

County of McKean, Pennsylvania

Financial Statements and
Supplementary Information

December 31, 2020

County of McKean, Pennsylvania

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Independent Auditors' Report

To the Board of Commissioners of
County of McKean, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of McKean, Pennsylvania (the County) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bradford Regional Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bradford Regional Airport Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of McKean, Pennsylvania as of December 31, 2020 and the respective changes in financial position and the respective budgetary comparison for the General Fund, Children and Youth Services Fund and Mental Health/Intellectual Disabilities Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 15 to the financial statements, the County of McKean, Pennsylvania adopted the provisions of Governmental Accounting Standards Board No. 84, *Fiduciary Activities*, for the year ended December 31, 2020 to conform with accounting principles generally accepted in the United States of America, which has resulted in a restatement of the custodial funds' net position and governmental activities general fund balance as of January 1, 2020, and expansion of note disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of McKean, Pennsylvania's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 57 to 58, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of selected Commonwealth of Pennsylvania, Department of Human Services assistance on page 59, as required by the Commonwealth of Pennsylvania, Department of Human Services (DHS) Single Audit Supplement, the combining nonmajor governmental fund financial statements, and the combining custodial funds on pages 61 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of selected Commonwealth of Pennsylvania, Department of Human Services assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of selected Commonwealth of Pennsylvania, Department of Human Services assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining nonmajor governmental fund financial statements and combining custodial funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Williamsport, Pennsylvania
September 20, 2021

County of McKean, Pennsylvania

Management's Discussion and Analysis
December 31, 2020
(Unaudited)

As management of the County of McKean, Pennsylvania, (the County) we offer the readers of these financial statements this narrative and overview of the financial activities of the County for the fiscal year ended December 31, 2020.

Financial Highlights

- Assets and deferred outflows of resources of the County exceed liabilities and deferred inflows of resources at December 31, 2020 by \$11,485,305 (net position). Unrestricted net position is a deficit of \$64,526.
- The government's total net position increased by \$5,561,526.
- The government's total operating grants and contributions income increased by \$1,836,063 in comparison with the prior year.
- The County received a County Relief Block Grant in calendar year 2020 for \$3,668,797.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balance of \$12,050,739, an increase of \$4,683,090 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these items reported as "*net position*". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County include general government, courts and related offices, corrections and human services.

The government-wide financial statements can be found on pages 11-12.

County of McKean, Pennsylvania

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental financial statements focus on *near-term inflows and outflows* of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, Children and Youth Services Fund, Mental Health/Intellectual Disabilities Fund and the Capital Projects Fund, all of which are considered major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all major governmental funds except the Capital Projects Fund. A budgetary comparison statement or schedule for each individual major governmental fund has been provided to demonstrate compliance with this budget. Budgetary control for the activities of the Capital Projects Fund is achieved through general obligation bond indenture provisions, contractual agreements and restrictive terms of the grants received.

The basic governmental fund financial statements can be found on pages 13-19.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide statement because the resources of those funds are *not* available to support the County's own programs. Fiduciary funds are accounted for on the accrual basis of accounting. Page 20 of this report includes the *statement of fiduciary net position*, which reports the assets and liabilities of the County's retirement trust fund (a fiduciary component unit) and combined custodial funds. Page 21 of this report includes the *statement of change in fiduciary net position*, which reports the additions to and deductions from the County's retirement trust fund and combined custodial funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

County of McKean, Pennsylvania

Management's Discussion and Analysis
December 31, 2020
(Unaudited)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's Pension Trust Fund (a fiduciary component unit).

Required supplementary information can be found on pages 50-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and custodial funds are presented following the notes to the financial statements. Combining individual fund statements and schedules can be found on pages 61-68.

Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,485,305 at December 31, 2020. The majority of this balance is composed of the County's net investment in capital assets. The County's unrestricted net position was a deficit of \$64,526 at December 31, 2020.

The County's investment in capital assets (e.g., land, buildings, furniture and equipment) is \$8,281,350. Related debt used to acquire those assets is \$6,649,753. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 16,748,374	\$ 14,048,217
Total noncurrent assets	13,265,826	13,468,150
Total assets	30,014,200	27,516,367
Deferred outflows of resources, pension	398,806	570,109
Total assets and deferred outflows of resources	30,413,006	28,086,476
Long-term liabilities, outstanding	10,717,090	14,831,544
Other liabilities	3,481,478	5,507,648
Total liabilities	14,198,568	20,339,192
Deferred inflows of resources, pension	4,729,133	1,859,188
Total liabilities and deferred inflows of resources	18,927,701	22,198,380
Net position:		
Net investment in capital assets	8,281,350	7,663,705
Restricted	3,268,481	3,067,784
Unrestricted (deficit)	(64,526)	(4,843,393)
Total net position	\$ 11,485,305	\$ 5,888,096

County of McKean, Pennsylvania

Management's Discussion and Analysis
December 31, 2020
(Unaudited)

Governmental Activities

Governmental activities increased the County's net position by \$5,561,526 during the year ended December 31, 2020. Key elements of this increase are as follows:

Condensed Statement of Activities

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for service	\$ 3,081,553	\$ 3,256,618
Operating grants and contributions	21,891,550	20,055,487
Property and other taxes	14,224,952	13,057,808
Interest income	456,990	285,039
Other income	261,669	551,503
Total revenue	<u>39,916,714</u>	<u>37,206,455</u>
Expenses:		
General government	8,030,081	6,720,585
Court and related offices	4,203,789	4,890,544
Corrections	3,847,756	5,217,033
Human services	18,132,685	19,678,074
Interest of long-term debt	140,877	318,761
Total expenses	<u>34,355,188</u>	<u>36,824,997</u>
Change in net position	<u>5,561,526</u>	<u>381,458</u>
Net position, beginning		
As previously reported	5,888,096	5,506,638
Effect of GASB 84 restatement	<u>35,683</u>	<u>-</u>
As restated for 2020	<u>5,923,779</u>	<u>5,506,638</u>
Net position, ending	<u>\$ 11,485,305</u>	<u>\$ 5,888,096</u>

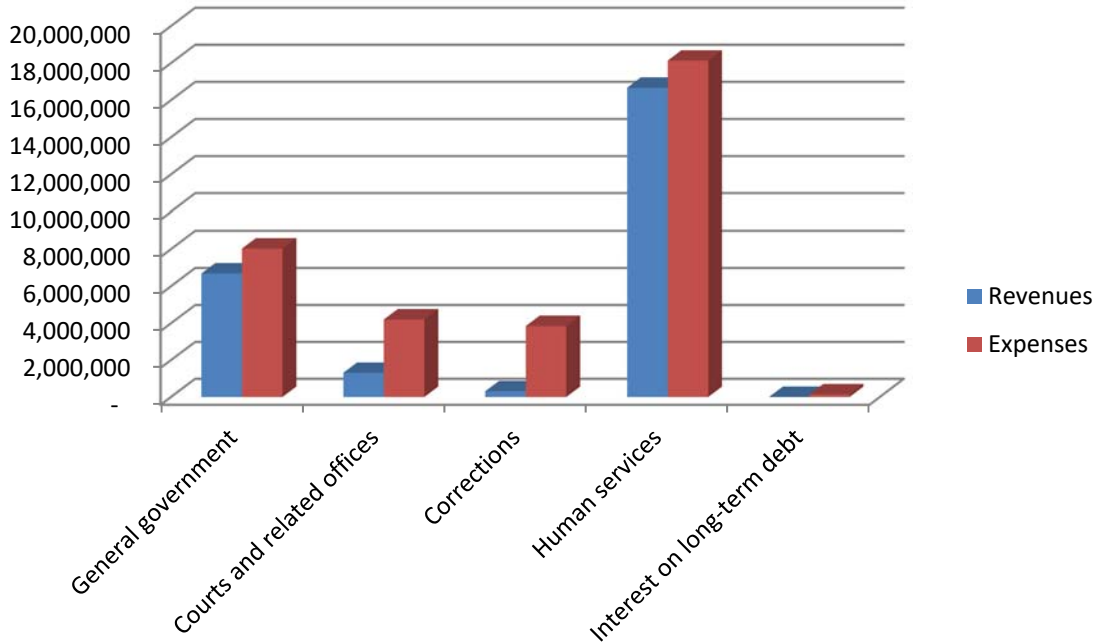
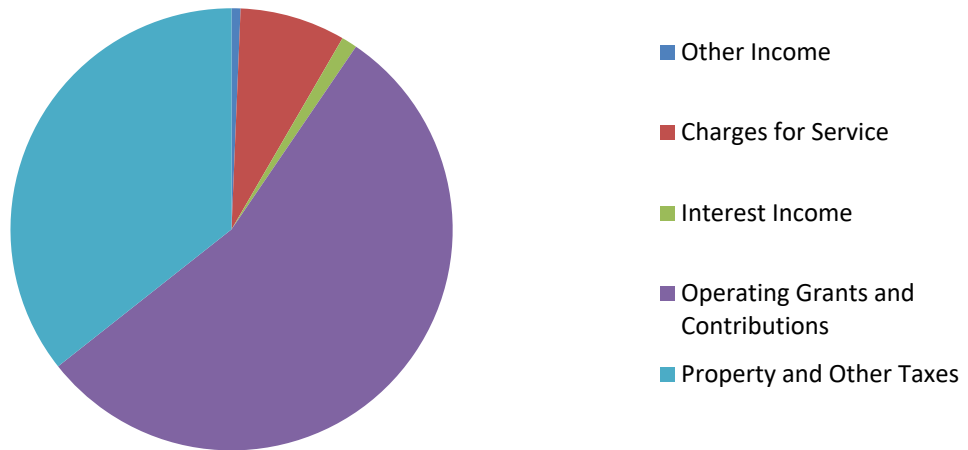
County of McKean, Pennsylvania

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

2020 Revenue by Source - Governmental Activities



County of McKean, Pennsylvania

Management's Discussion and Analysis
December 31, 2020
(Unaudited)

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current year, the County's governmental funds reported combined fund balances of \$12,050,739, an increase of \$4,683,090, in comparison with the prior year. The County reported \$3,581,266 *unassigned fund balance*, all of which exists in the County's General Fund. The remainder of the fund balance is nonspendable, restricted, committed or assigned.

General Fund Budgetary Highlights

There were limited differences between the original budget and the final amended budget for General Fund revenues and expenditures.

General Fund expenses were over budgeted amounts by \$3,238,680, primarily due to higher than budgeted amounts for general government, corrections and human services. These budgetary overruns were funded in part by increased intergovernmental revenues (i.e., federal and state funding).

Capital Assets

The County's capital assets for its governmental activities as of December 31, 2020 amount to \$13,265,826 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furniture and fixtures.

Capital Assets (Net of Depreciation)

	Government Activities	
	2020	2019
Land	\$ 327,241	\$ 327,241
Building and improvements	11,718,804	11,810,825
Furniture and equipment	992,664	1,006,085
Vehicles	227,117	323,999
Total	<u>\$ 13,265,826</u>	<u>\$ 13,468,150</u>

Additional information on the County's capital assets can be found in Note 6 of this report.

County of McKean, Pennsylvania

Management's Discussion and Analysis
December 31, 2020
(Unaudited)

Long-Term Debt

At the end of 2020, the County had total long-term debt outstanding of \$6,649,753, including the current portion, all of which comprises the debt backed by the full faith and credit of the government. Additional information on the County's debt can be found in Note 7, on pages 38-39, of this report.

The County also had a Net Pension Liability of \$4,253,057 at December 31, 2020 pursuant to GASB Statement No. 68. See additional information on this liability at Note 9.

Economic Factors and Next Year's Budgets and Rates

The County provided an average wage increase of 2.3 percent for all bargaining unit and nonbargaining unit employees for 2020.

The County received notice of an award for \$7,890,930 from the federal government through the American Rescue Plan Act on March 11, 2021. The County received the first half of the award in May 2021 and the remaining will come in 2022. The County is currently assessing the best and most strategic routes for spending the money to best serve the County and to be in compliance with the grant requirements.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the McKean County Controller, McKean County Court House, Smethport, Pennsylvania 16749.

County of McKean, PennsylvaniaStatement of Net Position
December 31, 2020

	<u>Primary Governmental Activities</u>	<u>Component Unit Airport Authority</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 5,526,761	\$ 199,542
Investments	6,122,567	-
Taxes receivable, net	2,494,950	-
Due from other governments	2,186,882	182,821
Due to fiduciary funds, net	42,410	-
Other receivables	-	3,385
Inventory	-	46,418
Prepaid items	374,804	3,484
Total current assets	<u>16,748,374</u>	<u>435,650</u>
Capital Assets		
Land	327,241	198,456
Construction in progress	-	3,021,397
Land improvements	-	5,123,546
Runways and other	-	10,941,376
Buildings and improvements	21,951,867	4,505,880
Furniture and equipment	5,782,744	2,114,879
Vehicles	950,380	-
Less accumulated depreciation	<u>(15,746,406)</u>	<u>(13,188,108)</u>
Total capital assets	<u>13,265,826</u>	<u>12,717,426</u>
Net Pension Asset	<u>-</u>	<u>88,833</u>
Total assets	30,014,200	13,241,909
Deferred Outflows of Resources, Pension	<u>398,806</u>	<u>52,153</u>
Total assets and deferred outflows of resources	<u>\$ 30,413,006</u>	<u>\$ 13,294,062</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 1,295,951	\$ 160,978
Unearned revenue	579,188	-
Accrued interest payable	28,822	-
Accrued vacation	550,011	-
Accrued liabilities	247,506	-
Current portion of bonds and notes payable	780,000	67,753
Total current liabilities	<u>3,481,478</u>	<u>228,731</u>
Noncurrent Liabilities		
Net pension liability	4,253,057	-
Compensated absences	594,280	-
Bonds and notes payable	5,869,753	608,336
Total noncurrent liabilities	<u>10,717,090</u>	<u>608,336</u>
Total liabilities	<u>14,198,568</u>	<u>837,067</u>
Deferred Inflows of Resources, Pension	<u>4,729,133</u>	<u>12,838</u>
Net Position		
Net investment in capital assets	8,281,350	12,041,337
Restricted	3,268,481	-
Unrestricted (deficit)	<u>(64,526)</u>	<u>402,820</u>
Total net position	<u>11,485,305</u>	<u>12,444,157</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 30,413,006</u>	<u>\$ 13,294,062</u>

See notes to financial statements

County of McKean, Pennsylvania

Statement of Activities

Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Airport Authority
Primary Government						
Governmental activities:						
General government	\$ 8,030,081	\$ 1,231,514	\$ 5,455,975	\$ -	\$ (1,342,592)	
Courts and related offices	4,203,789	338,872	968,980	-	(2,895,937)	
Corrections	3,847,756	131,412	176,436	-	(3,539,908)	
Human services	18,132,685	1,379,755	15,290,159	-	(1,462,771)	
Interest on long-term debt	140,877	-	-	-	(140,877)	
Total primary government	<u>\$ 34,355,188</u>	<u>\$ 3,081,553</u>	<u>\$ 21,891,550</u>	<u>\$ -</u>	<u>(9,382,085)</u>	
Component Unit						
Airport Authority	<u>\$ 1,297,422</u>	<u>\$ 512,265</u>	<u>\$ 280,500</u>	<u>\$ 1,077,797</u>		<u>\$ 573,140</u>
General Revenues						
					14,118,220	-
					106,732	-
					456,990	759
					261,669	19,211
					<u>14,943,611</u>	<u>19,970</u>
					<u>5,561,526</u>	<u>593,110</u>
Net Position, Beginning						
					5,888,096	11,851,047
					<u>35,683</u>	<u>-</u>
					<u>5,923,779</u>	<u>11,851,047</u>
					<u>\$ 11,485,305</u>	<u>\$ 12,444,157</u>

See notes to financial statements

County of McKean, Pennsylvania

Balance Sheet
Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Children & Youth Services</u>	<u>Mental Health/ Intellectual Disabilities</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total Funds</u>
Assets						
Cash and cash equivalents	\$ 3,088,537	\$ 133,564	\$ 412,869	\$ 1,737	\$ 1,890,054	\$ 5,526,761
Investments	-	-	-	6,122,567	-	6,122,567
Taxes receivable, net	2,494,950	-	-	-	-	2,494,950
Due from other funds	746,199	331,616	75,922	-	8,612	1,162,349
Due from other governments	341,731	666,761	65,477	-	1,112,913	2,186,882
Prepaid expenses	374,804	-	-	-	-	374,804
	<u>374,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,804</u>
Total assets	<u>\$ 7,046,221</u>	<u>\$ 1,131,941</u>	<u>\$ 554,268</u>	<u>\$ 6,124,304</u>	<u>\$ 3,011,579</u>	<u>\$ 17,868,313</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 59,790	\$ 379,097	\$ 291,080	\$ -	\$ 565,984	\$ 1,295,951
Due to other funds	407,072	605,533	1,156	-	106,178	1,119,939
Unearned revenue	-	-	250,435	-	328,753	579,188
Accrued vacation	350,804	129,238	11,597	-	58,372	550,011
Accrued liabilities	247,506	-	-	-	-	247,506
	<u>247,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,506</u>
Total liabilities	<u>1,065,172</u>	<u>1,113,868</u>	<u>554,268</u>	<u>-</u>	<u>1,059,287</u>	<u>3,792,595</u>
Deferred inflows of resources:						
Unearned revenue, taxes	<u>2,024,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,024,979</u>
Fund balances:						
Nonspendable	374,804	-	-	-	-	374,804
Restricted	-	18,073	-	1,665,277	1,585,131	3,268,481
Committed	-	-	-	4,205,917	-	4,205,917
Assigned	-	-	-	253,110	367,161	620,271
Unassigned	3,581,266	-	-	-	-	3,581,266
	<u>3,581,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,581,266</u>
Total fund balances	<u>3,956,070</u>	<u>18,073</u>	<u>-</u>	<u>6,124,304</u>	<u>1,952,292</u>	<u>12,050,739</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,046,221</u>	<u>\$ 1,131,941</u>	<u>\$ 554,268</u>	<u>\$ 6,124,304</u>	<u>\$ 3,011,579</u>	<u>\$ 17,868,313</u>

See notes to financial statements

County of McKean, Pennsylvania

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
December 31, 2020

Total Fund Balances, Governmental Funds \$ 12,050,739

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position. The cost of assets is \$29,012,232 and the accumulated depreciation is \$15,746,406. 13,265,826

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as a deferred inflow of resources in the funds. 2,024,979

Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position. 398,806

Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position. (4,729,133)

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	\$ (4,253,057)
Compensated absences	(594,280)
Bonds and notes payable	(6,649,753)
Accrued interest payable	<u>(28,822)</u>

(11,525,912)

Net Position of Governmental Activities in the Statement of Net Position

\$ 11,485,305

County of McKean, Pennsylvania

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2020

	<u>General Fund</u>	<u>Children & Youth Services</u>	<u>Mental Health/ Intellectual Disabilities</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Real estate taxes	\$ 14,119,340	\$ -	\$ -	\$ -	\$ -	\$ 14,119,340
Per capita taxes	106,732	-	-	-	-	106,732
Intergovernmental revenue	6,265,167	6,681,260	3,916,670	-	5,028,451	21,891,548
Charges for services	1,717,551	-	-	-	1,364,003	3,081,554
Interest and investment income	41,535	173	3,723	393,621	17,939	456,991
Other income	112,736	146,811	28	-	2,094	261,669
	<u>22,363,061</u>	<u>6,828,244</u>	<u>3,920,421</u>	<u>393,621</u>	<u>6,412,487</u>	<u>39,917,834</u>
Total revenues						
Expenditures						
Current:						
General government	7,705,205	-	-	-	-	7,705,205
Courts and related offices	3,675,197	-	-	-	528,592	4,203,789
Corrections	3,683,896	-	-	-	-	3,683,896
Human Services	711,502	7,604,267	3,979,648	-	5,679,056	17,974,473
Capital outlay	523,836	-	-	18,025	171,000	712,861
Debt service:						
Principal	-	-	-	-	795,000	795,000
Interest	-	-	-	-	159,520	159,520
	<u>16,299,636</u>	<u>7,604,267</u>	<u>3,979,648</u>	<u>18,025</u>	<u>7,333,168</u>	<u>35,234,744</u>
Total expenditures						
Excess of revenues over (under) expenditures	<u>6,063,425</u>	<u>(776,023)</u>	<u>(59,227)</u>	<u>375,596</u>	<u>(920,681)</u>	<u>4,683,090</u>
Other Financing Sources (Uses)						
Operating transfers in	103,437	776,072	59,227	410,000	1,076,000	2,424,736
Operating transfers out	(2,321,299)	-	-	-	(103,437)	(2,424,736)
	<u>(2,217,862)</u>	<u>776,072</u>	<u>59,227</u>	<u>410,000</u>	<u>972,563</u>	<u>-</u>
Total other financing sources (uses), net						
Net Change in Fund Balances	<u>3,845,563</u>	<u>49</u>	<u>-</u>	<u>785,596</u>	<u>51,882</u>	<u>4,683,090</u>
Fund Balances, Beginning						
As previously reported	74,824	18,024	-	5,338,708	1,900,410	7,331,966
Effect of adoption of GASB Statement No. 84 (see Note 1)	35,683	-	-	-	-	35,683
	<u>110,507</u>	<u>18,024</u>	<u>-</u>	<u>5,338,708</u>	<u>1,900,410</u>	<u>7,367,649</u>
As restated						
Fund Balances, Ending	<u>\$ 3,956,070</u>	<u>\$ 18,073</u>	<u>\$ -</u>	<u>\$ 6,124,304</u>	<u>\$ 1,952,292</u>	<u>\$ 12,050,739</u>

See notes to financial statements

County of McKean, Pennsylvania

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2020

Net Change in Fund Balances, Total Governmental Funds \$ 4,683,090

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$873,452, exceeded capital outlays of \$671,128, in the current period. (202,324)

Under the modified accrual basis of accounting used in governmental funds, revenues are unearned until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 2019 to 2020. (1,120)

Certain compensated absences payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within the statement of activities. This amount represents the change in long-term compensated absences payable for the year ended December 31, 2020. (40,180)

Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such liability is, however, reported within the statement of net position, and changes in the liability are reflected within the statement of activities. This represents the change in pension liability and the deferred outflows and inflows of resources related to the net pension liability. 308,417

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the government-wide net position. Also, governmental funds report the effect of premiums and discounts, and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.

Reconciling items related to long-term debt activity for the year ended December 31, 2020 are as follows:

Scheduled principal payments on long-term debt	\$ 795,000	
Bond premium amortization	<u>24,969</u>	819,969

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This represents the change in accrued interest payable from 2019 to 2020. (6,326)

Change in Net Position of Governmental Activities \$ 5,561,526

County of McKean, Pennsylvania

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variances Favorable (Unfavorable)
Revenues				
Real estate taxes	\$ 14,030,000	\$ 14,030,000	\$ 14,119,340	\$ 89,340
Per capita taxes	110,000	110,000	106,732	(3,268)
Intergovernmental revenues	3,039,300	6,323,097	6,265,167	(57,930)
Charges for services	1,892,715	1,892,715	1,717,551	(175,164)
Interest income	24,450	24,450	41,535	17,085
Other income	35,000	35,000	112,736	77,736
Total revenues	<u>19,131,465</u>	<u>22,415,262</u>	<u>22,363,061</u>	<u>(52,201)</u>
Expenditures				
Current:				
General government	5,952,630	9,577,962	7,705,205	1,872,757
Courts and related offices	4,527,473	4,530,239	3,675,197	855,042
Corrections	4,257,224	4,257,224	3,683,896	573,328
Human services	1,285,957	902,006	711,502	190,504
Capital outlay	256,235	270,885	523,836	(252,951)
Total expenditures	<u>16,279,519</u>	<u>19,538,316</u>	<u>16,299,636</u>	<u>3,238,680</u>
Excess of revenues over expenditures	<u>2,851,946</u>	<u>2,876,946</u>	<u>6,063,425</u>	<u>3,186,479</u>
Other Financing Sources (Uses)				
Operating transfers in	105,000	105,000	103,437	1,563
Operating transfers out	(2,956,946)	(2,981,946)	(2,321,299)	(660,647)
Total other financing sources (uses), net	<u>(2,851,946)</u>	<u>(2,876,946)</u>	<u>(2,217,862)</u>	<u>(659,084)</u>
Net changes in fund balance	<u>-</u>	<u>-</u>	<u>3,845,563</u>	<u>3,845,563</u>
Fund Balances, Beginning				
As previously reported	-	-	74,824	74,824
Effect of adoption of GASB Statement No. 84 (see Note 1)	<u>-</u>	<u>-</u>	<u>35,683</u>	<u>35,683</u>
As restated	<u>-</u>	<u>-</u>	<u>110,507</u>	<u>110,507</u>
Fund Balances, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,956,070</u></u>	<u><u>\$ 3,956,070</u></u>

See notes to financial statements

County of McKean, Pennsylvania

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Children & Youth Services
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variances Favorable (Unfavorable)
Revenues			
Intergovernmental revenues	\$ 7,264,157	\$ 6,681,260	\$ (582,897)
Interest income	-	173	173
Other income	197,835	146,811	(51,024)
Total revenues	7,461,992	6,828,244	(633,748)
Expenditures			
Current:			
Human services	9,207,399	7,604,267	1,603,132
Deficiency of revenues over expenditures	(1,745,407)	(776,023)	969,384
Other Financing Sources			
Operating transfers in	1,745,407	776,072	(969,335)
Net changes in fund balance	-	49	49
Fund Balances, Beginning	-	18,024	18,024
Fund Balances, Ending	\$ -	\$ 18,073	\$ 18,073

See notes to financial statements

County of McKean, Pennsylvania

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Mental Health/Intellectual Disabilities
Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
Revenues			
Intergovernmental revenues	\$ 4,018,244	\$ 3,916,670	\$ (101,574)
Interest income	4,285	3,723	(562)
Other income	-	28	28
Total revenues	4,022,529	3,920,421	(102,108)
Expenditures			
Current:			
Human services	4,246,274	3,979,648	266,626
Deficiency of revenues over expenditures	(223,745)	(59,227)	164,518
Other Financing Sources			
Operating transfers in	223,745	59,227	(164,518)
Net changes in fund balance	-	-	-
Fund Balances, Beginning	-	-	-
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

County of McKean, Pennsylvania

Statement of Fiduciary Net Position
Year Ended December 31, 2020

	Employee Retirement Plan	Custodial Funds
Assets		
Cash and cash equivalents	\$ 82,623	\$ 1,399,905
Investments	38,253,976	-
Due from other funds	-	10,876
Property taxes receivable	-	3,336,138
Court costs and fines receivable	-	5,040,428
Interest and other receivables	-	317
	<hr/>	<hr/>
Total assets	38,336,599	9,787,664
Liabilities		
Accounts payable	-	574,668
Funds held as fiduciary	-	15,281
Due to other governments	-	3,706,663
Due to other funds	40	53,246
	<hr/>	<hr/>
Total liabilities	40	4,349,858
Net Position		
Restricted for pension benefits	38,336,559	-
Restricted for other governments and individuals	-	5,437,806
	<hr/>	<hr/>
Total net position	<u>\$ 38,336,559</u>	<u>\$ 5,437,806</u>

See notes to financial statements

County of McKean, Pennsylvania

Statement of Change in Fiduciary Net Position
Year Ended December 31, 2020

	Employee Retirement Plan	Custodial Funds
Additions		
Contributions:		
County	\$ 250,000	\$ -
Plan members	922,694	-
	<hr/>	<hr/>
Total contributions	1,172,694	-
	<hr/>	<hr/>
Investment income:		
Net change in fair value of investments	2,302,599	-
Gain on sale of assets	3,648,331	-
Interest and dividends	603,688	-
Less investment expense	(245,421)	-
	<hr/>	<hr/>
Net investment income	6,309,197	-
	<hr/>	<hr/>
Fines and fees	-	5,401,787
Taxes	-	7,450,679
Interest	-	523
	<hr/>	<hr/>
Total additions	7,481,891	12,852,989
	<hr/>	<hr/>
Deductions		
Benefit payments, including refunds of member contributions	2,840,185	-
Payments to governments	-	4,827,904
Distributions to owners	-	7,450,679
Administrative expenses	112	-
	<hr/>	<hr/>
Total deductions	2,840,297	12,278,583
	<hr/>	<hr/>
Change in net position	4,641,594	574,406
	<hr/>	<hr/>
Net Position, Beginning	33,694,965	-
	<hr/>	<hr/>
Restatement for Adoption of GASB Statement No. 84	-	4,863,400
	<hr/>	<hr/>
Net Position, Beginning, As Restated	33,694,965	4,863,400
	<hr/>	<hr/>
Net Position, Ending	<u>\$ 38,336,559</u>	<u>\$ 5,437,806</u>

See notes to financial statements

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the County of McKean, Pennsylvania (the County) conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following notes to the financial statements are an integral part of the County's financial statements:

Financial Reporting Entity

The County operates under the Commonwealth of Pennsylvania Title 16 County Code. The County operates under an elected board of three Commissioners and, as authorized by the Code, provides the following services:

- Courts and elections - Operates as agents of the Commonwealth of Pennsylvania in the administration of justice, maintenance of public records and elections.
- Social services - Promotes the dignity of the County indigent senior citizens.
- Human Services - Administers state and federal grants for programs designed to:
 - Protect the welfare of displaced and abused children.
 - Assist handicapped, homeless and other disadvantaged citizens to have full and responsible participation in society.
 - Provide transportation services for eligible citizens.
- Planning - Assists townships, cities and boroughs in planning economic development and providing municipal services.
- Emergency 911 - County-wide 9-1-1 emergency telecommunications system.
- General and administrative services.

As required under GAAP, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units, discussed in Note 2, are included in the County's financial reporting entity because of the significance of their operational or financial relationship with the County.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the County as a whole. They include all funds of the County except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary (the County has no proprietary funds). An emphasis is placed on major funds within the governmental and proprietary categories.

The funds of the County are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County.

Children and Youth Services Fund (Major Fund)

The Children and Youth Services Fund accounts for child protective services and court ordered dependent and delinquent children in protective or correctional institutions.

Mental Health/Intellectual Disabilities (Major Fund)

The Mental Health/Intellectual Disabilities Fund receives federal and state funding and uses the funds to provide services to eligible individuals.

The County includes the following Special Revenue Funds, reported as nonmajor funds:

Fund	Accounts for Funds Legally Restricted for
Allegheny National Forrest	Human services
Domestic Relations	Courts and related offices
Food Appropriations	Human services
Liquid Fuels	Human services
HSDF Block Grant	Human services
McKean County Conservation District	Human services
Farmland Program	Human services
McKean County 911 Center	Human services
Grants Public Welfare	Human services
County Clerk of Orphans	Courts and related offices
Influenced Offenders Account	Human services
Coroner Special Revenue	Human services

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Capital Projects Fund (Major Fund)

The Capital Projects Fund receives proceeds from debt issued by the County and from the sale of county assets and uses the funds to purchase or improve buildings and equipment. A budget is not adopted for this fund annually, however there is a budget for each project.

Debt Service Fund

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations. The Debt Service Fund is reported as a nonmajor fund.

Fiduciary Funds

Pension Trust Fund (Fiduciary Component Unit)

Pension trust funds are used to report the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The County maintains one single-employer governmental defined benefit pension trust fund, the McKean County Employees' Retirement System.

Custodial Funds

Custodial funds are used to report resources held by the County in a purely custodial capacity. Custodial funds reported by the County in the accompanying financial statements include cash held by the following County Row Offices/Departments: Prothonotary, Sheriff, Adult Probation, District Attorney, Jail-Inmate Commissary, Juvenile Probation, Recorder of Deeds, Tax Claims, Revenue, Register of Wills and District Justices.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expense/expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expense/expenditure.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes, which must be received within 60 days of year-end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating and capital grants, and interest associated with the current fiscal period are considered to be susceptible to accrual and as such, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the County receives the cash.

Under the current financial resources measurement focus, only current financial assets and liabilities are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Amounts expended to acquire capital assets are recorded as expenditures in the year the resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures are recorded only when payment is due.

Amounts reported as program revenues include charges to citizens, customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund and certain Special Revenue Funds. Most County funds adopt an annual operating budget. All budgets are adopted on a basis consistent with GAAP. The appropriated budget is prepared by fund, function and department. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management cannot revise the total budget obligation at the fund level without the approval of the Board of Commissioners. The County's department heads may make transfers of appropriations within their departments. All annual appropriations lapse at fiscal year-end. At December 31, 2020, the County has presented budgetary comparison information within the accompanying financial statements for its General Fund, Children and Youth Services Fund and Mental Health/Intellectual Disabilities Fund.

The Commissioners may, at any time by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. The Commissioners may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof. There were supplemental appropriations (budget revisions) enacted in 2020, this was due to the County receiving a County Relief Block Grant through the Pennsylvania Department of Community and Economic Development during 2020 which was not known until after the budget was finalized.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

The County follows these procedures in establishing the budgetary data reported in the financial statements:

- During August and September, the department heads use current financial status reports to develop financial projections for their programs for the ensuing year.
- Departments are to submit budget estimates to the Director of Finance by October 1st.
- Prior to December 1st, the final budget is presented to the Commissioners. Pursuant to budgetary requirements set forth in the County Code, public notice is given that the final budget is available for inspection for a period of 20 days.
- After the 20-day inspection period, but before December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.
- As required by the Commonwealth of Pennsylvania County Code, the proposed budget is then made available for public inspection for at least 20 days prior to the date of adoption (adoption is required by December 31). Subsequent to the budget approval, the County Commissioners place the budget in effect and fix the rate of taxation. Within 15 days subsequent to the legal adoption of the budget, the County Commissioners file a copy of the budget with the Commonwealth of Pennsylvania, Department of Community and Economic Development.

Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed by the County.

Cash Equivalents

The County considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Investments

Investments of the Pension Trust Fund are stated at fair value for both reporting and actuarial purposes. 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 generally reported at cost which is not expected to be materially different from fair value.

The County's investments in its Capital Projects Fund and Pension Trust Fund are comprised of a variety of financial instruments and are managed by an external investment advisor. The fair values reported in the financial statements are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Taxes Receivable

Taxes receivable are reported at net realizable value. Amounts are written off when they are determined to be uncollectible based upon management's assessment of individual amounts. The allowance for doubtful accounts is estimated based upon a combination of the County's historical losses and a percentage of aged receivables. The allowance for uncollectible real estate taxes as of December 31, 2020 amounted to \$125,334.

Deferred Outflows/Inflows of Resources

In addition to assets, the County reports a separate section for deferred outflows (inflows) of resources. This separate financial statement element represents a consumption (acquisition) of net position that applies to a future period and so will not be recognized as an outflow (inflow) of resources until that time.

Capital Assets

Capital assets include buildings, improvements, furniture and equipment which are reported in the governmental activities column of the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives in excess of one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position, as described above. Infrastructure assets acquired since January 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Estimated useful lives for each capital asset category of the County's capital assets are as follows:

	<u>Years</u>
Buildings	40-50
Vehicles	5
Furniture and equipment	5-10
Improvements	10-25

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Compensated Absences

All full-time employees accumulate one and one-fourth days of sick leave for each month of service. Sick leave may accumulate up to 130 days. Upon resignation or retirement, any outstanding sick leave is paid at 50 percent for employees attaining 20 years of service or age 60. For other employees, unused sick leave is lost.

All full-time employees are credited for vacation time starting from their date of hire. Any employee who is laid off, discharged, retired or otherwise separated from employment is compensated in cash for any unused vacation days up to a maximum of the number of days earned in a two-year period plus unused comp time, which is earned for each hour worked over 40 hours per week and which accumulates indefinitely.

All sick leave is accrued in the government-wide financial statements. A liability for accrued vacation is reported in governmental funds.

Unearned Revenues

Unearned revenues reported in government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues, which are measurable but not available and in accordance with the modified accrual basis of accounting are reported as unearned revenues.

Interfund Transactions

As a result of its operations, the County affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2020, appropriate interfund receivables or payables have been established. To the extent practical, the effect of interfund activity has been eliminated from the government-wide financial statements.

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. **Net Investment in Capital Assets** - Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. **Restricted Net Position** - Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or; (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

It is the County's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Governmental Fund Balance Classification/Policies and Procedures

The County classifies its governmental fund balances as follows:

- *Nonspendable* - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints, such as inventory or prepaid expenses
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County through formal action of the County's "highest level of decision-making authority"
 - The Board of Commissioners of the County is its highest level of decision-making authority, and
 - The Board of Commissioners commits funds through ordinances.
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County
 - The Board of Commissioners authorized the County Controller to assign funds to specific purposes.
- *Unassigned* - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the County's policy is generally to first apply the expenditure toward restricted resources and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the County's policy is generally to apply the expenditure to committed resources, and then to unassigned resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Principles Implemented

In January 2017, the GASB issued statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments. This standard was implemented January 1, 2020 and resulted in a restatement of beginning net position of custodial funds increasing beginning net position \$4,863,400 and expansion of footnote disclosures. Also as a result of this implementation, the government-wide net position and the General Fund's fund balance as of January 1, 2020 were restated with increases of \$35,683.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

The relevant portions of GASB Statement No. 92, *Omnibus 2020* were implemented as of January 1, 2020. This statement will improve financial reporting by enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The adoption of this standard did not have a significant impact on the County's financial statements.

2. Reporting Entity

In accordance with GASB Statement Nos. 14, as amended, the County has evaluated all related entities (authorities, commissions and affiliates) for possible inclusion in the financial reporting entity.

The component units discussed below are included in the County's reporting entity because of the significance of financial and operational relationships with the County. These component units have been included in the financial reporting entity as follows:

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria, but do not meet the criteria for blending (a blended component unit's governing body is the same or substantially the same as the primary government, or provides services entirely to the primary government).

The component unit that is discretely presented in the County's report is presented below:

Component Unit	Brief Description/Inclusion Criteria
Bradford Regional Airport Authority	Operates the Bradford Regional Airport. County Commissioners appoint all board members and the County has guaranteed Airport Authority debt.

Separately issued financial statements are available through the County's Chief Clerk for the Bradford Regional Airport Authority for its year ended December 31, 2020.

Blended Component Unit

The component unit that is blended in the County's report as a nonmajor governmental fund is presented below:

Component Unit	Brief Description/Inclusion Criteria
McKean County Conservation District	Promotes protection, conservation and sustainable use of natural resources. County Commissioners appoint a voting majority of Conservation District board members, the Conservation District is fiscally dependent upon the County, and management of the Conservation District are County employees.

Separately issued financial statements are available through the County's Chief Clerk for the McKean County Conservation District for its year ended December 31, 2020.

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Fiduciary Component Unit

The financial statements of the following fiduciary component unit has been included in the financial reporting entity:

Employee Retirement Trust Fund

The Employee Retirement Trust Fund is a component unit, fiduciary in nature, used to account for the Employee Retirement Plan contributions of the County and its employees and related benefit payments and other plan costs. The financial results of this plan are reported and included in the statement of fiduciary net position and statement of changes in fiduciary net position - employee retirement trust. This plan is not separately audited. Additional disclosures in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27*, are presented for this plan in Note 13 and in the Required Supplementary Information (RSI).

Related Organizations

The following organizations are considered to be related organizations of the County because of their relationship and mutual interest. Although the County appoints a voting majority of the organizations' governing boards in most instances, the County does not impose its will or have significant financial accountability for these organizations. The related organizations are as follows:

- McKean County Industrial Development Authority
- McKean County Housing Authority
- McKean County Planning Commission
- McKean County Redevelopment Authority
- McKean County Hospital Authority

3. Cash and Cash Equivalents and Investments

Under Section 1706 of the County Code of the Commonwealth of Pennsylvania, the County is authorized to invest in the following:

- A. United States Treasury bills.
- B. Short-term obligations of the United States government or its agencies or instrumentalities.
- C. Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania (Commonwealth) and insured by the Federal Deposit Insurance Corporation (FDIC).

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

- D. Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth, or of any agencies or instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. The County may also invest in shares of a registered investment company under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- E. Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth, which are insured by federal agencies. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets net of its liabilities.
- F. "Commercial paper" and "prime commercial paper" meeting certain requirements.

Pension or retirement funds may be invested by the County according to the "Prudent Man Rule" as defined by the Decedents, Estates, and Fiduciaries Act, 20 PA C.S.CH.73, which is referred to in the County Code.

The deposit and investment policy of the County adheres to state statutes. Deposits of the governmental funds are generally maintained in savings or demand deposit accounts. The deposits and investments of the capital projects and pension trust funds are administered by trustees and are held separately from those of other County funds.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to the following deposit and investment risks; credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the County's deposit and investment risks.

Deposits With Financial Institutions

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County will not recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County does not have a formal deposit policy for custodial credit risk. As of December 31, 2020, the aggregate bank balance of bank deposits was \$8,676,844, of which \$500,000 was covered by federal depository insurance, \$5,942,134 was collateralized with securities held by the financial institution in the County's name, and the uninsured remaining bank deposits of \$2,234,710 were covered by pledged pools of assets maintained in accordance with Act 72 of the Pennsylvania General Assembly that requires the institution pool collateral for all governmental deposits. The carrying amount of these bank deposits was \$7,009,289 at December 31, 2020.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Investments

As of December 31, 2020, the County had the following investments in its Capital Projects and Pension Trust Funds:

Investments	Maturities	Fair Value
Cash and cash equivalents	N/A	\$ 591,876
Accrued interest	N/A	70,740
Mutual funds	N/A	11,508,292
Equity securities (common stocks)	N/A	20,172,852
Corporate bonds	Average of 6 years	2,625,822
Government asset backed securities	Average of 10 years	896,020
U.S. Treasury securities	Average of 8 years	8,510,941
Total investments		<u>\$ 44,376,543</u>

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2020, all of the County's investments were held by Northwest Savings Bank, and were insured by SIPC up to \$500,000.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized rating organization. The County does not have a formal policy that would protect against credit risk by limiting investments to specific credit ratings.

As of December 31, 2020, the County's credit quality distribution of securities as a percentage of total investments is as follows:

Credit Quality Distribution of Securities With Credit Exposure as a Percentage of Total Investments		
Security Type	Credit Rating	Percent of Portfolio
Corporate bonds	AAA	0.2 %
Corporate bonds	AA	0.6
Corporate bonds	A	20.2
Corporate bonds	BBB	3.1
Government asset backed securities	AAA	1.2
Government asset backed securities	AA	0.8
U.S. Treasury securities	AAA	19.2

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's investment policy limits investments in any one issuer (excluding direct or indirect obligations of the U.S. Government) to 10 percent of total plan assets. The County does not hold any investment in a single issuer in excess of 10 percent.

County of McKean, Pennsylvania

Notes to Financial Statements
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Interest Rate Risk - Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Type	Remaining Maturity (In Months)				
	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Debt securities:					
U.S. Treasury securities	\$ 8,510,941	\$ 151,371	\$ -	\$ 3,726,019	\$ 4,633,551
Government asset backed securities	896,020	-	-	90,073	805,947
Corporate bonds	2,625,822	-	-	722,041	1,903,781
Total debt securities	12,032,783	\$ 151,371	\$ -	\$ 4,538,133	\$ 7,343,279
Common stocks	20,172,852				
Mutual funds	11,508,292				
Cash and cash equivalents	591,876				
Accrued interest income	70,740				
Total other investments	32,343,760				
Total investments	\$ 44,376,543				

Foreign Currency Risk - Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The County does not have a formal policy for foreign currency risk.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as of December 31, 2020:

	December 31, 2020			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Debt securities:				
U.S. Treasury securities	\$ 8,510,941	\$ -	\$ 8,510,941	\$ -
Government asset backed securities	896,020	-	896,020	-
Corporate bonds	2,625,822	-	2,625,822	-
Common stocks:				
Communication services	2,967,508	2,967,508	-	-
Consumer discretionary	2,239,825	2,239,825	-	-
Consumer staples	2,373,592	2,373,592	-	-
Energy	2,260,267	2,260,267	-	-
Financials	1,888,952	1,888,952	-	-
Health care	2,948,608	2,948,608	-	-
Industrials	866,353	866,353	-	-
Information technology	3,019,523	3,019,523	-	-
Materials	962,855	962,855	-	-
Real estate	645,369	645,369	-	-
Mutual funds:				
International	1,758,670	1,758,670	-	-
Corporate	8,065,481	8,065,481	-	-
Mid-cap	681,390	681,390	-	-
Real estate	1,002,751	1,002,751	-	-
Total fair value	43,713,927	<u>\$ 31,681,144</u>	<u>\$ 12,032,783</u>	<u>\$ -</u>
Cash and cash equivalents	591,876			
Accrued interest income	70,740			
Total investments	<u>\$ 44,376,543</u>			

The valuation methods for recurring fair value measurements are as follows:

- Equity securities (common stocks) and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.
- Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

4. Due From Other Governments

The amounts reported in the County's various governmental funds at December 31, 2020 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 89,069	\$ 252,662	\$ 341,731
Children & Youth Services	619,411	47,350	666,761
Mental Health/Intellectual Disabilities	20,425	45,052	65,477
Nonmajor Funds	619,743	493,170	1,112,913
Total	<u>\$ 1,348,648</u>	<u>\$ 838,234</u>	<u>\$ 2,186,882</u>

5. Real Estate Taxes

Real estate taxes are levied on February 1 and are payable on the following terms: 2 percent discount February 1 through March 31; face amount April 1 through May 31; and 10 percent penalty after May 31. The County bills these taxes, which are collected by elected tax collectors, and revenues are recognized in the period in which they are collected (pursuant to the modified cash basis of accounting). The County collects delinquent real estate taxes for itself and for other taxing authorities.

The County is permitted by the County Code 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 funded debt. The County levy for 2020 was 12.25 mills.

Tax Abatement Programs

The County provides property tax abatements under three programs: the Keystone Opportunity Zone Program, the Local Economic Revitalization Tax Assistance Program and the Clean and Green Program.

The Keystone Opportunity Zone Program (KOZ) provides property tax abatements to encourage businesses and residents to locate in designated zones in the County. The KOZ Program is established by a Pennsylvania state statute and is administered by the Pennsylvania Department of Community and Economic Development. The abatements equal 100 percent of the property tax, are administered as a reduction in the tax bill, and last for varying periods through 2024.

The Local Economic Revitalization Tax Assistance Program (LERTA) provides property tax abatements to provide a tax break to new commercial properties in certain sections of the County for five years as a way to stimulate business and economic growth. The abatements apply to the assessed value of improvements to a property. For the first year, 100 percent of the improvements are abated, subsequent years are reduced by 20 percent each year in the five year period.

The Clean and Green Program is a preferential tax assessment program that bases property taxes on use values rather than fair market values. This ordinarily results in a tax savings for landowners. The Pennsylvania General Assembly enacted the program in 1974 as a tool to encourage protection of the Commonwealth's valuable farmland, forestland and open spaces. A property must be ten acres in size and in Agricultural Use, Agricultural Reserve or Forest Reserve. Agricultural Use applications may be less than 10 acres in size if the property is capable of generating at least \$2,000 annually in farm income.

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Information relevant to the disclosure of these programs for the calendar year ended December 31, 2020, is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during 2020</u>
KOZ Program	\$ 33,425
LERTA Program	25,731
Clean and Green Program	<u>1,296,480</u>
Total	<u>\$ 1,355,636</u>

6. Capital Assets

Primary Government

A summary of changes in capital assets is as follows:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2020</u>
Governmental activities:					
Capital assets not being depreciated,					
Land	\$ 327,241	\$ -	\$ -	\$ -	\$ 327,241
Capital assets being depreciated:					
Buildings and improvements	21,573,587	378,280	-	-	21,951,867
Furniture and equipment	5,496,597	286,147	-	-	5,782,744
Vehicles	943,679	6,701	-	-	950,380
Total capital assets being depreciated	<u>28,013,863</u>	<u>671,128</u>	<u>-</u>	<u>-</u>	<u>28,684,991</u>
Less accumulated depreciation for:					
Buildings and improvements	9,762,762	470,301	-	-	10,233,063
Furniture and equipment	4,490,512	299,568	-	-	4,790,080
Vehicles	619,680	103,583	-	-	723,263
Total accumulated depreciation	<u>14,872,954</u>	<u>873,452</u>	<u>-</u>	<u>-</u>	<u>15,746,406</u>
Total capital assets being depreciated, net	<u>13,140,909</u>	<u>(202,324)</u>	<u>-</u>	<u>-</u>	<u>12,938,585</u>
Governmental activity capital assets, net	<u>\$ 13,468,150</u>	<u>\$ (202,324)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,265,826</u>

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Depreciation expense was charged to functions/programs of governmental activities as follows:

General government	\$ 375,584
Corrections	253,301
Human services	<u>244,567</u>
Total	<u>\$ 873,452</u>

Component Unit - Airport Authority

	Balance January 1, 2020	Additions	Transfers/ Dispositions	Balance December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 198,456	\$ -	\$ -	\$ 198,456
Construction in progress	<u>1,821,488</u>	<u>1,199,909</u>	<u>-</u>	<u>3,021,397</u>
Total capital assets, not being depreciated	<u>2,019,944</u>	<u>1,199,909</u>	<u>-</u>	<u>3,219,853</u>
Capital assets, being depreciated:				
Buildings	4,505,880	-	-	4,505,880
Improvements	5,123,546	-	-	5,123,546
Machinery and equipment	2,113,679	1,200	-	2,114,879
Runway projects and improvements	<u>10,941,376</u>	<u>-</u>	<u>-</u>	<u>10,941,376</u>
Total capital assets, being depreciated	<u>22,684,481</u>	<u>1,200</u>	<u>-</u>	<u>22,685,681</u>
Less accumulated depreciation	<u>12,814,130</u>	<u>373,978</u>	<u>-</u>	<u>13,188,108</u>
Total	<u>\$ 11,890,295</u>	<u>\$ 827,131</u>	<u>\$ -</u>	<u>\$ 12,717,426</u>

7. Long-term Debt

As of December 31, 2020, the County's long-term debt consisted of the following:

Description	Interest Rate	Balance at 1/1/20	Additions	Retirements	Balance at 12/31/20	Current Portion
2019 General Obligation Bond	1.40-4.00%	\$ 7,245,000	\$ -	\$ 795,000	\$ 6,450,000	\$ 780,000
Bond Premium		<u>224,722</u>	<u>-</u>	<u>24,969</u>	<u>199,753</u>	<u>-</u>
Total		<u>\$ 7,469,722</u>	<u>\$ -</u>	<u>\$ 819,969</u>	<u>\$ 6,649,753</u>	<u>\$ 780,000</u>

County of McKean, Pennsylvania

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Specific information on each debt instrument is as follows:

In 2019, the County issued its \$7,245,000 General Obligation Bonds, Series of 2019, due in varying annual installments, including interest at rates ranging from 1.40 percent to 4.00 percent through 2028. The proceeds of the bonds were used to refund the County's General Obligation Bonds, Series of 2011, 2012, 2013, to pay for capital projects and to pay the costs of issuing and insuring the Bonds.

Interest paid on the bond during the year ended December 31, 2020 amounted to \$159,520.

Annual debt service requirements with respect to this issue is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 780,000	\$ 172,931	\$ 952,931
2022	795,000	161,231	956,231
2023	820,000	136,431	956,431
2024	845,000	112,131	957,131
2025	875,000	78,331	953,331
2026-2028	<u>2,335,000</u>	<u>87,294</u>	<u>2,422,294</u>
Total	<u>\$ 6,450,000</u>	<u>\$ 748,349</u>	<u>\$ 7,198,349</u>

8. Compensated Absences and Accrued Vacation

The liability for compensated absences recorded in the governmental activities column on the statement of net position, was \$594,280 at December 31, 2020. The liability for accrued vacation recorded in the governmental funds balance sheet, was \$550,011 at December 31, 2020. The changes in the County's compensated absences and accrued vacation balances in 2020 are summarized as follows:

	<u>Compensated Absences</u>	<u>Accrued Vacation</u>
Balance, January 1, 2020	\$ 554,100	\$ 507,320
Increase	368,427	246,599
Decrease	<u>(328,247)</u>	<u>(203,908)</u>
Balance, December 31, 2020	<u>\$ 594,280</u>	<u>\$ 550,011</u>

9. Employee Retirement Plan

Plan Description

The County of McKean Employee Retirement Plan (the Plan) is a contributory defined benefit governmental single employer retirement plan covering all full-time and part-time employees who work more than 1,000 hours per year. The Plan provides retirement, disability and death benefits to Plan members and their beneficiaries. Cost of living adjustments (COLA) are provided at the discretion of the County Retirement Board. The Board is required to review COLA at least once every three years. The Plan is included in the accompanying financial statements of the County as a pension trust fund. The Plan does not issue a stand-alone financial report.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

The Retirement Board consists of five members: three County Commissioners, the County Treasurer and the County Controller. The authority to establish and amend the benefit provisions of the Plan rests with the Retirement Board as designated in the County Code and Act 96 of 1971, the County Pension Law.

The financial statements of the Retirement Trust Fund are prepared on the accrual basis of accounting. Plan members and employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

At January 1, 2020, the date of the latest valuation, members of the plan were as follows:

Inactive plan members currently receiving benefits	232
Inactive plan members entitled to benefits but not yet receiving	33
Current employees	<u>225</u>
Total membership	<u><u>490</u></u>
Number of participating employers	<u><u>1</u></u>

Benefits Provided

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 occurs. Members become vested after 8 years of service. County employees who terminate prior to entitlement to plan benefits will receive their accumulated contributions with interest. The Plan also provides for death and disability benefits.

Funding Policy and Contributions

Employees are required to contribute a portion of their salaries (7 percent of earnings in 2020) to the Plan and employees can elect to contribute up to 17 percent of their salaries. Per Act 96 of 1971, contribution requirements of the plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account. Administrative costs of the Plan are financed through investment earnings.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial cost funding method.

The annual required contribution was determined based on the most recent annual actuarial valuation dated January 1, 2020. The entry age normal actuarial cost method of funding was used in the valuation, which does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.50 percent per year compounded annually; (b) projected salary increases of 3.50 percent compounded annually; and (c) no postretirement benefit increases. Both (a) and (b) include an inflation component of 3.00 percent. The method used to determine the actuarial value of assets is as described by Pennsylvania State Law, Act 44, the greater of the market value of assets as of the valuation date or the actuarial value of assets as of the prior valuation date, plus contributions and other deposits, except investment income, minus benefit payments and administrative expenses or other payments, plus credited interest at 1 percent, less than the plans' assumed rate to the valuation date. The actuarial value of assets will be limited to a maximum of 120 percent and a minimum of 80 percent of the market value of assets as of the valuation date.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

The actuarially determined contribution for 2020 of \$1,181,058 was determined based on the most recent annual actuarial valuation dated January 1, 2020. Actual County contributions were \$250,000 for the year ended December 31, 2020.

Deposits and Investments

The Plan allows funds to be invested pursuant to a strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes, as approved by the Retirement Board, and established the following target allocation across asset categories:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	30-80 %	5.4-6.4 %
International equities	0-30	5.5-6.5
Fixed income	20-70	1.3-3.3
Real estate/alternative	0	4.5-5.5
Cash and cash equivalents	0-10	0.0-1.0
Total portfolio	<u>100.0 %</u>	

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation for the 2020 measurement period are listed in the table above.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of Plan investment expense, was 20.38 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The County's net pension liability was measured at January 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward to December 31, 2020. The components of the net pension liability of the Plan as of December 31, 2020 were as follows:

Total pension liability	\$ 42,589,616
Plan fiduciary net position	<u>38,336,559</u>
Plan net pension liability	<u>\$ 4,253,057</u>
Plan fiduciary net position as a percentage of total pension liability	<u>90.01 %</u>

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Changes in the Net Pension Liability

The changes in the County's net pension liability during the year ended December 31, 2020 are as follows:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2020	\$ 41,297,687	\$ 33,694,965	\$ 7,602,722
Changes for the year:			
Service cost	873,491	-	873,491
Interest cost	3,072,236	-	3,072,236
Changes for experience	186,387	-	186,387
Contributions, employer	-	250,000	(250,000)
Contributions, employee	-	922,694	(922,694)
Net investment income	-	6,554,618	(6,554,618)
Administration	-	(245,421)	245,421
Benefit payments, including refunds	(2,840,185)	(2,840,185)	-
Other changes	-	(112)	112
Net changes	1,291,929	4,641,594	(3,349,665)
Balances at December 31, 2020	\$ 42,589,616	\$ 38,336,559	\$ 4,253,057

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2020, rolled forward to December 31, 2020, using the following actuarial methods and assumptions:

Actuarial valuation date	January 1, 2020
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	3.5%
Inflation	3.0%
Interest rate	7.5%
Cost-of-living adjustments	N/A
Asset valuation method	Market value

Mortality rates were based on the RP-2013 Annuitant and Nonannuitant Mortality Tables for Males and Females, with no projected improvements. The actuarial assumptions used in the January 1, 2020 valuation were based on past experience under the Plan and reasonable future expectations which represent a best estimate of anticipated experience under the Plan.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.5 percent, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Discount Rate Sensitivity

The following presents the County's net pension liability, calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's net pension liability	\$ 8,519,093	\$ 4,253,057	\$ 845,026

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2020, the County recognized pension income of (\$80,882). At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,728,302
Differences between expected and actual experience	398,806	831
Total	<u>\$ 398,806</u>	<u>\$ 4,729,133</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2021	\$ (1,215,350)
2022	(781,530)
2023	(1,508,372)
2024	<u>(825,075)</u>
Total	<u>\$ (4,330,327)</u>

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

10. Commitments and Contingencies

Grants

Amounts received or receivable from grantor 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.

Litigation

The County is involved in several lawsuits arising in the normal course of business. It is the County's opinion that the aggregate amount of potential claims not covered by insurance resulting from claims against the County would not materially affect the financial position of the County at December 31, 2020.

Other Commitments

The County has guaranteed two Bradford Regional Airport Authority loans in the amount of \$676,089 at December 31, 2020. The loans were used to plan the development of a multi-tenant center located at the airport. The County has guaranteed these loans in full, until maturity. The County has not been required to make any payments prior to or for the year ended December 31, 2020, related to this guarantee.

11. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters.

Public Entity Risk Pools

The County participates in the Pennsylvania Counties Risk Pool (PCoRP), a public entity risk pool program of the County Commissioners Association of Pennsylvania (CCAP). The County pays an annual premium to PCoRP for its general insurance coverage. The agreement for the formation of PCoRP provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$250,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining; however, this has not yet been necessary. PCoRP has published its own financial report for the year ended May 31, 2021, which can be obtained through its offices, P.O. Box 60769, Harrisburg, Pennsylvania, 17106-0769 (Attn: John Sallade, Managing Director).

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

Commercial Insurance

The County has elected to self-insure its employee medical insurance plan. The County has limited this self-insurance liability through the purchase of catastrophic reinsurance coverage which will reimburse the County for any medical costs over \$50,000 per covered individual per year. The County believes that it has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The County's liability for all asserted and estimated unasserted claims, included within General Fund accrued liabilities, was \$116,889 at December 31, 2020. The cost of medical coverage for employees was approximately \$2,400,000 in 2020.

The County carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

12. Interfund Balances and Transfers

Balances Due to/From Other Funds

Individual fund receivable and payable amounts at December 31, 2020 were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 746,199	\$ 407,072
Children & Youth Services	331,616	605,533
Mental Health/Intellectual Disabilities	75,922	1,156
Special Revenue/Nonmajor Funds	<u>8,612</u>	<u>106,178</u>
Total Governmental Funds	1,162,349	1,119,939
Fiduciary Funds:		
Retirement Fund	-	40
Custodial Funds	<u>10,876</u>	<u>53,246</u>
Total	<u>\$ 1,173,225</u>	<u>\$ 1,173,225</u>

At December 31, 2020, the General Fund had outstanding balances due from other funds in the amount of \$746,199, including various amounts due from special revenue and custodial funds primarily representing payroll and benefit reimbursements as well as operating cost advances. General Fund balances due to other funds in the amount of \$407,072, including various amounts payable to the Children & Youth Services, Mental Health/Intellectual Disabilities and Domestic Relations funds representing amounts deposited in the General Fund for these funds which had not been transferred as of year-end.

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

Transfers to/From Other Funds

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund:		
Children & Youth Services	\$ -	\$ 776,072
Mental Health/Intellectual Disabilities	-	59,227
Capital Projects	-	410,000
Nonmajor funds:		
Liquid Fuels	103,437	-
Domestic Relations	-	75,000
McKean County Conservation District	-	45,000
Debt Service	-	956,000
	<u>103,437</u>	<u>2,321,299</u>
Total General Fund		
	103,437	2,321,299
Children & Youth Services:		
General Fund	<u>776,072</u>	<u>-</u>
Mental Health/Intellectual Disabilities:		
General Fund	<u>59,227</u>	<u>-</u>
Capital Projects:		
General Fund	<u>410,000</u>	<u>-</u>
Nonmajor funds:		
General Fund:		
Liquid Fuels	-	103,437
Domestic Relations	75,000	-
McKean County Conservation District	45,000	-
Debt Service	956,000	-
	<u>1,076,000</u>	<u>103,437</u>
Total nonmajor funds		
	1,076,000	103,437
Total	<u>\$ 2,424,736</u>	<u>\$ 2,424,736</u>

General Fund transfers in are executed as a result of the General Fund being reimbursed for expenditures it paid that are the responsibility of another fund. General Fund transfers out represent annual County support for various special revenue funds as well as transfers made to debt service to fund required debt service payments.

County of McKean, Pennsylvania

Notes to Financial Statements
December 31, 2020

13. Operating Leases

The government leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$125,812 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

Years ending December 31:	
2021	\$ 70,701
2022	67,118
2023	62,933
2024	45,508
2025	4,382
Thereafter	<u>44,000</u>
	<u>\$ 294,642</u>

14. Fund Balance Classifications

The County presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<u>General Fund</u>	<u>Children & Youth Services</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable for:					
Prepaid expenses	<u>\$ 374,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,804</u>
Restricted for:					
Children & Youth Services	\$ -	\$ 18,073	\$ -	\$ -	\$ 18,073
Capital Projects	-	-	1,665,277	-	1,665,277
Domestic Relations	-	-	-	751,812	751,812
Liquid fuels tax purposes	-	-	-	259,435	259,435
Conservation	-	-	-	260,455	260,455
Other program purposes	-	-	-	313,429	313,429
Total restricted	<u>\$ -</u>	<u>\$ 18,073</u>	<u>\$ 1,665,277</u>	<u>\$ 1,585,131</u>	<u>\$ 3,268,481</u>
Committed for:					
Facilities, acquisition and improvement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,205,917</u>	<u>\$ -</u>	<u>\$ 4,205,917</u>
Assigned for:					
Food appropriations	\$ -	\$ -	\$ -	\$ 8,401	\$ 8,401
Capital Projects	-	-	253,110	-	253,110
9-1-1 Center Operations	-	-	-	358,760	358,760
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,110</u>	<u>\$ 367,161</u>	<u>\$ 620,271</u>

County of McKean, Pennsylvania

Notes to Financial Statements

December 31, 2020

15. Restatement of Beginning Net Position and Implementation of GASB 84, *Fiduciary Activities*

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of financial statements by including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change. The adjustment to beginning balances are as follows:

Fiduciary activities, Custodial Funds:	
Net position, December 31, 2019, as previously reported	\$ -
Restatement due to change in accounting principle	<u>4,683,400</u>
Net position, January 1, 2020, as restated	<u>\$ 4,683,400</u>
Governmental activities, General Fund:	
Fund balance, December 31, 2019, as previously reported	\$ 74,824
Restatement due to change in accounting principle	<u>35,683</u>
Fund balance, January 1, 2020, as restated	<u>\$ 110,507</u>

16. Pending Changes in Accounting Principles

The GASB has approved the following:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Agreements*
- Statement No. 96, *Subscription-Based Information Technology Agreements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (portions of GASB Statement No. 97 were implemented in 2020, see Note 1.)

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

County management is in the process of analyzing these pending changes in accounting principles and the impact they may have on the financial reporting process.

17. Subsequent Event

Relief Through the American Rescue Plan Act

The federal government passed the American Rescue Plan Act on March 11, 2021 to respond to the COVID-19 public health emergency and its negative economic impacts. Amounts were appropriated for fiscal year 2021 to units of local government to mitigate the fiscal effects stemming from the public health emergency. The County's award is \$7,890,930, which will be used to offset the reduction in revenue and increases in expenses related to the effects of the public health emergency in the local economy. The County is discussing other public uses for some of the grant as well. The County received 50 percent of the funds in May 2021, with the remaining expected a year later. The funds are to cover costs incurred by December 31, 2024.

County of McKean, Pennsylvania

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Year Ended December 31, 2020
 (Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service cost	\$ 873,491	\$ 844,048	\$ 869,176	\$ 1,297,609	\$ 1,220,799	\$ 1,219,928	\$ 1,148,220
Interest	3,072,236	2,986,562	2,878,476	2,738,405	2,546,012	2,446,634	2,265,123
Changes of benefit terms	-	-	232,976	45,229	228,227	160,337	228,460
Differences between expected and actual experience	186,387	417,713	(3,330)	718,943	(455,779)	434,139	246,467
Changes of assumptions	-	-	-	-	-	-	352,654
Benefit payments, including refunds of member contributions	<u>(2,840,185)</u>	<u>(2,965,799)</u>	<u>(2,441,843)</u>	<u>(2,457,751)</u>	<u>(2,015,602)</u>	<u>(2,077,229)</u>	<u>(2,028,066)</u>
Net change in total pension liability	1,291,929	1,282,524	1,535,455	2,342,435	1,523,657	2,183,809	2,212,858
Total Pension Liability, Beginning	<u>41,297,687</u>	<u>40,015,163</u>	<u>38,479,708</u>	<u>36,137,273</u>	<u>34,613,616</u>	<u>32,429,807</u>	<u>30,216,949</u>
Total Pension Liability, Ending (a)	<u>\$ 42,589,616</u>	<u>\$ 41,297,687</u>	<u>\$ 40,015,163</u>	<u>\$ 38,479,708</u>	<u>\$ 36,137,273</u>	<u>\$ 34,613,616</u>	<u>\$ 32,429,807</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 327,787	\$ 200,000	\$ 300,000
Employee contributions	922,694	945,520	906,376	898,080	868,756	871,167	829,208
Net investment income (loss)	6,554,618	5,809,554	(751,235)	4,567,308	1,069,535	(814,483)	1,861,775
Benefit payments, including refunds of member contributions	(2,840,185)	(2,965,799)	(2,441,843)	(2,457,751)	(2,015,602)	(2,077,229)	(2,028,066)
Administration	(245,421)	(219,471)	(148,777)	(130,010)	(127,913)	(137,274)	(149,147)
Other	<u>(112)</u>	<u>(190)</u>	<u>(138)</u>	<u>(180)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	4,641,594	3,819,614	(2,185,617)	3,127,447	122,563	(1,957,819)	813,770
Plan Fiduciary Net Position, Beginning	<u>33,694,965</u>	<u>29,875,351</u>	<u>32,060,968</u>	<u>28,933,521</u>	<u>28,810,958</u>	<u>30,768,777</u>	<u>29,955,007</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 38,336,559</u>	<u>\$ 33,694,965</u>	<u>\$ 29,875,351</u>	<u>\$ 32,060,968</u>	<u>\$ 28,933,521</u>	<u>\$ 28,810,958</u>	<u>\$ 30,768,777</u>
County's Net Pension Liability (Asset), Ending (a) - (b)	<u>\$ 4,253,057</u>	<u>\$ 7,602,722</u>	<u>\$ 10,139,812</u>	<u>\$ 6,418,740</u>	<u>\$ 7,203,752</u>	<u>\$ 5,802,658</u>	<u>\$ 1,661,030</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>90.01%</u>	<u>81.59%</u>	<u>74.66%</u>	<u>83.32%</u>	<u>80.07%</u>	<u>83.24%</u>	<u>94.88%</u>
Covered-Employee Payroll	<u>\$ 10,023,806</u>	<u>\$ 9,816,635</u>	<u>\$ 9,952,883</u>	<u>\$ 9,731,794</u>	<u>\$ 9,318,531</u>	<u>\$ 9,344,121</u>	<u>\$ 8,856,410</u>
County's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	<u>42.43%</u>	<u>77.45%</u>	<u>101.88%</u>	<u>65.96%</u>	<u>77.31%</u>	<u>62.10%</u>	<u>18.76%</u>

Notes to Schedule:

Benefit Changes: No changes in benefits.

Changes of Assumptions: No changes in assumptions.

The County implemented GASB Statement No. 67 in calendar year 2014. Information prior to calendar year 2014 is not available.

County of McKean, Pennsylvania

Required Supplementary Information
 Schedule of Employer Contributions
 Year Ended December 31, 2020
 (Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 1,181,058	\$ 1,020,422	\$ 820,868	\$ 850,279	\$ 800,835	\$ 682,016	\$ 555,172	\$ 576,561	\$ 500,402	\$ 482,085
Contributions in relation to the actuarially determined contribution	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>327,787</u>	<u>200,000</u>	<u>300,000</u>	<u>480,000</u>	<u>501,000</u>	<u>482,085</u>
Contribution deficiency (excess)	<u>\$ 931,058</u>	<u>\$ 770,422</u>	<u>\$ 570,868</u>	<u>\$ 600,279</u>	<u>\$ 473,048</u>	<u>\$ 482,016</u>	<u>\$ 255,172</u>	<u>\$ 96,561</u>	<u>\$ (598)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 10,023,806	\$ 9,816,635	\$ 9,952,883	\$ 9,731,794	\$ 9,318,531	\$ 9,344,121	\$ 8,856,410	\$ 8,696,524	\$ 8,328,550	\$ 7,769,910
Contributions as a percentage of covered-employee payroll	2.49%	2.55%	2.51%	2.57%	3.52%	2.14%	3.39%	5.52%	6.02%	6.20%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of January 1 of the current calendar year

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	23 years
Asset valuation method	The method that is prescribed by Pennsylvania State Law, Act 44
Inflation	3.0%
Salary increases	3.5% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

County of McKean, Pennsylvania

Required Supplementary Information
Schedule of Investment Return
Year Ended December 31, 2020
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>20.38%</u>	<u>20.19%</u>	<u>-2.69%</u>	<u>15.82%</u>	<u>4.40%</u>	<u>-2.69%</u>	<u>6.24%</u>

Notes to Schedule:

The County implemented GASB Statement No. 67 in calendar year 2014. Information prior to calendar year 2014 is not available.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

To the Board of Commissioners of
County of McKean, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of McKean, Pennsylvania (the County), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2021. Our report includes a reference to other auditors who audited the financial statements of Bradford Regional Airport Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. In our report, an emphasis of matter paragraph was included, as more fully disclosed in Notes 1 and 15 to the financial statements, to address the County's adoption of a new accounting principle. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Williamsport, Pennsylvania
September 20, 2021

**Independent Auditors' Report on Compliance
for Each Major Federal and DHS Program and on
Internal Control Over Compliance Required
by the Uniform Guidance and the Commonwealth of Pennsylvania Department of
Human Services *Single Audit Supplement***

To the Board of Commissioners of
County of McKean, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the County of McKean, Pennsylvania's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Commonwealth of Pennsylvania, Department of Human Services (DHS) *Single Audit Supplement* that could have a direct and material effect on each of the County's major federal and DHS programs for the year ended December 31, 2020. The County's major federal and DHS programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state DHS programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal and DHS programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the Commonwealth of Pennsylvania, DHS *Single Audit Supplement*. Those standards, the Uniform Guidance and the DHS *Single Audit Supplement* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or DHS program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and DHS program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and DHS program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and DHS program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the DHS *Single Audit Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or DHS program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or DHS program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or DHS program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the DHS Single Audit Supplement. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Williamsport, Pennsylvania
September 20, 2021

County of McKean, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Received for the Year	Accrued (Deferred) Revenue at January 1, 2020	Revenue Recognized	Total Federal Expenditures	Accrued (Deferred) Revenue at December 31, 2020	Passed Through to Subrecipients
U.S. Department of Agriculture								
Passed through PA Dept. of Conservation and Natural Resources Forest Service Schools and Roads Cluster, Schools and Roads - Grants to States	10.665	N/A	\$ 495,058	\$ 495,058	\$ 503,133	\$ 503,133	\$ 503,133	\$ 503,133
Passed through PA Dept. of Agriculture Food Distribution Cluster								
Emergency Food Assistance Program (Administrative Costs)	10.568	4100035786	4,571	4,233	2,051	2,051	1,713	-
Emergency Food Assistance Program (Food Commodities)	10.569	4100071435	37,282	-	37,282	37,282	-	37,282
Total Food Distribution Cluster			41,853	4,233	39,333	39,333	1,713	37,282
Total U.S. Department of Agriculture			536,911	499,291	542,466	542,466	504,846	540,415
U.S. Department of Housing and Urban Development								
Passed through PA Dept. of Community and Economic Development Community Development Block Grants States Program	14.228	C000063291	1,178	-	1,178	1,178	-	1,178
Community Development Block Grants States Program	14.228	C000066484	20,185	-	20,185	20,185	-	20,185
Community Development Block Grants States Program	14.228	C000068442	33,911	-	33,911	33,911	-	33,911
Community Development Block Grants States Program	14.228	C000068442	50,945	-	50,945	50,945	-	50,945
Community Development Block Grants States Program	14.228	C000073781	6,523	-	6,523	6,523	-	6,523
Total CDBG Program			112,742	-	112,742	112,742	-	112,742
Emergency Solutions Grant Program	14.231	C000053459	118,737	46,077	72,660	72,660	-	72,660
HOME Investment Partnerships Program	14.239	C000066568	107,243	384	106,859	106,859	-	106,859
Total U.S. Department of Housing and Urban Development			338,722	46,461	292,261	292,261	-	292,261
U.S. Department of Interior								
Payments in Lieu of Taxes	15.226	N/A	261,816	-	261,816	261,816	-	-
Total U.S. Department of Interior			261,816	-	261,816	261,816	-	-
U.S. Department of Justice								
Coronavirus Emergency Supplemental Funding Program - COVID-19	16.034	2020-CE-01-33688	12,821	-	22,595	22,595	9,774	-
Total U.S. Department of Justice			12,821	-	22,595	22,595	9,774	-
U.S. Department of Treasury								
Passed through PA Dept. of Agriculture CARES FOOD - COVID-19	21.019	2019-6-42	57,289	-	57,289	57,289	-	52,706
Passed through PA Dept. of Community and Economic Development County Relief Block Grant - COVID-19	21.019	C000073999	3,668,797	-	3,668,797	3,668,797	-	-
Passed through PA Dept. of Human Services Homeless Assistance - COVID-19	21.019	HAP1920-CR-42	2,820	-	2,820	2,820	-	2,820
Total U.S. Department of Treasury			3,728,906	-	3,728,906	3,728,906	-	55,526
U.S. Department of Education								
Passed through PA Dept. of Human Services Special Education - Grants for Infants and Families	84.181	N/A	38,072	-	40,373	40,373	2,301	-
Total U.S. Department of Education			38,072	-	40,373	40,373	2,301	-

See notes to schedule of expenditures of federal awards and Selected Commonwealth of Pennsylvania Department of Human Services assistance

County of McKean, Pennsylvania

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Received for the Year	Accrued (Deferred) Revenue at January 1, 2020	Revenue Recognized	Total Federal Expenditures	Accrued (Deferred) Revenue at December 31, 2020	Passed Through to Subrecipients
U.S. Department of Health and Human Services								
Passed through the PA Department of Human Services								
Child Support Enforcement	93.563	N/A	\$ 421,363	\$ 75,865	\$ 426,177	\$ 426,177	\$ 80,679	\$ -
Child Support Enforcement (Incentives)	93.563	N/A	66,475	27,160	75,247	75,247	35,932	-
Total Child Support Enforcement			487,838	103,025	501,424	501,424	116,611	-
Guardianship Assistance	93.090	N/A	24,811	9,953	32,728	32,728	17,870	-
Promoting Safe and Stable Families	93.556	4100067073	329,226	-	329,226	329,226	-	329,226
Temporary Assistance for Needy Families/TANF Cluster	93.558	N/A	35,762	35,762	22,907	22,907	22,907	-
HAVA Election Security	90.404	N/A	-	-	13,985	13,985	13,985	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	28,407	-	28,407	28,407	-	-
Stephanie Tubbs Jones Child Welfare Services Program (Match)	93.645	N/A	7,575	-	7,575	7,575	-	-
Stephanie Tubbs Jones Child Welfare Services Program (Match) - COVID-19	93.645	N/A	6,324	-	6,324	6,324	-	-
Total Stephanie Tubbs Jones Child Welfare Services Program			42,306	-	42,306	42,306	-	-
Foster Care - Title IV-E	93.658	N/A	679,650	296,546	655,087	655,087	271,983	-
Adoption Assistance	93.659	N/A	538,216	247,092	596,570	596,570	305,446	-
Social Services Block Grant (Title XX)	93.667	N/A	44,351	-	44,351	44,351	-	-
Social Services Block Grant (MH)	93.667	N/A	43,414	-	43,414	43,414	-	-
Social Services Block Grant (MR)	93.667	N/A	47,672	-	47,672	47,672	-	-
Total Social Services Block Grant			135,437	-	135,437	135,437	-	-
John H. Chafee Foster Care Program For Successful Transition to Adulthood	93.674	N/A	56,382	-	56,382	56,382	-	-
Block Grants for Community Mental Health Services	93.958	N/A	68,735	17,184	51,551	51,551	-	51,551
Medicaid Cluster								
Medical Assistance Program	93.778	7-1900-90012-631	336,963	-	336,963	336,963	-	336,963
Medical Assistance Program (Waiver)	93.778	N/A	125,942	-	125,942	125,942	-	-
Medical Assistance Program (TSM)	93.778	N/A	2,525	-	5,983	5,983	3,458	-
Medical Assistance Program (Title IV-E Medicaid)	93.778	N/A	1,868	1,586	1,487	1,487	1,205	-
Medical Assistance Program (MH Admin)	93.778	N/A	15,685	1,315	29,036	29,036	14,666	-
Total Medicaid Cluster			482,983	2,901	499,411	499,411	19,329	336,963
Passed through the PA Department of Drug and Alcohol Programs								
Opioid STR	93.788	4100070690	275,377	33,905	241,472	241,472	-	241,472
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4100070690	574,207	-	574,207	574,207	-	574,207
Total U.S. Department of Health & Human Services			3,730,930	746,368	3,752,693	3,752,693	768,131	1,533,419
U.S. Department of Homeland Security								
Passed through PA Emergency Management Agency								
FEMA COVID-19	97.036	N/A	6,607	-	6,607	6,607	-	-
Emergency Management Performance Grants	97.042	N/A	57,577	57,577	63,596	63,596	63,596	-
Total U.S. Department of Homeland Security			64,184	57,577	70,203	70,203	63,596	-
Total Federal Financial Assistance Programs			\$ 8,712,362	\$ 1,349,697	\$ 8,711,313	\$ 8,711,313	\$ 1,348,648	\$ 2,421,621

See notes to schedule of expenditures of federal awards and Selected Commonwealth of Pennsylvania Department of Human Services assistance

County of McKean, Pennsylvania

Schedule of Selected Commonwealth of
Pennsylvania Department of Human Services Assistance
Year Ended December 31, 2020

Grantor/Program Title	Combined Federal and State Expenditures
Pennsylvania Department of Human Services	
Children & Youth Services	\$ 6,453,906
Mental Health/Intellectual Disabilities	3,861,555
Child Support Enforcement	501,424
Medical Assistance Transportation	673,927
Human Services Development Fund	53,733
Combined Homeless Assistance Programs	<u>39,012</u>
Total selected Pennsylvania Department of Human Services Assistance	<u><u>\$ 11,583,557</u></u>

Notes: This schedule includes selected Pennsylvania Department of Human Services (DHS) Assistance received by the County of McKean Pennsylvania and is presented using the accrual basis of accounting. Amounts reported in this schedule agree with the amounts included in the County's basic financial statements.

County of McKean, Pennsylvania

Notes to Schedule of Expenditures of Federal Awards and Selected Commonwealth of Pennsylvania
Department of Human Services Assistance
December 31, 2020

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and selected Commonwealth of Pennsylvania, Department of Human Services assistance (collectively the Schedules) include the federal and state award activity of the County of McKean, Pennsylvania (the County) under programs of the federal government and selected Commonwealth of Pennsylvania, Department of Human Services programs for the year ended December 31, 2020. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements of the Commonwealth of Pennsylvania, Department of Human Services (DHS) *Single Audit Supplement*. Because the schedules present only a selected portion of the operations of the County, they are not intended to and do not present the financial position, changes in net position/fund balance or cash flows of the County.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule of represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Under the modified accrual basis, 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 be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

3. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

County of McKean, Pennsylvania

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2020
 (Unaudited)

	Allegheny National Forest	Domestic Relations	Food Appropriations Fund	Liquid Fuels Fund	HSDF Block Grant Fund	McKean County Conservation District	Farmland Program	McKean County 911 Center Fund
Assets								
Cash and cash equivalents	\$ 5,672	\$ 687,342	\$ 8,464	\$ 258,178	\$ 88,733	\$ 423,413	\$ 20,054	\$ 122,768
Due from other governments	503,133	116,611	-	-	-	194,150	-	299,019
Due from other funds	-	-	-	1,257	-	7,355	-	-
Total assets	<u>\$ 508,805</u>	<u>\$ 803,953</u>	<u>\$ 8,464</u>	<u>\$ 259,435</u>	<u>\$ 88,733</u>	<u>\$ 624,918</u>	<u>\$ 20,054</u>	<u>\$ 421,787</u>
Liabilities and Fund Balances								
Accounts payable	\$ 503,133	\$ 2,342	\$ -	\$ -	\$ -	\$ 34,499	\$ -	\$ 6,861
Due to other funds	-	29,477	63	-	56,211	1,211	-	18,116
Unearned revenue	-	-	-	-	-	328,753	-	-
Accrued vacation	-	20,322	-	-	-	-	-	38,050
Total liabilities	<u>503,133</u>	<u>52,141</u>	<u>63</u>	<u>-</u>	<u>56,211</u>	<u>364,463</u>	<u>-</u>	<u>63,027</u>
Fund Balances								
Restricted	5,672	751,812	-	259,435	32,522	260,455	20,054	-
Assigned	-	-	8,401	-	-	-	-	358,760
Total fund balances	<u>5,672</u>	<u>751,812</u>	<u>8,401</u>	<u>259,435</u>	<u>32,522</u>	<u>260,455</u>	<u>20,054</u>	<u>358,760</u>
Total liabilities and fund balances	<u>\$ 508,805</u>	<u>\$ 803,953</u>	<u>\$ 8,464</u>	<u>\$ 259,435</u>	<u>\$ 88,733</u>	<u>\$ 624,918</u>	<u>\$ 20,054</u>	<u>\$ 421,787</u>

County of McKean, Pennsylvania

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2020
 (Unaudited)

	Grants Public Welfare Fund	County Clerk of Orphans	Influenced Offenders Account	Coroner Special Revenue	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 63,218	\$ 19,578	\$ 89,065	\$ 66,756	\$ 1,853,241	\$ 36,813	\$ 1,890,054
Due from other governments	-	-	-	-	1,112,913	-	1,112,913
Due from other funds	-	-	-	-	8,612	-	8,612
Total assets	<u>\$ 63,218</u>	<u>\$ 19,578</u>	<u>\$ 89,065</u>	<u>\$ 66,756</u>	<u>\$ 2,974,766</u>	<u>\$ 36,813</u>	<u>\$ 3,011,579</u>
Liabilities and Fund Balances							
Accounts payable	\$ 19,149	\$ -	\$ -	\$ -	\$ 565,984	\$ -	\$ 565,984
Due to other funds	1,000	-	-	100	106,178	-	106,178
Unearned revenue	-	-	-	-	328,753	-	328,753
Accrued vacation	-	-	-	-	58,372	-	58,372
Total liabilities	<u>20,149</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>1,059,287</u>	<u>-</u>	<u>1,059,287</u>
Fund Balances							
Restricted	43,069	19,578	89,065	66,656	1,548,318	36,813	1,585,131
Assigned	-	-	-	-	367,161	-	367,161
Total fund balances	<u>43,069</u>	<u>19,578</u>	<u>89,065</u>	<u>66,656</u>	<u>1,915,479</u>	<u>36,813</u>	<u>1,952,292</u>
Total liabilities and fund balances	<u>\$ 63,218</u>	<u>\$ 19,578</u>	<u>\$ 89,065</u>	<u>\$ 66,756</u>	<u>\$ 2,974,766</u>	<u>\$ 36,813</u>	<u>\$ 3,011,579</u>

County of McKean, Pennsylvania

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2020

(Unaudited)

	<u>Allegheny National Forest</u>	<u>Domestic Relations</u>	<u>Food Appropriations Fund</u>	<u>Liquid Fuels Fund</u>	<u>HSDf Block Grant Fund</u>	<u>McKean County Conservation District</u>	<u>Farmland Program</u>	<u>McKean County 911 Center Fund</u>
Revenues								
Intergovernmental revenue	\$ 503,133	\$ 501,424	\$ 164,383	\$ 209,893	\$ 53,733	\$ 1,214,842	\$ 43	\$ -
Charges for services	-	-	-	-	-	82,475	-	1,225,291
Interest Income and investment income	45	4,587	51	1,232	10	3,335	5	1,719
Other Income	-	916	-	-	-	576	-	602
Total revenues	<u>503,178</u>	<u>506,927</u>	<u>164,434</u>	<u>211,125</u>	<u>53,743</u>	<u>1,301,228</u>	<u>48</u>	<u>1,227,612</u>
Expenditures								
Current:								
Courts and related offices	-	528,592	-	-	-	-	-	-
Human services	503,592	-	186,622	97,436	46,596	1,254,464	-	1,183,190
Capital outlay	-	-	-	-	-	-	-	171,000
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	<u>503,592</u>	<u>528,592</u>	<u>186,622</u>	<u>97,436</u>	<u>46,596</u>	<u>1,254,464</u>	<u>-</u>	<u>1,354,190</u>
Excess of revenue over (under) expenditures	<u>(414)</u>	<u>(21,665)</u>	<u>(22,188)</u>	<u>113,689</u>	<u>7,147</u>	<u>46,764</u>	<u>48</u>	<u>(126,578)</u>
Other Financing Sources (Uses)								
Operating transfers in	-	75,000	-	-	-	45,000	-	-
Operating transfers out	-	-	-	(103,437)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>(103,437)</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(414)</u>	<u>53,335</u>	<u>(22,188)</u>	<u>10,252</u>	<u>7,147</u>	<u>91,764</u>	<u>48</u>	<u>(126,578)</u>
Fund Balances, Beginning	<u>6,086</u>	<u>698,477</u>	<u>30,589</u>	<u>249,183</u>	<u>25,375</u>	<u>168,691</u>	<u>20,006</u>	<u>485,338</u>
Fund Balances, Ending	<u>\$ 5,672</u>	<u>\$ 751,812</u>	<u>\$ 8,401</u>	<u>\$ 259,435</u>	<u>\$ 32,522</u>	<u>\$ 260,455</u>	<u>\$ 20,054</u>	<u>\$ 358,760</u>

County of McKean, Pennsylvania

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2020

(Unaudited)

	Grants Public Welfare Fund	County Clerk of Orphans	Influenced Offenders Account	Coroner Special Revenue	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues							
Intergovernmental revenue	\$ 2,380,775	\$ 225	\$ -	\$ -	\$ 5,028,451	\$ -	\$ 5,028,451
Charges for services	-	-	53,054	3,183	1,364,003	-	1,364,003
Interest income and investment income	533	21	-	69	11,607	6,332	17,939
Other income	-	-	-	-	2,094	-	2,094
Total revenues	2,381,308	246	53,054	3,252	6,406,155	6,332	6,412,487
Expenditures							
Current:							
Courts and related offices	-	-	-	-	528,592	-	528,592
Human services	2,374,153	-	33,003	-	5,679,056	-	5,679,056
Capital outlay	-	-	-	-	171,000	-	171,000
Debt service:							
Principal	-	-	-	-	-	795,000	795,000
Interest	-	-	-	-	-	159,520	159,520
Total expenditures	2,374,153	-	33,003	-	6,378,648	954,520	7,333,168
Excess of revenue over (under) expenditures	7,155	246	20,051	3,252	27,507	(948,188)	(920,681)
Other Financing Sources (Uses)							
Operating transfers in	-	-	-	-	120,000	956,000	1,076,000
Operating transfers out	-	-	-	-	(103,437)	-	(103,437)
Total other financing sources (uses)	-	-	-	-	16,563	956,000	972,563
Net changes in fund balances	7,155	246	20,051	3,252	44,070	7,812	51,882
Fund Balances, Beginning	35,914	19,332	69,014	63,404	1,871,409	29,001	1,900,410
Fund Balances, Ending	\$ 43,069	\$ 19,578	\$ 89,065	\$ 66,656	\$ 1,915,479	\$ 36,813	\$ 1,952,292

County of McKean, Pennsylvania

Combining Statement of Fiduciary Net Position -
 All Custodial Funds
 December 31, 2020
 (Unaudited)

	<u>Prothonotary</u>	<u>Sheriff's Office</u>	<u>Recorder of Deeds</u>	<u>MDJ Engman</u>	<u>MDJ Cercone</u>	<u>MDJ Luther</u>	<u>MDJ Todd</u>	<u>Register of Wills</u>
Assets								
Cash	\$ 32,095	\$ 6,381	\$ 371,300	\$ 12,582	\$ 5,640	\$ 7,370	\$ 4,855	\$ 1,757
Interest and other receivables	-	-	1	-	-	-	-	-
Property taxes receivable	-	-	-	-	-	-	-	-
Court costs and fines receivable	-	-	-	-	-	-	-	-
Due from other funds	-	90	10,786	-	-	-	-	-
Total assets	<u>\$ 32,095</u>	<u>\$ 6,471</u>	<u>\$ 382,087</u>	<u>\$ 12,582</u>	<u>\$ 5,640</u>	<u>\$ 7,370</u>	<u>\$ 4,855</u>	<u>\$ 1,757</u>
Liabilities								
Accounts payable	\$ -	\$ 4,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,862	-	11,069	-	-	-	-	12,643
Due to other governments	16,760	1,909	335,718	2,536	5,640	2,135	4,855	972
Funds held as fiduciary	-	-	-	10,046	-	5,235	-	-
Total liabilities	24,622	6,471	346,787	12,582	5,640	7,370	4,855	13,615
Net Position Restricted for Other Governments and Individuals	<u>7,473</u>	<u>-</u>	<u>35,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,858)</u>
Total liabilities and net position	<u>\$ 32,095</u>	<u>\$ 6,471</u>	<u>\$ 382,087</u>	<u>\$ 12,582</u>	<u>\$ 5,640</u>	<u>\$ 7,370</u>	<u>\$ 4,855</u>	<u>\$ 1,757</u>

County of McKean, Pennsylvania

Combining Statement of Fiduciary Net Position -
 All Custodial Funds
 December 31, 2020
 (Unaudited)

	<u>Agent of the Commonwealth</u>	<u>Adult Probation</u>	<u>Juvenile Probation</u>	<u>Delinquent Tax</u>	<u>Inmate</u>	<u>Total</u>
Assets						
Cash	\$ 12,838	\$ 263,152	\$ 32,847	\$ 560,184	\$ 88,904	\$ 1,399,905
Interest and other receivables	-	-	316	-	-	317
Property taxes receivable	-	-	-	3,336,138	-	3,336,138
Court costs and fines receivable	-	5,040,428	-	-	-	5,040,428
Due from other funds	-	-	-	-	-	10,876
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,876</u>
Total assets	<u>\$ 12,838</u>	<u>\$ 5,303,580</u>	<u>\$ 33,163</u>	<u>\$ 3,896,322</u>	<u>\$ 88,904</u>	<u>\$ 9,787,664</u>
Liabilities						
Accounts payable	\$ 9,922	\$ -	\$ -	\$ 560,184	\$ -	\$ 574,668
Due to other funds	3,254	18,112	306	-	-	53,246
Due to other governments	-	-	-	3,336,138	-	3,706,663
Funds held as fiduciary	-	-	-	-	-	15,281
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,281</u>
Total liabilities	13,176	18,112	306	3,896,322	-	4,349,858
Net Position Restricted for Other Governments and Individuals						
	<u>(338)</u>	<u>5,285,468</u>	<u>32,857</u>	<u>-</u>	<u>88,904</u>	<u>5,437,806</u>
Total liabilities and net position	<u>\$ 12,838</u>	<u>\$ 5,303,580</u>	<u>\$ 33,163</u>	<u>\$ 3,896,322</u>	<u>\$ 88,904</u>	<u>\$ 9,787,664</u>

County of McKean, Pennsylvania

Combining Statement of Changes in Fiduciary Net Position -
 All Custodial Funds
 Year Ended December 31, 2020
 (Unaudited)

	<u>Prothonotary</u>	<u>Sheriff's Office</u>	<u>Recorder of Deeds</u>	<u>MDJ Engman</u>	<u>MDJ Cercone</u>	<u>MDJ Luther</u>	<u>MDJ Todd</u>	<u>Register of Wills</u>
Additions								
Fines and fees	\$ 177,826	\$ 241,801	\$ 2,652,932	\$ 243,971	\$ 157,663	\$ 263,637	\$ 450,739	\$ 127,074
Taxes	-	-	-	-	-	-	-	-
Interest	-	8	-	-	10	12	-	-
Total additions	<u>177,826</u>	<u>241,809</u>	<u>2,652,932</u>	<u>243,971</u>	<u>157,673</u>	<u>263,649</u>	<u>450,739</u>	<u>127,074</u>
Deductions								
Payments to governments	177,326	248,416	2,293,355	232,550	159,954	268,420	450,211	128,742
Distributions to owners	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Total deductions	<u>177,326</u>	<u>248,416</u>	<u>2,293,355</u>	<u>232,550</u>	<u>159,954</u>	<u>268,420</u>	<u>450,211</u>	<u>128,742</u>
Change in net position	<u>500</u>	<u>(6,607)</u>	<u>359,577</u>	<u>11,421</u>	<u>(2,281)</u>	<u>(4,771)</u>	<u>528</u>	<u>(1,668)</u>
Net Position, Restricted, Beginning	-	-	-	-	-	-	-	-
Restatement for Adoption of GASB Statement No. 84	<u>6,973</u>	<u>6,607</u>	<u>(324,277)</u>	<u>(11,421)</u>	<u>2,281</u>	<u>4,771</u>	<u>(528)</u>	<u>(10,190)</u>
Net Position, Restricted, Beginning, As Restated	<u>6,973</u>	<u>6,607</u>	<u>(324,277)</u>	<u>(11,421)</u>	<u>2,281</u>	<u>4,771</u>	<u>(528)</u>	<u>(10,190)</u>
Net Position, Restricted, Ending	<u>\$ 7,473</u>	<u>\$ -</u>	<u>\$ 35,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,858)</u>

County of McKean, Pennsylvania

Combining Statement of Changes in Fiduciary Net Position -
 All Custodial Funds
 Year Ended December 31, 2020
 (Unaudited)

	<u>Agent of the Commonwealth</u>	<u>Adult Probation</u>	<u>Juvenile Probation</u>	<u>Delinquent Tax</u>	<u>Inmate</u>	<u>Total</u>
Additions						
Fines and fees	\$ 114,204	\$ 752,475	\$ 4,993	\$ -	\$ 214,472	\$ 5,401,787
Taxes	-	-	-	7,450,679	-	7,450,679
Interest	-	451	35	-	7	523
Total additions	<u>114,204</u>	<u>752,926</u>	<u>5,028</u>	<u>7,450,679</u>	<u>214,479</u>	<u>12,852,989</u>
Deductions						
Payments to governments	110,173	571,003	3,041	-	184,713	4,827,904
Distributions to owners	-	-	-	7,450,679	-	7,450,679
Professional services	-	-	-	-	-	-
Total deductions	<u>110,173</u>	<u>571,003</u>	<u>3,041</u>	<u>7,450,679</u>	<u>184,713</u>	<u>12,278,583</u>
Change in net position	<u>4,031</u>	<u>181,923</u>	<u>1,987</u>	<u>-</u>	<u>29,766</u>	<u>574,406</u>
Net Position, Restricted, Beginning	-	-	-	-	-	-
Restatement for Adoption of GASB Statement No. 84	<u>(4,369)</u>	<u>5,103,545</u>	<u>30,870</u>	<u>-</u>	<u>59,138</u>	<u>4,863,400</u>
Net Position, Restricted, Beginning, As Restated	<u>(4,369)</u>	<u>5,103,545</u>	<u>30,870</u>	<u>-</u>	<u>59,138</u>	<u>4,863,400</u>
Net Position, Restricted, Ending	<u>\$ (338)</u>	<u>\$ 5,285,468</u>	<u>\$ 32,857</u>	<u>\$ -</u>	<u>\$ 88,904</u>	<u>\$ 5,437,806</u>

County of McKean, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes No

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X No

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and/or the DHS *Single Audit Supplement*? yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Forest Service Schools and Roads Cluster
21.019	County Relief Block Grant - COVID 19

Identification of major DHS programs:

Name of DHS Program
None (none of the County's major federal award programs were passed through DHS)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

County of McKean, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section II - Financial Statement Findings

Finding 2020-001: Internal Control Over Financial Reporting - Segregation of Duties - Material Weakness

Criteria: Internal controls is a process, which captures and properly records transactions, safeguards assets and assures compliance with laws and regulations. Adequate segregation of duties between accounting functions is essential to good internal control.

Condition/Context: The responsibility for the performance of accounting duties is vested in a limited number of employees.

Cause: The County employs a limited number of accounting personnel thereby limiting the extent of segregation of accounting responsibilities and functions amongst employees.

Effect: Without proper segregation of accounting functions, errors or fraud could occur and go undetected by management and employees in the normal course of performing their assigned functions.

Recommendation: While it is advisable to have adequate segregation of duties amongst employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the County Controller, Chief Clerk and the Board of Commissioners in the County's operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

County of McKean, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Finding 2020-002: Internal Control Over Financial Reporting - General Fund Budgeting - Material Weakness

Criteria: The County is required to prepare and adopt an annual budget; budgeted expenditures cannot legally exceed appropriations. The preparation and monitoring of an accurate budget is a vital element of the County's internal control over financial reporting.

Condition/Context: The County incurred significant favorable budget variances in the following General Fund categories during 2020:

- General government expenditures
- Courts and related offices expenditures
- Correction expenditures

The variances occurred within the general government, courts and related offices and correction expenditures due to COVID-19. Travel was restricted for County employees, open positions were not filled, and no jury trials were held due to the state mandate.

Cause: The 2020 General Fund budget over-estimated the above mentioned expenditures.

Effect: The County experienced an approximate \$3,240,000 favorable budget variance in 2020 within its General Fund expenditures.

Recommendation: We recommend that the County review these areas of the budget to ensure that accurate amounts are being appropriated in the budget. Furthermore, we recommend that the County consider adopting budget amendments when material variations between actual and budgeted amounts are identified.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

Section III - Federal Award Findings and Questioned Costs

None noted.

County of McKean, Pennsylvania

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2020

Finding 2019-001: Internal Control Over Financial Reporting - Segregation of Duties - Material Weakness

Condition: The responsibility for the performance of accounting duties is vested in a limited number of employees.

Recommendation: While it is advisable to have adequate segregation of duties amongst employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the County Controller, Chief Clerk and the Board of Commissioners in the County's operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.

Resolution: See current year finding 2020-001.

Finding 2019-002: Internal Control Over Financial Reporting - Nonattest Services - Material Weakness

Condition: In connection with our audit of your financial statements, you have also engaged us to perform certain nonattest services, subject to the County Controller's review and approval, which included:

- Proposed adjustments to real estate taxes receivable, allowance for uncollectable taxes, and unearned real estate tax revenue
- Proposed adjustments to intergovernmental grants receivable/ unearned revenue

Recommendation: We recommend that management give consideration to performing the above tasks internally.

Resolution: The Controller's office has reconciled their general ledger to the support provided by other offices before giving the trail balance to the auditors. This reduced the level of non-attest services required in 2020.

County of McKean, Pennsylvania

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2020

Finding 2019-003: Internal Control Over Financial Reporting - Continuing Disclosure Compliance - Material Weakness

Condition: As part of our audit of the County's financial statements, we noted that the County does not appear to be current with its Municipal Securities Disclosure requirements relative to its outstanding General Obligation Bonds, Series of 2011.

Recommendation: We recommend that the County update its SEC Rule 15c2-12 filings and create an annual reminder system to update its filing(s) on a timely basis.

Resolution: In 2019 the County refinanced their debt into one bond which has a filing deadline of 270 days, and completed its continuing disclosure filings within this timeframe in 2020.

Finding 2019-004: Internal Control Over Financial Reporting - General Fund Budgeting - Material Weakness

Condition: The County incurred significant unfavorable budget variances in the following General Fund categories during 2019:

- General government expenditures
- Correction expenditures
- Operating transfers out

The variances occurred within the general government and correction expenditures due to the County's practice of not budgeting for various human services related pass-through grants as well as activity related to recycling grants. While such items typically have no "bottom line" effect, such practices understate the activity within these categories.

Recommendation: We recommend that the County review these areas of the budget to ensure that accurate amounts are being appropriated in the budget. Furthermore, we recommend that the County consider adopting budget amendments when material variations between actual and budgeted amounts are identified.

Resolution: See current year finding 2020-002.

County of McKean, Pennsylvania

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2020

Finding 2019-005

CFDA: #10.665 - Forest Service Schools and Roads Cluster

CFDA: #93.556 - Promoting Safe and Stable Families

CFDA: #93.658 - Foster Care Title IV-E

CFDA: #93.788 - Opioid STR

CFDA: #93.959 - Substance Abuse Block Grant

Condition: As part of our audit of the County's Forest Service Schools and Roads Cluster, Promoting Safe and Stable Families, Foster Care Title IV-E, Opioid STR, and Substance Abuse Block Grant Programs it was noted that the County did not adopt written policies/procedures surrounding procurement to comply with the requirements of the Uniform Guidance.

Recommendation: We recommend that the County draft and adopt the written policies/procedures required by the Uniform Guidance.

Resolution: All required policies have been drafted and approved by the County and are now in place.

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Commissioners of
County of McKean, Pennsylvania
and Commonwealth of PA Department of Human Services

We have performed the procedures enumerated below, on the financial schedules and exhibits required by the Commonwealth of Pennsylvania, Department of Human Services (DHS) *Single Audit Supplement* of the County of McKean, Pennsylvania (the County) as of and for the year ended December 31, 2020. The County's management is responsible for the financial schedules and exhibits required by the DHS *Single Audit Supplement*.

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the requirements of the DHS *Single Audit Supplement*. Additionally, DHS has specified in its *Single Audit Supplement* the procedures to be performed, and therefore, has agreed to and acknowledged that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all the users of this report and, as such, users are responsible for determining whether the procedures performed.

The procedures and associated findings are as follows:

- a. We have agreed by comparison of the amounts and classifications that the supplemental financial schedules listed below, which summarize amounts reported to DHS for the fiscal years ended June 30, 2020 and December 31, 2020, have been accurately compiled and reflect the audited books and records of the County. We also agreed by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the DHS *Single Audit Supplement* pertaining to this period.

Program Name	Page Number	Exhibit Number	Schedule/Exhibit
Title IV-D Child Support Program	78	A-1 (a)	Comparison of Single Audit Expenditures With the Reported Expenditures
Title IV-D Child Support Program	79	A-1 (c)	Comparison of Reported Incentives to Incentives on Deposit
Title IV-D Child Support Program	80	A-1 (d)	Comparison of Single Audit Title IV-D Account With Reported Title IV-D Account Revenues and Expenditures
Medical Assistance Transportation	81	III	Revenues, Expenditures and Carryover
Early Intervention Services	82	V (a) EI	Funds - Early Intervention
Early Intervention Program	83	V (b) EI	Report of Income and Expenditures - Early Intervention
Block Grant Summary Report	84	VI (a) BG-S	Report of Income and Expenditures
County Human Services Block Grant	85	VI (b) BG-S	Report of Income and Expenditures

- b. We inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on reports submitted to DHS for the period reported upon.
- c. With regard to the Reconciliation Supplemental Financial Schedule (Exhibit XX on Page 86) (the Reconciliation Schedule), we have performed the following procedures:
 - 1. We have agreed by comparison of amounts and classifications the expenditure amounts listed on the Reconciliation Schedule under the "Federal Expenditures per the SEFA" (Column C), which summarizes DHS federal expenditure amounts as of December 31, 2020, have been accurately compiled and reflect the audited books, records and SEFA of the County.
 - 2. We have agreed by comparison of amounts and classifications the program receipt amounts listed on the Reconciliation Schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" (Column D), which summarizes DHS federal receipt amounts as of December 31, 2020, have been accurately compiled and reflect the amounts reported on the audit confirmation reply from Pennsylvania.
 - 3. We have recalculated the dollar amount and percentage differences between the Federal Expenditures per the SEFA (Column C) and the Federal Awards Received per the audit confirmation reply from Pennsylvania (Column D) on the Reconciliation Schedule.
 - 4. We have agreed by comparison to the audited books and records that the dollar amount differences (Column E) between the expenditures (Column C) and receipts (Column D) on the Reconciliation Schedule accurately reflect the audited books and records of the County.
 - 5. We have agreed by comparison to the audited books and records that the explanation of differences (Column G) between the expenditures (Column C) and receipts (Column D) on the Reconciliation Schedule accurately reflect the audited books and records of the County.
- d. With regard to the Child Protective Services Law (CPSL) monitoring of In-Home Purchased Services Providers (Exhibit XXI on Page 87), we have performed the following procedures:
 - 1. We have agreed by comparison of provider Name (column A) to the providers who were paid for In-Home Purchased Services during the year according to the County Children and Youth Agency's (CCYA) general ledger, cash disbursements journal, or similar records.
 - 2. We have agreed by comparison of provisions the Provider Contract with requirements of the CPSL.
 - 3. We have agreed by comparison that information in columns C through I of Exhibit XXI to the CCYA's monitoring records for In-Home Purchased Service Providers.

The procedures detailed in paragraphs (a), (b), (c) and (d) above disclosed no adjustments or findings for the period reported upon.

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the DHS financial schedules and exhibits required by the DHS *Single Audit Supplement* of the County as of and for the year ended December 31, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Commonwealth of Pennsylvania, Department of Human Services, the Board of Commissioners, management and others within the County of McKean, Pennsylvania and is not intended to be, and should not be, used by anyone other than those specified parties.

Baker Tilly US, LLP

Williamsport, Pennsylvania
September 20, 2021

County of McKean, Pennsylvania

Child Support Enforcement Program
 Comparison of Single Audit Expenditures With the Reported Expenditures
 June 30, 2020

Exhibit A-1(a)

	Single Audit Expenditures					Reported Expenditures					Single Audit Over (Under) Expenditures				
	Total	Unallowable	Incentive Paid Costs	Net	Amount Paid	Total	Unallowable	Incentive Paid Costs	Net	Amount Paid	Total	Unallowable	Incentive Paid Costs	Net	Amount Paid
Quarter ending: 9/30/19															
1. Salary/Overhead	\$ 178,175	\$ 6,046	\$ 3,205	\$ 168,924	\$ 111,490	\$ 178,175	\$ 6,046	\$ 3,205	\$ 168,924	\$ 111,490	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees/Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Interest/Program Income	1,955	49	-	1,906	1,258	1,955	49	-	1,906	1,258	-	-	-	-	-
4. Blood Testing Fees	342	-	-	342	226	342	-	-	342	226	-	-	-	-	-
5. Blood Testing Costs	228	-	-	228	150	228	-	-	228	150	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net total	<u>\$ 176,106</u>	<u>\$ 5,997</u>	<u>\$ 3,205</u>	<u>\$ 166,904</u>	<u>\$ 110,156</u>	<u>\$ 176,106</u>	<u>\$ 5,997</u>	<u>\$ 3,205</u>	<u>\$ 166,904</u>	<u>\$ 110,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Quarter ending: 12/31/19															
1. Salary/Overhead	\$ 175,186	\$ 6,538	\$ -	\$ 168,648	\$ 111,308	\$ 175,186	\$ 6,538	\$ -	\$ 168,648	\$ 111,308	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees/Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Interest/Program Income	1,905	49	-	1,856	1,225	1,905	49	-	1,856	1,225	-	-	-	-	-
4. Blood Testing Fees	271	-	-	271	179	271	-	-	271	179	-	-	-	-	-
5. Blood Testing Costs	57	-	-	57	38	57	-	-	57	38	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net total	<u>\$ 173,067</u>	<u>\$ 6,489</u>	<u>\$ -</u>	<u>\$ 166,578</u>	<u>\$ 109,942</u>	<u>\$ 173,067</u>	<u>\$ 6,489</u>	<u>\$ -</u>	<u>\$ 166,578</u>	<u>\$ 109,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Quarter ending: 3/31/20															
1. Salary/Overhead	\$ 194,012	\$ 13,628	\$ -	\$ 180,384	\$ 119,053	\$ 194,012	\$ 13,628	\$ -	\$ 180,384	\$ 119,053	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees/Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Interest/Program Income	1,940	48	-	1,892	1,249	1,940	48	-	1,892	1,249	-	-	-	-	-
4. Blood Testing Fees	282	-	-	282	186	282	-	-	282	186	-	-	-	-	-
5. Blood Testing Costs	114	-	-	114	75	114	-	-	114	75	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net total	<u>\$ 191,904</u>	<u>\$ 13,580</u>	<u>\$ -</u>	<u>\$ 178,324</u>	<u>\$ 117,693</u>	<u>\$ 191,904</u>	<u>\$ 13,580</u>	<u>\$ -</u>	<u>\$ 178,324</u>	<u>\$ 117,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Quarter ending: 6/30/20															
1. Salary/Overhead	\$ 195,550	\$ 5,192	\$ -	\$ 190,358	\$ 125,636	\$ 195,550	\$ 5,192	\$ -	\$ 190,358	\$ 125,636	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees/Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Interest/Program Income	2,259	54	-	2,205	1,455	2,259	54	-	2,205	1,455	-	-	-	-	-
4. Blood Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Blood Testing Costs	217	-	-	217	143	217	-	-	217	143	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net total	<u>\$ 193,508</u>	<u>\$ 5,138</u>	<u>\$ -</u>	<u>\$ 188,370</u>	<u>\$ 124,324</u>	<u>\$ 193,508</u>	<u>\$ 5,138</u>	<u>\$ -</u>	<u>\$ 188,370</u>	<u>\$ 124,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Accountants' Report on Applying Agreed-Upon Procedures

County of McKean, Pennsylvania

Title IV-D Child Support Program
 Comparison of Reported Incentives to Incentives on Deposit
 Year Ended December 31, 2020

Exhibit A-1 (c)

<u>County</u>	<u>McKean, Pennsylvania</u>	<u>Year Ended December 31, 2020</u>	
<u>Month</u>	<u>MSE Paid Cost Worksheet Ending Incentive Balance</u>	<u>Audited Title IV-D Account Incentive Balance</u>	<u>Type of Account Structure</u>
January	\$ 547,628	\$ 547,628	
March	563,378	563,378	(X) Separate Bank Account
June	577,802	577,802	() Restricted Fund-General Ledger
September	604,575	604,575	() Other: _____
December	608,259	608,259	

NOTE: Do not include income received from interest or medical incentives.

County of McKean, Pennsylvania

Title IV-D Child Support Program

Exhibit A-1 (d)

Comparison of Single Audit Title IV-D Account With Reported Title IV-D Account

Year Ended December 31, 2020

	Single Audit Title IV-D Account	Reported Title IV-D Account	Single Audit Over/(Under) Reported
Balance at January 1	\$ 629,764	\$ 629,764	\$ -
Receipts:			
Reimbursements	426,177	426,177	-
Incentives	75,247	75,247	-
Title XIX Incentives	-	-	-
Interest	4,587	4,587	-
Program Income	-	-	-
Genetic Testing Costs	884	884	-
Maintenance of Effort (MOE)	-	-	-
Other: P-Card Reimbursement	32	32	-
Total Receipts	\$ 506,927	\$ 506,927	\$ -
Intra-fund Transfers-In	75,000	75,000	-
Funds Available	\$ 1,211,691	\$ 1,211,691	\$ -
Disbursements:			
Transfers to General Fund	-	-	-
Vendor Payments	524,349	524,349	-
Bank Charges	-	-	-
Other: _____	-	-	-
Total Disbursements	\$ 524,349	\$ 524,349	\$ -
Intra-fund Transfers-Out	-	-	-
Balance at December 31	\$ 687,342	\$ 687,342	\$ -

The Title IV-D account consists of two accounts.

The Title IV-D account is comprised of one checking and one savings account.

County of McKean, PennsylvaniaSchedule of Revenues and Expenditures
Medical Assistance Transportation Program
Year Ended June 30, 2020

Exhibit III

	<u>Reported</u>	<u>Actual</u>	<u>Difference</u>
Service Data			
Expenditures:			
Group I Clients	\$ 609,984	\$ 609,984	\$ -
Group II Clients	-	-	-
	<u>609,984</u>	<u>609,984</u>	<u>-</u>
Total expenditures	<u>\$ 609,984</u>	<u>\$ 609,984</u>	<u>\$ -</u>
Allocation Data			
Revenues:			
Department of Human Services	\$ 608,930	\$ 608,930	\$ -
Interest Income	1,054	1,054	-
	<u>609,984</u>	<u>609,984</u>	<u>-</u>
Total revenues	<u>609,984</u>	<u>609,984</u>	<u>-</u>
Funds Expended:			
Operating Costs	609,984	609,984	-
Administrative Costs	-	-	-
	<u>609,984</u>	<u>609,984</u>	<u>-</u>
Total funds expended	<u>609,984</u>	<u>609,984</u>	<u>-</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

McKean County, Pennsylvania

Schedule of Revenues, Expenditures and Carryover Funds

Exhibit V (a) EI

Early Intervention

Year Ended June 30, 2020

Source of DHS Funding	Appropriation	DHS Funds Available			Cost Eligible for DHS Participation	Balance of Funds	Grant Fund Adjustments	Total Fund Balance
		Carryover	Allotment	Total Allocation				
A. Early Intervention								
1. Early Intervention Services	10235	\$ 2,518	\$ 696,295	\$ 698,813	\$ 656,320	\$ 42,493	\$ -	\$ 42,493
2. Early Intervention Training	10235	3,189	1,071	4,260	4,260	-	-	-
3. Early Intervention Administration	10235	-	37,371	37,371	32,623	4,748	-	4,748
4. Infants and Toddlers with Disabilities (Part C)	70170	-	36,807	36,807	36,807	-	-	-
5. IT&F Waiver Administration	10235/70184	3,285	6,837	10,122	4,624	5,498	-	5,498
Total Early Intervention		<u>\$ 8,992</u>	<u>\$ 778,381</u>	<u>\$ 787,373</u>	<u>\$ 734,634</u>	<u>\$ 52,739</u>	<u>\$ -</u>	<u>\$ 52,739</u>

McKean County, Pennsylvania

Report of Income and Expenditures

Exhibit V (b) EI

Early Intervention Program

Year Ended June 30, 2020

	<u>Administration Office</u>	<u>Early Intervention</u>	<u>Service Coordination</u>	<u>Total</u>
I. Total Allocation	\$ -	\$ -	\$ -	\$ 787,373
II. Total Expenditures	41,855	452,944	432,973	927,772
III. Costs Over Allocation				
A. County Funded - Eligible	-	-	-	-
B. County Funded - Ineligible	-	-	-	-
C. Other - Eligible	-	-	-	-
D. Other - Ineligible	-	-	-	-
Total Costs Over Allocation	-	-	-	-
IV. Revenues				
A. Program Service Fees	-	-	-	-
B. Private Insurance Fees	-	-	-	-
C. Medical Assistance	-	-	65,395	65,395
D. Earned Interest	983	-	-	983
E. Other	-	-	45,648	45,648
Total Revenues	983	-	111,043	112,026
V. DHS Reimbursement				
A. DHS Categorical Funding - 90%	32,623	407,650	289,737	730,010
B. DHS Categorical Funding - 100%	4,624	-	-	4,624
VI. County Match - 10%	3,625	45,294	32,193	81,112
VII. Total DHS Reimbursement and County Match	<u>\$ 40,872</u>	<u>\$ 452,944</u>	<u>\$ 321,930</u>	<u>\$ 815,746</u>
VIII. Total Carryover				<u>\$ 52,739</u>

See Independent Accountants' Report on Applying Agreed-Upon Procedures

McKean County, Pennsylvania

Report of Income and Expenditures
 Block Grant Summary Report
 Year Ended June 30, 2020

Exhibit VI (a) BG-S

County Match (%)	4.30%
Actual County Match (\$)	\$ 140,740
Actual County Match (%)	4.30%

Block Grant Reporting

		Costs Eligible for DHS Participation										
Appropriation		DHS Allocation	Mental Health	Intellectual Disabilities	Homeless Assistance	HSS	D&A	Total	Balance of Funds	Adjustments	Total Fund Balance	
Sources of Funding:												
1	State Human Services Block Grant	Multiple	\$ 3,270,356	\$ 2,696,552	\$ 299,584	\$ 36,192	\$ 54,135	\$ 183,893	\$ 3,270,356	\$ -	\$ -	\$ -
2	SSBG	Multiple	91,086	43,414	47,672	-	-	-	91,086	-	-	-
3	SABG	80884	-	-	-	-	-	-	-	-	-	-
4	CMHSBG	70167	59,235	59,235	-	-	-	-	59,235	-	-	-
5	MA	70175	125,828	-	116,920	-	-	-	116,920	8,908	-	8,908
6	Reserved	80222	-	-	-	-	-	-	-	-	-	-
Total for Block Grant			\$ 3,546,505	\$ 2,799,201	\$ 464,176	\$ 36,192	\$ 54,135	\$ 183,893	\$ 3,537,597	\$ 8,908	\$ -	\$ 8,908

Retained Earnings	
I. Unexpended Allocation	\$ -
II. Maximum Retained Earnings (5%)	\$ 163,518
III. Amount to be Returned to DHS	\$ -
IV. Total Requested Retained Earnings	\$ -

Prior Year Retained Earnings	
I. FY 18-19 Retained Earnings	\$ -
II. Total Expended Retained Earnings-3%	\$ -
III. Amount to be Returned to DHS	\$ -

McKean County, Pennsylvania

Report of Income and Expenditures
 County Human Services Block Grant
 Year Ended June 30, 2020

Exhibit VI(b) BG-S

	Appropriation	Total Carryover	Allotment	DHS Allocation	Costs Eligible for DHS Participation	Balance of Funds	Adjustments	Total Fund Balance
Sources of Funding								
A.	Mental Health Services							
1	State - Employment	10248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	State - Prevention/Early Intervention/Recovery	10248	-	-	-	-	-	-
3	Federal - Infusing Peer Specialist into Crisis Services - TTI	70127	-	-	-	-	-	-
4	Federal - PATH Homeless Grant	70154	-	-	-	-	-	-
5	Federal - CMHSBG - First Episode Psychosis	70167	-	-	-	-	-	-
6	Federal - CMHSBG - IECMH Endorsement	70167	4,500	4,500	9,000	9,000	-	9,000
7	Federal - CMHSBG - Housing Training Scholarships	70167	5,000	5,000	10,000	10,000	-	10,000
8	Federal - CMHSBG - Network of Care	70167	-	-	-	-	-	-
9	Federal - CMHSBG - TCM On-line Training	70167	-	-	-	-	-	-
10	Federal - PA System of Care Grant	70976	-	-	-	-	-	-
11	Federal - Project Launch	71021	-	-	-	-	-	-
12	Federal - Bio-Terrorism Hospital Preparedness	80343	-	-	-	-	-	-
13	Federal - SERG-Tree of Life	82583	-	-	-	-	-	-
14	Reserved		-	-	-	-	-	-
	Subtotal Mental Health Services		9,500	9,500	19,000	19,000	-	19,000
B.	Intellectual Disabilities Services							
1	Reserved		-	-	-	-	-	-
2	Elwyn	10236	-	-	-	-	-	-
3	One Time Pass Through Non-Block Grant	10255	-	-	-	-	-	-
4	Reserved		-	-	-	-	-	-
	Subtotal Intellectual Disabilities Services		-	-	-	-	-	-
C.	Total for Non-Block Grant Reporting							
			\$ 9,500	\$ 9,500	\$ 19,000	\$ -	\$ 19,000	\$ -
			\$ 9,500	\$ 9,500	\$ 19,000	\$ -	\$ 19,000	\$ -

See Independent Accountants' Report on Applying Agreed-Upon Procedures

County of McKean, Pennsylvania

Reconciliation Supplemental Financial Schedule
Year Ended December 31, 2020

Exhibit XX

**Federal Awards Passed Through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply**

(A)	(B)	(C)	(D)	(E)	(F)	(G)
CFDA Name	CFDA Number	Federal Expenditures per the SEFA	Federal Awards Received per the Audit Confirmation Reply From Pennsylvania	Difference (C-D)	% Difference (E/D)	Detailed Explanation of the Differences
Special Education - Grants for Infants and Families with Disabilities	84.181	\$ 40,373	\$ 27,606	\$ 12,767	46.25%	The difference in year end Accounts Receivable accounts for \$2,301 of the difference. The timing of cash receipts versus confirm accounts for \$10,466 of the difference.
Guardianship Assistance Program	93.090	32,728	19,654	13,074	66.52%	The difference in year end Accounts Receivable accounts for \$7,917 of the difference. The timing of cash receipts versus confirm accounts for \$5,157 of the difference.
Promoting Safe and Stable Families	93.556	329,226	176,407	152,819	86.63%	Remittance confirms for Family Centers grant does not allocate between Federal and State Funds.
Temporary Assistance for Needy Families	93.558	22,907	35,762	(12,855)	-35.95%	The difference in year end Accounts Receivable accounts for (\$12,855) of the difference.
Title IV-D	93.563	426,177	386,212	39,965	10.35%	The difference in year end Accounts Receivable accounts for \$4,814 of the difference. The timing of cash receipts versus confirm accounts for \$35,151 of the difference.
Title IV-D Incentives	93.563	75,247	66,475	8,772	13.20%	The difference in year end Accounts Receivable accounts for the difference of \$8,772.
HAVA Election Security	90.404	13,985	-	13,985	#DIV/0!	The difference in year end Accounts Receivable accounts for the difference of \$13,985.
Title IV-B	93.645	28,407	21,304	7,103	33.34%	The timing of cash receipts versus confirm accounts for \$7,103 of the difference.
Title IV-B Match	93.645	7,575	7,575	-	0.00%	N/A
Title IV-B Match - COVID 19	93.645	6,324	6,324	-	0.00%	N/A
Title IV-E Foster Care	93.658	655,087	692,022	(36,935)	-5.34%	The difference in year end Accounts Receivable accounts for (\$24,563) of the difference. The timing of cash receipts versus confirm accounts for (\$12,372) of the difference.
Title IV-E Adoption Assistance	93.659	596,570	417,265	179,305	42.97%	The difference in year end Accounts Receivable accounts for \$58,354 of the difference. The timing of cash receipts versus confirm accounts for \$120,951 of the difference.
Social Services Block Grant - Title XX	93.667	44,351	33,263	11,088	33.33%	The timing of cash receipts versus confirm accounts for \$11,088 of the difference.
Social Services Block Grant - MH	93.667	43,414	32,561	10,853	33.33%	The timing of cash receipts versus confirm accounts for \$10,853 of the difference.
Social Services Block Grant - MR	93.667	47,672	35,754	11,918	33.33%	The timing of cash receipts versus confirm accounts for \$11,918 of the difference.
Chafee Foster Care Independence Program	93.674	56,382	56,382	-	0.00%	N/A
Medical Assistance Transportation Program	93.778	336,963	336,964	(1)	0.00%	Due to rounding.
Medical Assistance Waiver	93.778	125,942	31,452	94,490	300.43%	The timing of cash receipts versus confirm accounts for the variance of \$94,490.
Targeted Management Services	93.778	5,983	2,525	3,458	136.95%	The difference in year end Accounts Receivable accounts for \$3,458 of the difference.
Title IV-E Medicaid	93.778	1,487	1,868	(381)	N/A	The difference in year end Accounts Receivable accounts for (\$381) of the difference.
MH Administration	93.778	29,036	15,160	13,876	91.53%	The difference in year end Accounts Receivable accounts for \$13,351 of the difference. The timing of cash receipts versus confirm accounts for \$525 of the difference.
Block Grants for Community Mental Health Services	93.958	51,551	51,551	-	0.00%	N/A
		<u>\$ 2,977,387</u>	<u>\$ 2,454,086</u>	<u>\$ 523,301</u>	<u>21.32%</u>	

See Independent Accountants' Report on Applying Agreed-Upon Procedures

County of McKean, Pennsylvania

Children and Youth Agency Monitoring Schedule
 Year Ended December 31, 2020

Exhibit XXI

**McKean County Children and Youth Agency
 Child Protective Services Law (CPSL) Monitoring of In-Home Purchased Service Providers**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Provider Name	Does Provider Contract Include CPSL Requirements	Most Recent Monitoring Date	Monitored During The Current Year Monitoring	List Any Exceptions Noted During Current Year Monitoring	If Applicable, Was CAP Submitted	Is CAP Acceptable to CCYA	Date Follow-up Was Done On Prior Year Monitoring	Has Provider Implemented the CAP
Redevelopment and Housing Authority	Yes	9/17/2020	Yes	Yes	N/A	N/A	N/A	N/A
The Guidance Center	Yes	7/9/2020	Yes	Yes	N/A	N/A	N/A	N/A
Children's Center for Tmnt. & Ed.	Yes	12/10/2020	Yes	None	N/A	N/A	N/A	N/A