

Controller of Cumberland County
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June 5, 2009

TO: THE COMMISSIONERS AND CITIZENS OF CUMBERLAND COUNTY

County Code requires the elected County Controller to prepare an annual financial report and audit of the County's books by June 30th. The Controller publishes a Comprehensive Annual Financial Report (CAFR) as part of satisfying this requirement. Cumberland County's CAFR is prepared in accordance with U.S. generally accepted accounting principles (GAAP). The CAFR's basic financial statements are audited by an independent firm of certified public accountants in cooperation with the Controller.

This report consists of County management's representations concerning the finances of Cumberland County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report.

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

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

These government-wide financial statements help taxpayers:

- Assess the finances of the County in its entirety, including the year's operating results.
- Determine whether the County's overall financial position improved or deteriorated.

- Evaluate whether the County’s current-year revenues were sufficient to pay for current-year services.
- See the County’s cost of providing services to its citizenry.
- See how the County finances its programs – through user fees and other program revenues versus County tax revenues.
- Understand the extent to which the County has invested in capital assets, including bridges.
- Make better comparisons between governments.

The County’s basic financial statements have been audited by Ernst & Young LLP in cooperation with the Controller. Ernst & Young LLP is a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the year ended December 31, 2008, are free of material misstatement. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the basic financial statements of the County is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County’s separately issued Single Audit Report.

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

PROFILE OF THE COUNTY

Introduction

Cumberland County is a fourth class county founded January 27, 1750. It is governed by an elected Board of Commissioners consisting of three members elected to four year terms. The Commissioners are the responsible managers and administrators of the County’s fiscal affairs. The Controller supervises the County’s fiscal affairs by keeping the books, auditing, settling and adjusting the accounts, and reporting the County’s financial results.

Cumberland County government provides its residents with a wide variety of services in areas such as emergency telephone, prison, courts, probation, road and bridge maintenance, Claremont Nursing and Rehabilitation Center, and human services which include mental health and mental retardation, HealthChoices, children and youth, aging and many others.

The County is located in the south central part of the state, between two Appalachian Mountain Ranges. Generally, the County's boundaries follow definite physical features. It is bounded on the North by the Blue Mountain Range, on the East by the west bank of the Susquehanna River, on the South its southeastern boundary follows the Yellow Breeches Creek from the Susquehanna River to Williams Grove with the remainder of its southeastern and southern boundary following Mains Run, Gum Run, Middle Spring Creek and Laughlin Run.

There are eleven boroughs and twenty-two townships in the County. Harrisburg, the Capital of Pennsylvania, is located in the county adjacent to Cumberland County. The County has a land area of 555 square miles and an estimated 2008 population of 229,361. Sixteen percent of the land is vacant, which includes wooded areas in mountainous areas and 43 percent is agricultural land. It is the 16th most populous county in the state and ranks 41st out of 67 counties in size.

Cumberland County offers its residents and guests a rich history, quaint downtowns, exciting shopping opportunities, a thriving artistic community, lakes and streams for fishing and boating, beautiful state parks with new amenities and many miles of scenic hiking trails. The popular Carlisle Events car shows held throughout the year and the Army Heritage and Education Center, with its hands-on displays, large and unique collection of military artifacts and special events attract more visitors to Cumberland County each year.

Cumberland County is the central hub of the region's many cultural, historical and entertainment attractions – Harrisburg, the state's capital; Washington, D.C., the nation's capital; Gettysburg with its Civil War Battlefield; Inner Harbor, Baltimore, Maryland; and nearby Hershey, with its well-known Hersheypark.

Component Units

The County adheres to Government Accounting Standards Board (GASB) Statement No. 14 criteria in determining which activities and entities to include in the County's financial statements based on their financial accountability and nature of relationship to the County.

The Cumberland Area Economic Development Corporation, a legally separate governmental not-for-profit, qualifies as a blended component unit and is reported as a special revenue fund of the County.

The Cumberland County Conservation District and the Industrial Development Authority qualify as discretely presented component units of the County.

The Cumberland County Library System and its member libraries are not reported as components of the County using the above criteria.

Budget

By law, the County budget is required to be adopted by the County Commissioners not later than December 31st of the previous year. The proposed budget is required to be available for public inspection for at least twenty days prior to its adoption. The Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose. Appropriations lapse at the close of the fiscal year to the extent not expended.

The County Commissioners must approve changes to overall appropriations at the fund level. Therefore, the legal level of budgetary responsibility is by fund.

Budgets are legally adopted for all County governmental funds, except for the Cumberland Area Economic Development Corporation, a legally separate governmental not-for-profit, and the Industrial Development Authority, a discretely presented component unit of the County.

Local Economy

Cumberland County's local economy is driven by its approximately 5,792 businesses that employ nearly 117,300 people. Cumberland County ended 2008 with a December unemployment rate of 5.0 percent, one of the lowest rates in Pennsylvania, which had a statewide unemployment rate of 6.7 percent.

The County's stable employment can be attributed to the presence of major employers in the insurance, health care, manufacturing, and transportation and warehousing industries. The County's five largest employers include the U.S. Government, Pennsylvania Blue Shield, Giant Foods, Holy Spirit Hospital, and the Commonwealth of Pennsylvania.

Cumberland County workers' incomes for 2007, latest data available, approximate the state average with the county's per capita income at \$38,755 and Pennsylvania's at \$38,793. This can be attributed to the high employment numbers in the health care and transportation and warehousing industries where county wages are significantly higher than state wages.

Long-term Planning

The Cumberland County Commissioners maintain a strategic planning process to identify service priorities in tandem with an outcome-oriented financial management system. These management tools have helped to improve core services to County residents while maintaining one of the lowest tax rates in South Central Pennsylvania.

The 2008 County Strategy and Budget received the Government Finance Officers Association (GFOA) award for Distinguished Budget Presentation. The award reflects the County's adherence to an extensive array of budget planning and financial management principles that include:

- Ensuring that the County maintains a strong financial base to support essential services even in a changing environment;
- Directing financial resources toward achievement of the County's strategic plan;
- Maintaining sufficient liquidity to meet normal operating and contingent obligations;
- Maintaining and preserving infrastructure and capital assets;
- Implementing operating policies that minimize the cost of government and financial risks;
- Maximizing the level of public services while minimizing the level of debt and taxes.

The County's successful use of these operating principles led to a 2008 decision by Standard & Poor's to upgrade the County's bond rating from AA+ to AAA, a rare distinction among Pennsylvania counties and a strong indicator that Cumberland County was prepared to enter 2009 in excellent financial shape.

The County Strategy

Cumberland County uses a Balanced Scorecard Framework for strategic planning. The County Strategy reflects a Vision and Mission for County Government and a management centered on strategic directions. The Strategy also emphasizes four operational perspectives: ***Serving the Customer / Running the Business / Managing Resources / Developing Employees***. These perspectives provide a framework for planning and evaluating performance.

The County Commissioners have a Vision for Cumberland County where family-sustaining economic opportunity is promoted, the environment is respected, public safety is ensured, and quality of life is preserved for the future. In order for the County to attain this Vision, the County Mission is to strive to be the most livable community with the most efficient and effective public services in Pennsylvania.

The County Commissioners' 2009 Strategic Directions are:

Smart Growth & the Environment: *Smart Growth promotes livable communities through a balance of economic development and appropriate comprehensive land use planning.*

Efficient Government: *Cumberland County strives to have the most efficient and effective County government public services in Pennsylvania.*

Safe & Healthy Communities: *Cumberland County works to ensure that our citizens' quality of life is maintained through the planning and implementation of public safety and criminal justice operations as well as human services.*

The County Strategy is designed to facilitate the achievement of the County's Vision and Mission at the Commissioners' level and to continue the scorecard process throughout the organization at the cross-functional and departmental levels.

Major Initiatives

The Commissioners' strategic planning efforts as outlined in the County Strategy have identified several major initiatives including:

- A Prison expansion and renovation project that began in 2008 which includes a 160 bed male housing unit and renovations to the Central Processing facility,
- The Prison expansion and renovation project requires the relocation of the Public Safety and 911 Call Center. Construction of this new facility will begin in 2009,
- The 911 Infrastructure Project requires upgrading and relocating the existing public safety communications and 911 equipment and systems to accommodate the most recent developments in "next generation" 911,
- A cost management strategy is underway for the 2009-2010 budget years to achieve a \$5 million cost reduction. Towards that goal, some major projects have been deferred or cancelled for a cost reduction of over \$2.5 million. The Commissioners will continue to target cost reductions and improved efficiencies.

In addition to these major projects, the County is conducting a comprehensive review of current space utilization in buildings owned and leased by the County. The goal is to project space needs for each department in consideration of changing caseloads, resident needs, and the evolution of business processes such as on-line services and community-based service delivery models in key departments.

The comprehensive building use plan also includes provisions to accommodate the addition of a sixth judge in 2012. The creation of new chambers and court facilities for the judge will require significant realignment of space within the main courthouse structure and may require relocation of some offices to alternate space within other county properties.

Financial Policies and Practices

The Cumberland County Commissioners have formally adopted financial policies in the areas of financial planning, fund balance maintenance, budgeting and debt management. The Commissioners have also formally adopted a financial philosophies policy setting forth objectives intended to guide financial decisions.

The County Commissioners and the Retirement Board have both formally adopted investment policies governing County and Pension Trust Fund investments, respectively.

The County Commissioners have formally adopted purchasing policies encompassing legal compliance and encouraging competitive and economical procurement of goods and services.

The County has implemented other key fiscal practices such as well documented monthly financial close processes, monthly budget versus actual activity monitoring and a separate evaluation and approval process for both grants and capital spending.

Financial Reporting Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cumberland County for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the twentieth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Cumberland County for its popular annual financial report for the year ended December 31, 2007. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a governmental unit must publish a popular annual financial report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Cumberland County has received a Popular Award for the last five consecutive years. We believe our current report continues to conform to the popular annual financial reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

Acknowledgements

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alfred L. Whitcomb". The signature is fluid and cursive, with a prominent initial "A" and a long, sweeping underline.

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, 2007

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.



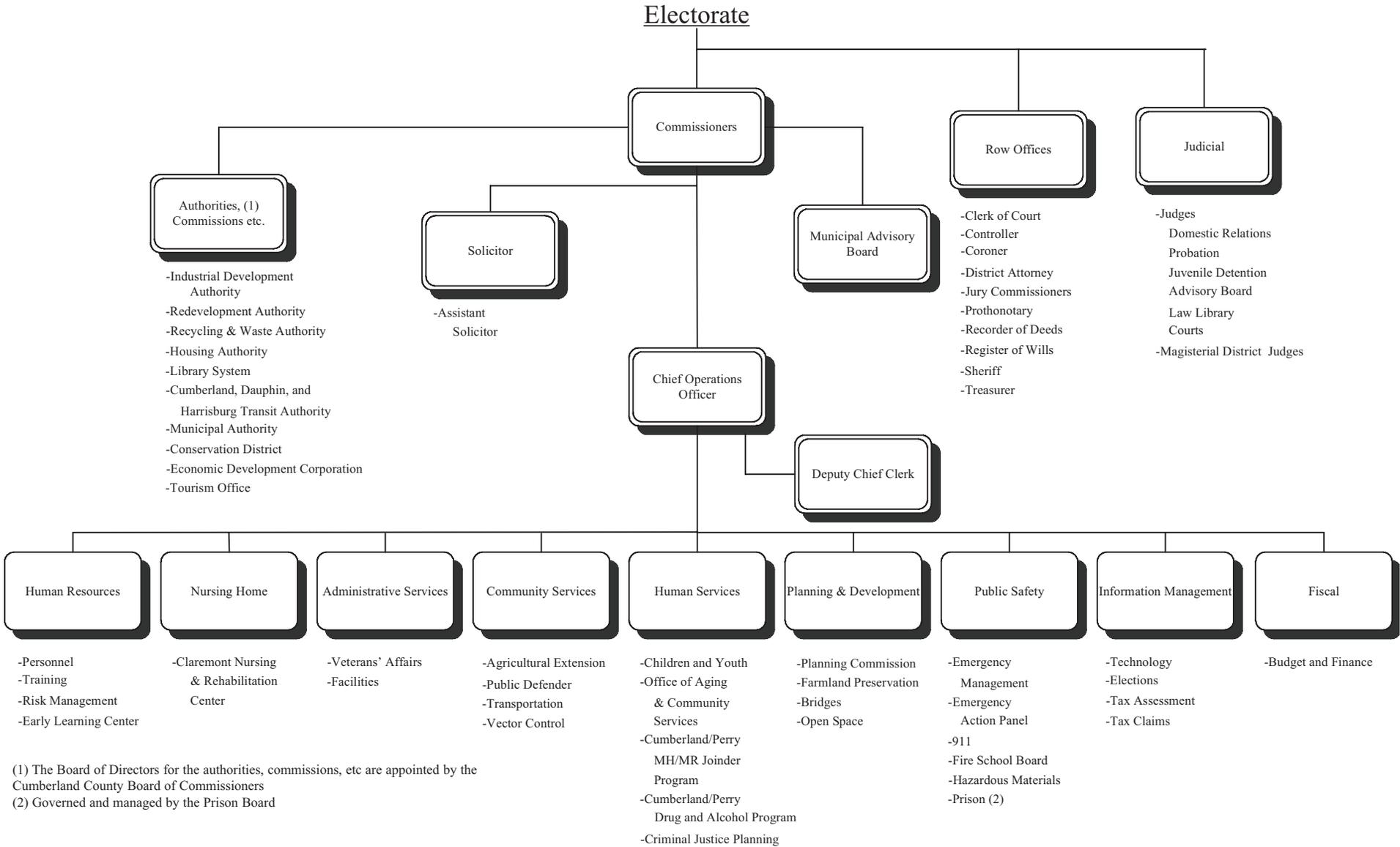
A handwritten signature in black ink, appearing to read "M. L. R. T.", written over a horizontal line.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery", written over a horizontal line.

Executive Director

Cumberland County, Pennsylvania Organizational Chart



(1) The Board of Directors for the authorities, commissions, etc are appointed by the Cumberland County Board of Commissioners
 (2) Governed and managed by the Prison Board

COUNTY OF CUMBERLAND
LIST OF ELECTED OFFICIALS
AS OF DECEMBER 31, 2008

COMMISSIONERS

Gary Eichelberger, Chairperson
Richard L. Rovegno
Barbara Cross

PROTHONOTARY

Curtis R. Long

CLERK OF COURT

Dennis E. Lebo

JUDGES OF COURT

Honorable Edgar B. Bayley, President Judge
Honorable Kevin A. Hess
Honorable J. Wesley Oler
Honorable Edward E. Guido
Honorable M.L. "Skip" Ebert

TREASURER

John C. Gross, II

SHERIFF

R. Thomas Kline

CONTROLLER

Alfred L. Whitcomb

REGISTER OF WILLS

Glenda Farner-Strasbaugh

CORONER

Michael L. Norris

RECORDER OF DEEDS

Robert P. Ziegler

JURY COMMISSIONERS

Ralph G. Viehman, Jr.
Larry Babitts

DISTRICT ATTORNEY

David Freed

