

Controller of Cumberland County

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April 21, 2003

TO: THE COMMISSIONERS OF CUMBERLAND COUNTY

The Comprehensive Annual Financial Report (CAFR) of the County of Cumberland as of, and for the year ended December 31, 2002, is submitted herewith. The Controller issues an annual report on the County's financial position and activity and has that report audited by an independent firm of Certified Public Accountants.

This CAFR was prepared by the County Controller's Office and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds, account groups and component units; and that all disclosures necessary to enable the reader to gain a clear understanding of the County's financial affairs have been included.

The organization, form, and the contents of this CAFR and the accompanying financial statements and statistical tables were prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and the County Code of the Commonwealth of Pennsylvania.

This CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section, which is unaudited, includes this transmittal letter, a copy of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, the County's organizational chart, a list of elected County officials, and a map of the County. The Financial Section includes a report by the independent accounting firm of Ernst & Young LLP, the general purpose financial statements, notes to the general purpose financial statements, the combining and individual fund financial statements and the schedules with detailed budgetary information. The unaudited Statistical Section, includes historical financial information, selected demographic and other miscellaneous statistics generally presented on a ten (10) year basis.

In order to comply with the Single Audit Act of 1996 and the United States Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, Cumberland County is required to have an annual single audit. A schedule of expenditures of federal awards, the independent auditor's report on internal controls and compliance with applicable laws and regulations and a schedule of findings and questioned costs are included in a separate Single Audit report. The Single Audit report is not a part of this CAFR.

FINANCIAL REPORTING ENTITY

This CAFR includes all funds and account groups of the County as well as all of its component units. Component units are legally separate entities for which Cumberland County is financially accountable. Discretely presented component units are reported in separate columns in the combined financial statements in order to emphasize that they are legally separate from Cumberland County and to show their financial position and results of operations. The County provides a full range of services including the court system, prison, nursing home and human service programs. In addition to general governmental activities, the governing body appoints voting board members and has other financial accountability for the Cumberland County Municipal Authority; the Conservation District; and the Cumberland County Industrial Development Authority. The Conservation District and Cumberland County Industrial Development Authority are reported as discretely presented component units. Additionally, the County is a participant with other municipalities in a joint venture that provide service to the constituents of all the participants. The joint venture is entitled the Cumberland, Dauphin, and Harrisburg Transit Authority.

ECONOMIC CONDITION AND OUTLOOK

Cumberland County is a fourth class county founded January 27, 1750. It is governed by an elected Board of Commissioners consisting of three (3) members. The County is located in the south central part of the state, between two (2) Appalachian Mountain Ranges. Generally, the County's boundaries follow definite physical features. It is bounded on the North by the Blue Mountain Range, on the East by the west bank of the Susquehanna River, on the South its southeastern boundary follows the Yellow Breeches Creek from the Susquehanna River to Williams Grove with the remainder of its southeastern and southern boundary following Mains Run, Gum Run, Middle Spring Creek and Laughlin Run. There are eleven (11) boroughs and twenty-two (22) townships in the County. Harrisburg, the State Capital of Pennsylvania, is located in the county adjacent to Cumberland County. The County has a land area of 555 square miles and a population of 213,674. Twenty-nine percent of the land is in forest and fifty-four percent is in crop and pasture land. It is the 18th most populous county in the state and ranks 40th out of 67 counties in size.

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

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

When compared with the economic condition nationwide, Cumberland County continues to show growth and is in good financial condition. The County's population has increased 9.4% from 1990 to 2000. Per capita income went from \$17,873 in 1990 to \$29,218 in 2000. The costs for housing and consumer goods and services are reasonable when compared to other regions. Higher education enrollment and new construction have remained steady. Over half of the area's students go on to higher education. The County's unemployment rate, which was 3.6% at the end of 2001, is well below both the state and national unemployment rate. Regional salaries for various occupations are comparable to wages paid in other parts of the State for the same occupations. Employers are diversified and include government, manufacturing, distribution/warehouse complexes, printing, electronics, retailers (grocery/drugs) and trucking. The outlook is for continued stable growth within the County.

MAJOR INITIATIVES

The County's major initiatives are part of the 2002 Cumberland County Commissioners' Management Plan. The Management Plan is a companion to the 2002 Budget that provides a synopsis of major activities of County departments to supplement revenue and expenditure data. These documents are part of a continuing effort by the County Commissioners Office to publish information regarding the operations of County government and to point out important initiatives that are underway to serve residents of Cumberland County.

ADMINISTRATION AND FINANCE

- **Computer-based Finance System**—During 2002, the County concluded an extensive review of its business processes and financial workflows in preparation for the selection of its next generation of computer-based financial management systems. The County used this work product to select a new financial management or “Enterprise Resource Planning” (ERP) system to improve its accounting operations and financial reporting capacity.

During 2002, the County issued a Request for Information to seek a qualified technology vendor to supply the core software package. A project manager was hired to coordinate efforts to select and coordinate the deployment of ERP to support financial management activity within all County departments. After an extensive proposal review and vendor interview process, the County selected Lawson Software. Beginning in 2004, the County expects to begin replacing software applications used to manage personnel, payroll, purchasing, general accounting, and other areas of County operations such as contract management.

- **Employee Compensation Study**—During 2002, the County continued work on a broad scale review of employee compensation. The County has convened a Compensation Committee representing various offices of County government to work with Maximus, a consultant group with expertise in compensation plans for government and private sector organizations. The goal of the study is to establish a plan for employee compensation that will be both internally equitable and externally competitive with the Cumberland County labor market. A significant component of the study is the survey and analysis of employee job functions and the application of a quantitative scoring system to determine appropriate compensation for each position. The County employs approximately 1,200 people and is one of the largest employers in the County.

- **Financial Closing Process**—The County is engaged in a broad scale review of the systems and methods used to manage and record financial operations. During 2002, the County continued its efforts to refine financial "closing procedures" to improve the timeliness and completeness of financial reporting. The outcome was timely and accurate financial reports, such as balance sheets and cash flow statements, to aid in day-to-day management decisions and financial reporting throughout the budget year.
- **Geographic Information System**—During 2002, the County completed the process of converting tax map data and aerial photographs into an integrated map and data system. The goal of the County is to build an extensive Geographic Information System (GIS) to support traditional tax mapping functions as well as newer uses such as the 911 computer aided dispatch system. GIS allows for the creation of multiple layers of data related to underlying road and parcel maps. Future uses of the system include mapping of planning data, crime data and infrastructure data.
- **Growth in County Information Technology**—During 2002, the County Information Management and Technology Office (IMTO) accomplished an array of significant improvements to the County technology infrastructure including:

County Website and e-Business—The County unveiled a new intranet to support internal communications and operations within County government. The web-based system deploys "DSF" (delivery sequence file) technology to streamline the creation of web resources. Cumberland County was selected by the County Commissioners Association of Pennsylvania (CCAP) as a demonstration site for the use of DSF web technology. The tool will be used to significantly upgrade the County Internet site, www.ccpa.net.

Network Expansion and Resource Management—With significant support from state and federal funding sources, the County has deployed a secure, high-speed data network to support County operations. The system utilizes the Pennsylvania Justice Network security standards, advanced firewalls and switching technology in support of over 700 end users on the network. Over 50% of technology expense has been supported with grants and special revenue sources other than from general fund sources. The County has implemented a system for life cycle management and replacement of hardware and the systematic licensing and upgrade of necessary software.

Justice Network (JNET)—Cumberland County continued its close working relationship with JNET, the Pennsylvania Justice Network. The County has served as the development and demonstration site for a broad array of criminal justice technology including electronic fingerprinting technology and digital photos of defendants. The State has provided the County with "T3" bandwidth to connect with the statewide information network. This bandwidth provides the capacity to streamline connections between County offices and state agencies.

- **Improved Budget Process**—During 2002, the County Finance Office continued its analysis of recommendations from the Government Finance Officers Association (GFOA) regarding best practices for the preparation and publication of government budgets. The Finance Office began implementing elements of the GFOA recommended "best practices" for budget development. The County continued its use of performance measurement as a basic component of the annual budget development and program management process. Each department is required to submit details regarding its core activities and operational plans with performance indicators as part of the annual budget process. The County has also engaged in an analysis of operations using benchmark data from comparable counties throughout Pennsylvania.

- **Improved Contract Management Process**—In preparation for the deployment of ERP, the County has created a database to track all contracts. All contracts are now issued reference numbers that allow for the cross reference of vouchers paid to the underlying County contract.
- **Property Reassessment**—During 2002, Cumberland County utilized the new property values established in 2001. The values were developed through the first comprehensive reassessment of property values in almost thirty years. The result of this intensive process was the creation of market-based values for all (over 88,000) properties in Cumberland County. Due to a recent change in Pennsylvania law, the County replaced the former 25% basis for valuation and changed to a 100% assessment based on market value. As a result of the reassessment process, property assessment data is now published via the Internet at the County web site, www.ccpa.net.

A key component of the reassessment process was the acquisition of technology and the development of on-staff assessors. During 2002, the County Assessment Office deployed laptop-based software that allows assessors to directly enter data changes in the field or property location. This new tool simplifies data collection and avoids transcription and re-keying errors.

Cumberland County is poised to become the first county in Pennsylvania to successfully implement a periodic reassessment process. The goal of this strategy is to assure that equitable, market-based values are used as the foundation of the local taxing structure.

COURTS AND LEGAL RECORDS

- **Row Office Document Imaging and Automation Initiative**—The Recorder of Deeds, working in cooperation with the County Records Committee and the IMTO, revised its business process to integrate document imaging technology to improve the record management process for the office and generate permanent microfilm records. The experience gained in this pilot effort will be used to help other departments deploy on-line systems with integrated scanning technology.
- **Administrative Office of Pennsylvania Courts Automation Project**—The Clerk of Courts continued preparations to serve as the pilot site for the deployment of a statewide computer system to support the operations of the Court of Common Pleas throughout Pennsylvania.
- **Internet Access to Public Records**—During 2002, the County IMTO expanded the capacity of the County web site to begin serving as a portal to public records. As a pilot project, IMTO began working with the Recorder of Deeds and other offices to begin publishing county-based records via the Internet. IMTO has successfully published assessment data and election results as searchable data over the Internet. These efforts to develop web oriented access to County records will continue through 2003.
- **Prothonotary Records Improvement Project**—During 2002, the Prothonotary, working in cooperation with the County Records Committee and IMTO utilized scanning technology as part of a joint effort to improve the business process in the office. This office is one of the pilot offices testing the use of new scanning technology.
- **Law Library Automation**—During 2002, the County continued work with the Cumberland County Bar Association to consider ways to improve and automate components of the County Law Library. One new initiative is the publication of opinions from the Cumberland County Court of Common Pleas using digital imaging and retrieval technology. Efforts will continue during 2003 to further automate certain reference materials to reduce the burden of periodic updates associated with hard copy materials. Key holdings will be maintained in print form.

ECONOMIC DEVELOPMENT AND LAND USE

- **New Economic Development Department**—During 2002, the newly established County Economic Development Department expanded its efforts to recruit new business prospects, retain existing businesses, and expand entrepreneurial development in the County. The emerging organization works to maintain strong links to local Chambers of Commerce and business interests as part of its overall development process.
- **Hotel Tax**—2002 was the first full year of implementation for the countywide hotel tax. Recent legislation authorized the County to establish a “room rental tax” to generate revenue in support of local and regional tourism. The two percent hotel tax supports a tourist agency to promote the development and expansion of tourism and commerce. The Tourist Promotion Agency (TPA) receives 50 percent of all revenue generated with the remaining supporting projects including the Army Heritage Center, the light rail initiative, and the Cumberland County Economic Development Office.

ELECTIONS AND ELECTED OFFICIALS

- **Statewide Voter Registration System**—During 2002, the County Election Office was chosen to serve as a pilot site for SURE (Statewide Uniform Registry of Voters), the recently authorized statewide voter registration system for Pennsylvania. When fully deployed, voter registration forms processed through state agencies and transactions from other counties will be processed through electronic transfer of voter records. The system will also feature on-line access to voter registration data throughout the state to aid in resolving registration questions on Election Day.
- **Election Results on the Internet**—The County Election Office expanded its use of the Internet to publish election night results as the votes were tabulated. The web site also provides other election-related information including the location of polling sites. Various election and voter registration related forms are also available for easy access and download. During 2002, the Election Office established a hotline for local election officials to improve problem resolution throughout Election Day. In addition, the County also established a special phone bank to field voter calls on Election Day.

PUBLIC SAFETY AND CRIMINAL JUSTICE

- **New 800 MHz Emergency Communications System**—The County, working closely with state and local officials, completed its plans and signed key contracts necessary to deploy a state-of-the-art emergency communications system. The County joined forces with the Commonwealth of Pennsylvania to take advantage of the State’s buying power to purchase and deploy an 800 MHz radio communications system. By “piggybacking” on this process, the County realized substantial savings that could be passed on to municipalities to help offset the cost of new equipment. The County is providing financial assistance towards the purchase of communications equipment for police, fire and emergency personnel. Deployment of the system progressed during 2002 and will continue through 2003.

The County began testing the radio network on County buses used as part of the paratransit services offered by the County Transportation System. The County is waiting for the approval and deployment of two remaining tower sites before initiating use in emergency services. Early results have met or exceeded expectations regarding quality of signal coverage.

- **Central Processing**—The County has improved its operation of Central Processing Centers to assist local and state police in processing arrests within the County. The Centers help expedite the arrest process while allowing police to return to patrol more quickly. The Centers also provide regional access to technology-based law enforcement tools such as computerized fingerprint and photo matching systems. Operating such equipment on a Countywide basis provides access to local police departments that otherwise could not afford to acquire and operate such systems. During 2002, Cumberland County will continue to work with the Commonwealth's Pennsylvania Justice Network and other state agencies as a demonstration site for an array of law enforcement information and technology solutions.
- **Criminal Justice Information Network**—Cumberland County has been selected as a pilot county for an array of criminal justice technology projects. During 2002, the County deployed a Justice Hub server to facilitate the exchange of local criminal justice data residing in diverse data platforms. The system design and test deployment was based on a criminal justice workflow analysis facilitated by County staff as part of a fourteen-county Criminal Justice Integration Project. The County has received and installed an array of computer system enhancements through The Pennsylvania Commission on Crime and Delinquency as part of the County Integration Project.

LIBRARY SYSTEM

- **Expanded Library Services**—Cumberland County has established a partnership with the Cumberland County Library System to reduce the cost of maintaining Internet connectivity and other technology resources such as County-wide e-mail. The County provides special funding to support the expansion of technology throughout the network of local libraries to improve library services and to enable libraries to serve as points of public access to government information via their Internet workstations. Several County libraries have expanded their hours to include Sundays. As such, these sites can provide expanded electronic access to County government, especially for residents who do not have Internet access at home.

HEALTH AND HUMAN SERVICES

- **Claremont Nursing and Rehabilitation Center Redesign**—Cumberland County concluded phase one of substantial renovations at the Claremont facility. The goal for the approximately 14 million dollar project is to modernize the facility, improve care for its residents, and develop the capacity to deliver specialized services to meet the needs of County residents. During 2002, the facility operated its state-of-the-art residential care center for Alzheimer patients and a new dining facility. The County is concluding work on the kitchen, laundry and other key areas that help provide quality services to the residents of the facility. Planning has begun and will continue during 2003 for strategic renovations within the multi-story “tower” portion of the Claremont complex.
- **HealthChoices and Behavioral Health Services**—Cumberland County joined with Dauphin, Lebanon, Lancaster and Perry Counties to create the Capital Area Behavioral Health Collaborative. This coalition of counties was formed to implement the HealthChoices managed care initiative for Medicaid recipients in need of drug and alcohol or mental health services in the region. The program completed the 2002 implementation year successfully.
- **Specialized Human Services Programs**—Cumberland County human service programs will continue to explore new ways to reach residents of the County with specialized services needs. Programs that have emerged to reach under-served populations with an emphasis on prevention and early intervention strategies include the Patch Program, Student Assistance Services, Child and Adolescent Service System Program, and Communities That Care.

- **Human Services Coordination**—During 2002, the County utilized its Human Services Policy Team to improve planning among the County human service agencies. The Policy Team will be responsible for developing and implementing strategies to improve service delivery to County residents. The group will also provide recommendations to the County Commissioners regarding long-term funding strategies and designs for system improvements including expanded use of technology.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

All governmental and agency funds utilize the modified accrual basis of accounting, with revenue being 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. Expenditures are generally recognized 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 and certain self-insurance costs, which are recognized when the obligations are expected to be liquidated with expendable, available financial resources. Financial statements for the proprietary funds and employees retirement trust fund are maintained on the accrual basis, with revenue recognized when earned and expenses recorded when incurred.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, (2) the reliability of financial records for preparing financial statements, and (3) maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal controls (1) adequately safeguard assets, (2) provide reasonable assurance of proper recording of financial transactions, and (3) maintain accountability for assets.

The County maintains budgetary controls which ensure compliance with legal provisions embodied in the annual appropriated budget that is adopted by the County Commissioners by December 31 of the previous year. The legal level of control is the individual fund level. Purchase orders which result in an overrun of major expenditure classification balances are not released until additional appropriations are made available. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

EXPLANATION OF FUND STRUCTURE

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. Additional information regarding the various fund types and account groups utilized by the County is available in Note 2 of the Financial Statements.

GENERAL GOVERNMENTAL FUNCTIONS

The following schedule presents a summary of revenues for general governmental functions (governmental fund types, fiduciary fund types and discretely presented component units) for 2002 in comparison to the prior year.

COMPOSITION OF 2002 REVENUES

<u>Revenues</u>	<u>2002*</u>	<u>Percent of Total</u>	<u>2001*</u>	<u>Increase (Decrease) From 2001</u>	<u>Percent of Increase (Decrease)</u>
Real Estate Taxes					
w/o library	\$26,265,877	29.2%	\$22,346,929	\$ 3,918,948	17.5%
Per Capita Taxes	681,310	0.8	647,380	33,930	5.2
Hotel Tax	804,663	0.9	666,192	138,471	20.8
Licenses and Permits	124,231	0.1	97,294	26,937	27.7
Grants	51,012,842	56.8	18,135,135	32,877,707	181.3
County Charges	7,344,461	8.2	6,619,131	725,330	11.0
Court Costs, Fines and Forfeits	1,349,774	1.5	1,303,068	46,706	3.6
Interest	664,839	0.7	866,918	(202,079)	(23.3)
Contributions and Other	<u>1,577,235</u>	<u>1.8</u>	<u>1,292,802</u>	<u>284,433</u>	22.0
TOTAL	<u>\$89,825,232</u>	100.0%	<u>\$51,974,849</u>	<u>\$37,850,383</u>	72.8%

* Includes Expendable Trust Fund and Component Unit

Revenues for general governmental functions (all governmental fund types, fiduciary fund types, and component units) totaled \$89,825,232 in 2002, an increase of 72.8%.

Real Estate Tax (without library) revenue increased by \$3,918,948 in 2002 primarily due to new construction and a tax rate increase in 2002.

Hotel Tax revenue increased by \$138,471 in 2002. The County began collecting hotel occupancy monies in April 2001. The amount for 2002 represents twelve months of collections compared with nine months in 2001.

Grant revenue increased by \$32,877,707 in 2002. This increase is primarily due to the reporting of two new blended component units, the Cumberland-Perry Mental Health and Mental Retardation Program and the Cumberland-Perry Drug and Alcohol Commission, as special revenue funds in 2002. These programs had grant revenues of \$20,501,640 and \$2,200,459 in 2002, respectively. In prior years these component units were not included in the reporting entity of the County as they were considered joint ventures. The remaining increase is due primarily to the following:

- HealthChoices, a new managed care program, operated for twelve months in 2002 compared to three months in 2001 and increased grant revenues by \$7,299,132.

- Children and Youth grant revenues increased by \$1,094,564 due to an increase in the amount for the ACT 18 program and an increase in Title IV-E monies due to an increase in child placements.
- Additional grant funding was received in 2002 of \$525,949 for development work at the site of the Army Heritage Museum.
- Victim Witness received an additional grant for \$400,000 to fund a technical project for victim services.
- Attendant Care Waiver and Attendant Care Act 150 programs received an increase of \$240,000 due to an increase in clients and in authorized service hours.
- The County's Domestic Relations Office received a \$235,440 increase in revenues due to reimbursements for the entire year for the expenditures of the Support Master and maintenance service on the renovated third floor.

County Charges increased by \$725,330 in 2002 primarily due to the following:

- Recorder of Deeds' county charges increased by \$232,096 because of the large increase in mortgage refinancing activity.
- The County Prison housed more inmates from other counties in 2002. This increased county charges by \$125,148.
- Tax Claims received more delinquent tax bills from tax collectors. This increased fees by \$55,406.
- The \$3 fee increase for the Records Improvement Fund beginning in June 2002 and the large increases in mortgage refinancing activities increased county charges by \$106,637.
- Children and Youth charges increased by \$89,580. This was due to a \$30,167 increase for reimbursement of caseworkers' salaries and a \$59,412 increase in child support and social security due to an increase in child placements.
- Affordable Housing charges increased by \$43,634 because of the large increase in mortgage refinancing activity.
- The Commonwealth assumed responsibility from the County's Domestic Relations Office for the collection and disbursement of support payments in late 2001. Therefore, the County experienced a decrease of \$55,778 in support processing fees in 2002.

Interest revenues decreased by \$202,079 in 2002 primarily due to lower interest rates.

Contributions and other revenues increased by \$284,433 in 2002. This increase is primarily due to the reporting of two new blended component units, the Cumberland-Perry Mental Health and Mental Retardation Program and the Cumberland-Perry Drug and Alcohol Commission, as special revenue funds in 2002. In prior years these blended component units were not included in the reporting entity of the County as they were considered joint ventures. These programs had contributions and other revenues of \$148,176 and \$397,862 in 2002, respectively. The remaining decrease of \$261,605 is due primarily to the following:

- Offender Supervision had applied to the federal government and in 2002 received assets, which had been seized in a prior period. This increased revenue by \$34,652.
- Miscellaneous revenue decreased by \$190,043 due to recognition of prior years deferred revenue in 2001.
- Contributions decreased by \$124,000 due to a one-time contribution for the purchase of the Reed Building in 2001.

The following schedule details the composition of 2002 expenditures by source and presents the amount and percentage of increases and decreases in relation to all governmental fund types prior year expenditures.

COMPOSITION OF 2002 EXPENDITURES

<u>Expenditures</u>	<u>2002*</u>	<u>Percent of Total</u>	<u>2001*</u>	<u>Increase (Decrease) From 2001</u>	<u>Percent Of Increase (Decrease)</u>
Current:					
General Government					
-Administrative	\$ 7,050,710	8.0%	\$ 7,422,280	\$ (371,570)	(5.0)%
General Government					
-Judicial	13,779,644	15.7	13,684,729	94,915	0.7
Public Safety	8,975,357	10.2	8,719,373	255,984	2.9
Public Works and Enterprises	1,200,707	1.4	918,206	282,501	30.8
Human Services	48,672,932	55.4	15,610,614	33,062,318	211.8
Culture and Recreation	2,225,385	2.5	1,494,286	731,099	48.9
Conservation and Development	2,628,095	3.0	2,184,261	443,834	20.3
Other	19,215	0.0	18,279	936	5.1
Debt Service	3,001,453	3.4	2,893,914	107,539	3.7
Capital Outlay	<u>340,760</u>	<u>0.4</u>	<u>405,509</u>	<u>(64,749)</u>	<u>(16.0)</u>
TOTAL	<u>\$87,894,258</u>	100.0%	<u>\$53,351,451</u>	<u>\$34,542,807</u>	64.7%

*Includes Expendable Trust Fund and Component Unit

Expenditures for general governmental functions (all governmental fund types, fiduciary fund types, and component units) totaled \$87,894,258 in 2002 an increase of 64.7%.

Administrative expenditures decreased by \$371,570 in 2002 primarily due to the following:

- Janitorial services were outsourced in 2002, resulting in savings of \$131,232 due to the elimination of custodial staff positions.
- Expenditures decreased by \$84,773 in the Records Improvement Fund due to the completion of initial record retention initiatives within the row offices.
- Fewer computers were purchased by the Information Management and Technology Office in 2002. This decreased expenditures by \$66,551.
- The reassessment project, which was completed in 2001, had purchased computer equipment in 2001. This decreased expenditures by \$31,911.

Public works and enterprises expenditures increased by \$282,501 in 2002 primarily due to the following:

- Solid Waste purchased new yard waste equipment in the amount of \$286,749 in 2002 to replace older equipment. This increase was partially offset by decreases in expenditures within the recycling events, engineering and other areas of \$129,479.
- Maintenance and emergency repair work costing \$125,231 was completed on two bridges in 2002.

Human services expenditures increased by \$33,062,318 in 2002 primarily due to the following:

- Two joint-ventures, the Cumberland-Perry Mental Health and Mental Retardation Program and the Cumberland-Perry Drug and Alcohol Commission, were reported as special revenue funds in 2002. Human service expenditures in these two programs totaled \$21,191,843 and \$2,643,934, respectively, in 2002. In prior years these joint-ventures were not included in the reported entity of the County.
- The HealthChoices Program, which was initiated in October of 2001, operated for a full year in 2002. This increased expenditures by \$7,301,353.

Culture and Recreation expenditures increased by \$731,099 in 2002 primarily due to the following:

- Engineering expenses incurred for the construction of the Army Heritage Museum increased expenses by \$528,345 in 2002.
- The Hotel Tax was established in April of 2001 and was collected during all of 2002, thus \$138,263 more was available and expended in 2002.

Conservation and Development expenditures increased by \$443,834 in 2002 primarily due to the following:

- The Exit 44 project, which was initiated in the fourth quarter of 2001 increased expenditures by \$341,334 in 2002 for an engineering site study.
- Economic development grant expenditures increased \$62,853 in 2002.
- The Redevelopment Authority increased spending by \$57,534 on acquiring and rehabilitating homes in 2002.
- A Greenway and Open Space Coordinator position was created in 2002 increasing expenditures by \$27,748.
- The Cumberland County Industrial Development Authority's expenditures were reclassified out of the Component unit section of the financial statements in 2002. This decreased expenditures by \$26,596.
- Affordable Housing spent \$19,624 less on housing projects in 2002.

GENERAL FUND BALANCE

The fund balance of the General Fund increased from \$5.7 million to \$6.83 million. The County considers the fund balance to be adequate and is taking precautions to ensure that the County maintains a sound financial position. The County's fund balance represents approximately 67 days of General Fund operating expenditures and transfers for 2002.

ENTERPRISE FUNDS

The Enterprise Funds account for the financial operations of the County Nursing Home, the Early Learning Center, the 911 Communications Center and the Hazardous Materials Program. The operations of the County Nursing Home are to provide services to those in need of long-term residential nursing care. The County Nursing Home is primarily funded through patient charges to medical assistance and insurance companies. The County Nursing Home charges to medical assistance are based on peer group average costs among similar facilities. The Early Learning Center is funded by tuition and County subsidy. The 911 center is funded with a \$1.25 per phone line per month charge to county residents. The Hazardous Materials Program is funded with registration and response user charges. The funds produced losses before operating

transfers of (\$489,608), (\$89,358), (\$788,696) and (\$80,266), respectively. The General Fund finances any losses of the enterprise funds.

INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financial operations of the Cumberland County Transportation Department and the Workers' Compensation Trust. The Transportation Department 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. The Workers' Compensation Trust is being funded through charges to participating county funds. The Trust pays all claims and administrative costs. The County is operating the fund on a break-even basis.

EMPLOYEES RETIREMENT TRUST FUND

The operations of the Cumberland County Employee's Retirement Trust Fund showed a loss in 2002. The County contributed \$53,411 to the plan in 2002, in accordance with an annual actuarial valuation. Net assets available for benefits at fair value decreased by \$7 million in 2002 to \$68.2 million. Despite the decrease in net assets for the year, the plan remains fully funded in accordance with the annual actuarial valuation.

LANDFILL POST-CLOSURE TRUST FUND

Cumberland County established and manages a site-specific Post-Closure Trust Fund for the operating municipal waste landfill in the County in accordance with the Municipal Waste Planning, Recycling and Waste Reduction Act, Act 101 of 1988, Section 1108. This Post-Closure Trust Fund may be used only for remedial measures and emergency actions that are necessary to prevent or abate adverse effects upon the environment after landfill closure. The Funds may also be used for purposes authorized by the Environmental Stewardship and Watershed Protection Act (Act 68 of 1999). The fund had \$638,841 in fund balance at December 31, 2002.

DEBT ADMINISTRATION

The ratio of net general obligation debt to real estate assessed and market valuations and the amount of bonded debt per capita are useful indicators of the County's debt position to municipal management, citizens and investors. This data for the County as of December 31, 2002, is as follows:

	<u>Amount</u>	Ratio of Debt to Assessed Value	Ratio of Debt to Current Market Value	Debt Per Capita
General obligation debt - December 31, 2002	\$35,437,015	.27%	.26%	\$164.29

The bonds are insured which results in an AAA rating from Standard and Poor's Corporation and an Aaa rating from Moody's Investors Service. Under current state statutes, the County's general obligation bond debt issuances are subject to a legal limitation based on 300% of a three-year average of unrestricted general governmental revenues. As of December 31, 2002, the County's general obligation bonded debt of \$35.4 million was well below the legal limit of \$240.5 million.

Long-term debt payable of the County is supported by the general taxing authority of the County and is recorded in the General Long-Term Debt Account Group and the Nursing Home and 911 Enterprise Funds. More detailed information about the County's debt position can be found in both the Financial and Statistical sections of the CAFR.

CAPITAL PROJECTS

The Capital Projects Fund accounts for the financial resources used for the acquisition, construction and/or reconstruction of County facilities. The corresponding debt is recorded in the General Long-Term Debt Account Group. Projects are funded through general obligation issues, operating transfers from the General Fund and interest income. Completed projects have been capitalized in the General Fixed Assets Account Group. In the current year, Capital Projects fund expenditures totaled \$400,760. The Capital Projects Fund balance at December 31, 2002, was \$2,808,539.

GENERAL FIXED ASSETS

Acquisition of general fixed assets are recorded as expenditures in the General, Special Revenue and Capital Projects Funds. All fixed assets are recorded at cost, with donated fixed assets recorded at fair value. All fixed assets are capitalized in the General Fixed Assets Account Group, except for public domain general fixed assets, which include County bridges, which are not capitalized. At December 31, 2002, General Fixed Assets, net of accumulated depreciation and amortization, totaled \$18,503,522.

CASH MANAGEMENT

The County invests temporary excess cash in certificates of deposit and repurchase agreements. The yield on maturing investments in the general governmental fund types during 2002 was 1.35% to 2.35%. Interest earnings of the general governmental fund types and component units were \$639,965 in 2002.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with Commonwealth of Pennsylvania Act 72, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. Additionally, investments of the Employees Retirement Trust Fund were held by a financial institution's trust department in the institution's name.

RISK MANAGEMENT

During 2002, Cumberland County was self-insured for workers' compensation and unemployment compensation. In addition, various risk control techniques, including employee accident prevention training, have been used during the year to minimize accident-related losses. Third party coverage is provided by a commercial insurance carrier for workers' compensation claims in excess of \$300,000 per occurrence, property and casualty claims and professional liability.

INDEPENDENT AUDIT

The County had an independent audit of all its funds and account groups performed for the year ended December 31, 2002. The report of our independent certified public accountants, Ernst & Young LLP, appears in the Financial Section of this CAFR.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Cumberland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County of Cumberland has received a Certificate of Achievement for the last fourteen (14) consecutive years (years ended 1988-2001). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGEMENTS

The preparation of this CAFR on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Controller's Office. I would like to express my appreciation to all members of the Office who assisted in and contributed to its preparation. I would also like to thank the County Commissioners for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

Alfred L. Whitcomb

ALFRED L. WHITCOMB
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Cumberland,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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

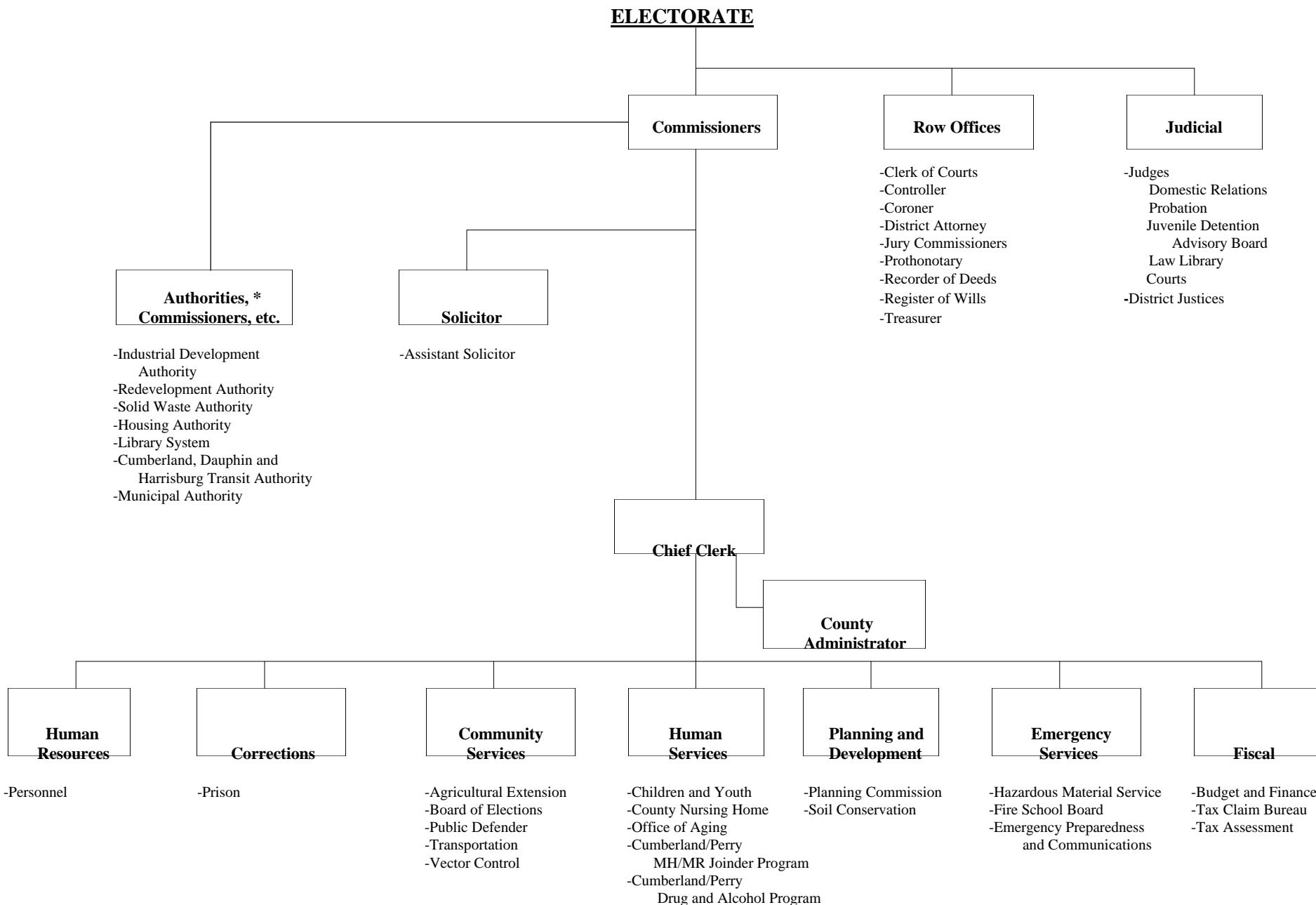


William F. D. Rots
President

Jeffrey L. Esser
Executive Director

COUNTY OF CUMBERLAND, PENNSYLVANIA

ORGANIZATIONAL CHART



* The Board of directors for the authorities, commissions, etc., indicated by the broken lines are appointed by the Cumberland County Board of Commissioners.
See the reporting entity disclosures in Footnote 1 for information on these organizations.

COUNTY OF CUMBERLAND

LIST OF ELECTED OFFICIALS

DECEMBER 31, 2002

COMMISSIONERS

Nancy A. Besch, Chairwoman
Earl R. Keller
Richard L. Rovegno

CONTROLLER

Alfred L. Whitcomb

PROTHONOTARY

Curtis R. Long

CORONER

Michael L. Norris

CLERK OF COURT

Dennis E. Lebo

RECORDER OF DEEDS

Robert P. Ziegler

JUDGES OF COURT

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

JURY COMMISSIONERS

Ralph G. Viehman, Jr.
Frances J. Amicucci

TREASURER

John C. Gross, II

DISTRICT ATTORNEY

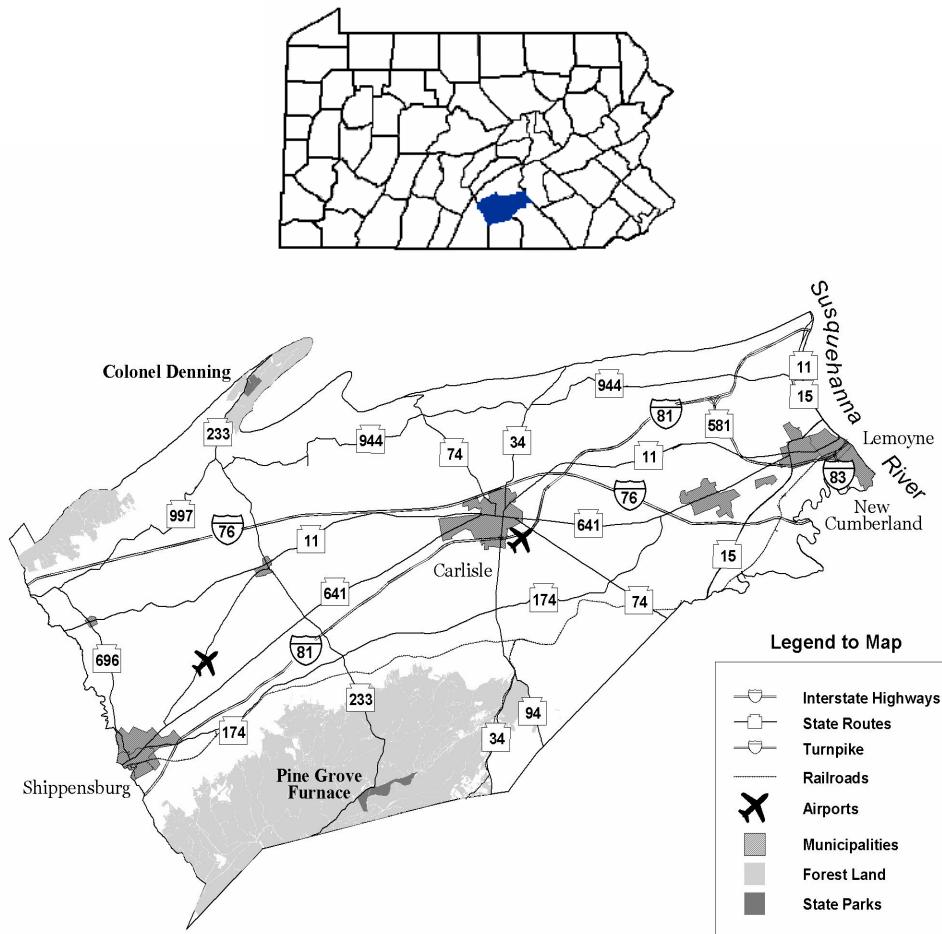
Merle L. Ebert, Jr.

SHERIFF

R. Thomas Kline

COUNTY OF CUMBERLAND, PENNSYLVANIA

MAP



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

