Flows*

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

(f) *Investments*

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(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.
- 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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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

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

(n) *Total Columns on Combined Statements*

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

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(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) Restatement of Fund Equity

During 2000, the County determined several funds required correction of their beginning fund equity; therefore, the County restated these funds' beginning fund equity as follows:

Food and Shelter — This special revenue fund balance was increased \$166,986 to reflect cumulative program net income as of December 31, 1999.

Solid Waste — This special revenue fund balance was decreased \$521,544 to reclassify the Landfill Post Closure Fund as an expendable trust fund.

911 Fund — This enterprise fund's retained earnings was decreased \$212,302 for double posting revenues during 1999.

Municipal Authority — As a result of all financial transactions being leases with the primary government, this internal service fund's balances are now accounted for in the General Fixed Asset Account Group and General Fund, resulting in a decrease in internal service fund beginning fund balance of \$291,322.

(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, 2000

(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	Category	Category	Bank	Carrying
	1	2	3	balance	amount
Petty cash	\$ —	—	—	—	11,143
Checking and savings accounts	300,248	1,299,634	15,888,488	17,488,370	17,141,836
Certificates of deposit	400,000	—	10,195,000	10,595,000	10,595,300
	\$ 700,248	1,299,634	26,083,488	28,083,370	27,748,279
Less investments classified as deposits				(2,403,000)	(2,403,000)
Less: restricted cash and cash equivalents				(248,563)	(248,563)
Total cash and cash equivalents				\$ 25,431,807	25,096,716
Component units					
Checking and savings accounts	\$ 155,153	—	—	155,153	191,929
Certificates of deposit	200,000	—	171,000	371,000	371,000
Total cash and cash equivalents	\$ 355,153	—	171,000	526,153	562,929

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(b) Investments

The investments of the County at December 31, 2000, 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, 2000, were as follows:

	Total fair value
Primary government	
U.S. Treasury and agency obligations	\$ 16,440,290
Common stocks	36,486,205
Corporate debt	15,067,661
Guaranteed investment contracts	9,041,099
Other	<u>226,654</u>
	77,261,909
Add: investments classified as deposits	2,403,000
Less: restricted investments	<u>(731,000)</u>
Total investments	<u><u>\$ 78,933,909</u></u>
Component units	
U.S. Treasury obligations	<u><u>\$ 84,384</u></u>

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

The Pension Trust Fund is also invested in asset-backed securities issued by private-sector financial services corporations. The majority of the market risk on those financial instruments is related to interest rate changes. The fair value of those securities approximated \$5,476,000 at December 31, 2000. There were no other material derivatives in the County's portfolio as of December 31, 2000.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(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 2000 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, 2000. Additionally, the County Nursing Home Fund has \$880,392 of Medicaid cost settlements receivable and \$3,079,253 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, 2000

(6) Fixed Assets

(a) Changes in Fixed Assets

A summary of changes in fixed assets for 2000 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	\$ 1,787,197	28,211,513	7,687,317	3,622,590	—	41,308,617
Additions and transfers	—	—	1,637,407	105,960	78,977	1,822,344
Deletions and transfers	—	—	1,131,199	17,228	—	1,148,427
Balance at December 31	<u>1,787,197</u>	<u>28,211,513</u>	<u>8,193,525</u>	<u>3,711,322</u>	<u>78,977</u>	<u>41,982,534</u>
Less accumulated depreciation	—	14,340,590	5,356,823	3,079,719	—	22,777,132
Net book value at December 31, 2000	<u>\$ 1,787,197</u>	<u>13,870,923</u>	<u>2,836,702</u>	<u>631,603</u>	<u>78,977</u>	<u>19,205,402</u>
Enterprise Funds Fixed Assets						
Balance at January 1	\$ 128,893	8,735,337	4,152,415	1,394,104	1,242,738	15,653,487
Additions and transfers	3,688	55,852	230,863	43,990	5,751,118	6,085,511
Deletions and transfers	—	4,830	34,366	8,124	153,110	200,430
Balance at December 31	<u>132,581</u>	<u>8,786,359</u>	<u>4,348,912</u>	<u>1,429,970</u>	<u>6,840,746</u>	<u>21,538,568</u>
Less accumulated depreciation	<u>126,166</u>	<u>6,468,513</u>	<u>3,215,945</u>	<u>1,192,993</u>	<u>—</u>	<u>11,003,617</u>
Net book value at December 31, 2000	<u>\$ 6,415</u>	<u>2,317,846</u>	<u>1,132,967</u>	<u>236,977</u>	<u>6,840,746</u>	<u>10,534,951</u>
Internal Service Funds Fixed Assets						
Balance at January 1	\$ —	—	1,553,777	5,914	—	1,559,691
Additions and transfers	—	—	244,932	3,488	—	248,420
Deletions and transfers	—	—	153,937	—	—	153,937
Balance at December 31	<u>—</u>	<u>—</u>	<u>1,644,772</u>	<u>9,402</u>	<u>—</u>	<u>1,654,174</u>
Less accumulated depreciation	<u>—</u>	<u>—</u>	<u>1,021,322</u>	<u>1,640</u>	<u>—</u>	<u>1,022,962</u>
Net book value at December 31, 2000	<u>\$ —</u>	<u>—</u>	<u>623,450</u>	<u>7,762</u>	<u>—</u>	<u>631,212</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(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 \$1,829,473. On fixed assets of the Enterprise Fund and the Internal Service Funds, the current provisions for depreciation are \$614,161 and \$228,237, respectively.

(d) Construction in Progress

Construction in progress represents renovation costs of the third floor of the Domestic Relations building, and software engineering costs associated with a Clerk of Courts project. Additionally, substantial bond proceeds have been spent for the County's Emergency Telephone 800 megahertz project and the Cumberland Nursing and Rehabilitation Center's renovations project.

(7) Long-term Debt

The following is a summary of long-term debt transactions of the County for the year ended December 31, 2000:

	General long-term debt	Enterprise funds	Total
Long-term debt, January 1, 2000	\$ 13,500,752	6,204,147	19,704,899
Debt issued, variable rate	-	10,940,000	10,940,000
Debt retired	(2,223,656)	(211,344)	(2,435,000)
Debt transfer	643,091	(643,091)	-
Amortization of discount on zero coupon bonds	4,718	1,292	6,010
Long-term debt, December 31, 2000	<u>\$ 11,924,905</u>	<u>16,291,004</u>	<u>28,215,909</u>

In 2000, the County reallocated the use of \$643,091 of the 1998 bond proceeds between the County nursing home (Enterprise Fund) and the capital projects fund.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

Long-term debt payable at December 31, 2000, is comprised of the following individual issues:

	Interest rate	Final maturity	Total
General obligation bonds – 1998 issue	3.80% – 4.80%	2013	\$ 8,770,000
General obligation bonds – 1999 issue	3.30% – 4.35%	2012	8,545,000
General obligation bonds - 2000 issue	Variable rate	2020	<u>10,940,000</u>
Long-term debt, December 31, 2000			28,255,000
Less unamortized discount			<u>(39,091)</u>
Long-term debt, net of discount, December 31, 2000			<u>\$ 28,215,909</u>

Of the outstanding balance of the 1998 bond issue, \$3,004,745 of the principal and \$9,517 of the unamortized discount have been accounted for in the County Nursing Home and \$2,118,169 of the principal and \$6,084 of the unamortized discount have been accounted for in the 911 Fund. Of the outstanding balance of the 1999 bond issue, \$228,090 of the principal and \$393 of the unamortized discount have been accounted for in the County Nursing Home. Of the outstanding balance of the 2000 bond issue, \$3,820,249 of the principal has been accounted for the County Nursing Home and \$7,119,751 of the principal has been accounted for in the 911 Fund.

The annual debt service requirements for the next five years and in the aggregate thereafter on long-term debt outstanding as of December 31, 2000, including interest payments are as follows:

	General long-term debt	Enterprise funds	Total
2001	\$ 2,767,561	1,003,997	3,771,558
2002	2,779,447	1,006,651	3,786,098
2003	1,051,520	1,088,307	2,139,827
2004	1,056,753	1,083,037	2,139,790
2005	1,051,332	1,085,933	2,137,265
Thereafter	<u>5,368,826</u>	<u>21,768,157</u>	<u>27,136,983</u>
Total	14,075,439	27,036,082	41,111,521
Less interest	<u>(2,127,437)</u>	<u>(10,729,084)</u>	<u>(12,856,521)</u>
Principal	<u>\$ 11,948,002</u>	<u>16,306,998</u>	<u>28,255,000</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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, 2000	\$ 2,216,551	984,376
Net change	78,139	(94,422)
Balance, December 31, 2000	<u><u>\$ 2,294,690</u></u>	<u><u>889,954</u></u>

(8) Defeased Bonds Outstanding

In prior years, the County defeased various general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's general purpose financial statements. As of December 31, 2000, defeased bonds outstanding are as follows:

Bond issue	Year refunded	Par value outstanding
General obligation bonds – 1985 issue	1999	\$ <u><u>3,280,000</u></u>

(9) Capital Lease Obligation

In 1999, the County has entered into a capital lease agreement for financing the acquisition of a county-wide time clock system. Additionally, in 2000, the County entered into a capital lease agreement for financing the acquisition of three vehicles for the Sheriff's department. The leased equipment is included in the general fixed asset account group with a total capitalized cost of \$222,176.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

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, 2000:

2001	\$ 84,070
2002	79,255
2003	17,527
	<hr/>
	180,852
Less amount representing interest	15,341
	<hr/>
Present value of net minimum lease payments	\$ 165,511
	<hr/>

(10) Cumberland County Retirement Plan

(a) Plan Description

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

As of December 31, 2000, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries receiving benefits	286
Terminated plan members entitled to but not yet receiving benefits	53
Active plan members	1,058
	<hr/>
Total	1,397
	<hr/>

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, 2000

(b) Funding Policy and Contributions

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

There were no County contributions required to be made in 2000 in accordance with actuarially determined contribution requirements, determined through an actuarial valuation performed at December 31, 2000, and state law, using the following assumptions:

	<u>December 31, 2000</u>
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 as required supplementary information on page 66 of this report.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(11) Interfund and Transfer Accounts

Individual interfund receivable and payable balances at December 31, 2000, were as follows:

	Interfund receivables	Interfund payables
General	\$ 6,043,353	—
Special revenue:		
Liquid Fuels	3,292	—
Domestic Relations Office	—	349,321
Office of Aging	—	151,436
Children Services	—	1,681,019
Human Services Development	37,203	—
Food and Shelter	132,264	—
Central Booking	—	27,844
Witness Assistance	32,614	—
ARD/DUI Program	200	—
Solid Waste	—	10,217
Affordable Housing	16,905	—
Total special revenue	222,478	2,219,837
Debt Service	—	54
Capital Improvements	—	995,104
Enterprise:		
County Nursing Home	253,823	2,077,155
911 Fund	65,380	972,256
Hazardous Materials	—	3,359
Total enterprise	319,203	3,052,770
Internal service:		
Transportation Department	—	88,671
Total internal service	—	88,671
Trust fund:		
Retirement	—	1,490
Agency funds:		
Clerk of Courts	—	62,029
Prothonotary	—	34,850
Recorder of Deeds	—	85,003
Treasurer	—	699
Register of Wills	—	22,789
Sheriff	—	13,306
District Attorney	—	8,432
Total Trust and Agency funds	—	228,598
Total primary government	\$ 6,585,034	6,585,034

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

Interfund transfers for the year ended December 31, 2000, are as follows:

	Transfers in	Transfers out
Governmental fund types	\$ 7,331,055	7,431,602
Transfer to component units	—	55,577
Proprietary fund types	381,006	280,459
Total primary government	7,712,061	7,767,638
Transfer from primary government-component units	55,577	—
Total reporting entity	\$ 7,767,638	7,767,638

(12) Excess of Expenditures over Appropriations in Individual Funds

The legal level of budgetary control, as defined by the County Code, is the fund level. The following funds had an excess of actual expenditures over budget for the year ended December 31, 2000:

Fund/Department	Appropriation	Expenditures	Percent of excess over appropriation
Special Revenue:			
Domestic Relations	\$ 1,711,709	1,739,135	1.60%
Office of Aging	2,595,896	2,677,981	3.16%
Human Services	310,315	327,630	5.58%
Food and Shelter	2,200,210	2,319,799	5.44%
Central Booking	792,013	811,876	2.51%
ARD/DUI	95,200	211,363	122.02%
Affordable Housing	405,650	414,993	2.30%
Debt Service	2,651,160	2,794,767	5.42%

(13) Litigation

The County is involved in several lawsuits arising in the normal course of business. It is the County solicitor's opinion that the aggregate amount of potential claims not covered by insurance resulting from actions against the County would not materially affect the financial position of the County at December 31, 2000.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(14) Contributed Capital

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

	Enterprise funds	Internal service funds
Capital equipment grants from the Commonwealth	\$ 10,213	243,257
Depreciation of equipment purchased with capital grants from the Commonwealth	(20,210)	(227,301)
Total change	(9,997)	15,956
Contributed capital, January 1, 2000	2,574,834	609,282
Contributed capital, December 31, 2000	<u>\$ 2,564,837</u>	<u>625,238</u>

(15) Segment Information – Enterprise Funds

The County maintains three enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. Financial statement information as of and for the year ended December 31, 2000, is presented below:

	County Nursing Home	911 Fund	Hazardous Materials	Total
Operating revenues	\$ 17,361,921	2,236,510	25,700	19,624,131
Depreciation expense	275,482	327,479	11,200	614,161
Operating income (loss)	1,097,402	(507,766)	(65,302)	524,334
Net income (loss)	794,290	(186,073)	(10,874)	597,343
Operating transfers in	—	323,358	42,837	366,195
Operating transfers out	(280,459)	—	—	(280,459)
Property, plant, and equipment additions	2,435,535	3,464,986	19,978	5,920,499
Property, plant, and equipment deletions	16,436	182,380	1,614	200,430
Net working capital (deficit)	5,292,907	4,825,885	(22,957)	10,095,835
Total assets	15,390,114	11,783,588	60,723	27,234,425
Long-term debt	7,053,084	9,237,920	—	16,291,004
Total equity	<u>4,679,255</u>	<u>389,589</u>	<u>31,250</u>	<u>5,100,094</u>

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(16) Commitments

(a) Grants

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

(b) Leases

The County leases building space for certain County and District Justices' offices and equipment. All of these leases are classified as operating leases with expiration dates extending through 2012.

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, 2000:

<u>Year ending December 31,</u>	<u>Lease payments</u>
2001	\$ 275,104
2002	167,864
2003	412,064
2004	48,034
2005	2,480
 Total	 \$ 905,546

(17) Retained Deficit

The Transportation Department, an Internal Service Fund, has a retained deficit balance of \$111,345 as of December 31, 2000. The balance of the deficit will be funded by fare increases to begin in September 2001.

COUNTY OF CUMBERLAND, PENNSYLVANIA

Notes to General Purpose Financial Statements

December 31, 2000

(18) 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.

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, 2000, were:

	Current year claims			
	Beginning of year liability	and changes in estimates	Claim payments	Balance at year end
2000	\$ 800,000	397,744	241,970	955,774
1999	\$ 827,113	192,833	219,946	800,000

(19) 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, 2000, 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, 2000

(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, 2000, the projects had \$29,073,358 in outstanding principal balances.