



**TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
53-222**

**LIQUID FUELS TAX FUND  
EXAMINATION REPORT**

**FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





Commonwealth of Pennsylvania  
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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

### Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.  
Secretary  
Department of Transportation  
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Porter, Schuylkill County, for the period January 1, 2009 to December 31, 2012. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Porter, Schuylkill County's Forms MS-965 for the period January 1, 2009 to December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

## Independent Auditor's Report (Continued)

As discussed in Finding No. 2, the 2012 Liquid Fuels Tax Fund allocation of \$61,797.03, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until December 10, 2013, which was subsequent to our examination period. Additionally, the 2011 Liquid Fuels Tax Fund allocation of \$58,916.40, which should have been distributed from the Department of Transportation to the municipality during the first week in April of that year, has not been received as of the date of this report. The municipality is no longer eligible to receive this allocation.

In our opinion, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Porter, Schuylkill County, for the period January 1, 2009 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Porter, Schuylkill County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Porter, Schuylkill County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Porter, Schuylkill County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- One Signature On Liquid Fuels Tax Fund Checks.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Porter, Schuylkill County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Late Receipt Of 2009 And 2012 Allocations, Nonreceipt Of 2011 Allocation, And 2012 Turnback Allocation Not Deposited Into The Liquid Fuels Tax Fund - Recurring.
- Failure To Timely Submit Final Completion Report - Recurring.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Porter, Schuylkill County, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

June 27, 2013

**EUGENE A. DEPASQUALE**  
Auditor General

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TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

*The Vehicle Code*, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In this case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2009 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	75,000.00	-	75,000.00
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 75,000.00</u>	<u>\$ -</u>	<u>\$ 75,000.00</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2009 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2009	\$ 14,804.23	\$ -	\$ 14,804.23
Receipts:			
2. State allocation	59,913.67	-	59,913.67
2a. Turnback allocation	400.00	-	400.00
2b. Interest on investments (Note 3)	227.01	-	227.01
2c. Miscellaneous	-	-	-
3. Total receipts	<u>60,540.68</u>	<u>-</u>	<u>60,540.68</u>
4. Total funds available	<u>75,344.91</u>	<u>-</u>	<u>75,344.91</u>
5. Expenditures (Section 1)	<u>75,000.00</u>	<u>-</u>	<u>75,000.00</u>
6. Balance, December 31, 2009	<u><u>\$ 344.91</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 344.91</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.



TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2009 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 14,804.23	\$ -	\$ 14,804.23
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,062.73	-	12,062.73
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	26,866.96	-	26,866.96
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>26,866.96</u>	<u>-</u>	<u>26,866.96</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 344.91</u>	<u>\$ -</u>	<u>\$ 344.91</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2010 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2010 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 344.91	\$ -	\$ 344.91
Receipts:			
2. State allocation	57,555.70	-	57,555.70
2a. Turnback allocation	400.00	-	400.00
2b. Interest on investments (Note 3)	42.28	-	42.28
2c. Miscellaneous	-	-	-
3. Total receipts	<u>57,997.98</u>	<u>-</u>	<u>57,997.98</u>
4. Total funds available	<u>58,342.89</u>	<u>-</u>	<u>58,342.89</u>
5. Expenditures (Section 1)	<u>-</u>	<u>-</u>	<u>-</u>
6. Balance, December 31, 2010	<u><u>\$ 58,342.89</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,342.89</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2010 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 344.91	\$ -	\$ 344.91
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	11,591.14	-	11,591.14
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	11,936.05	-	11,936.05
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>11,936.05</u>	<u>-</u>	<u>11,936.05</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 11,936.05</u>	<u>\$ -</u>	<u>\$ 11,936.05</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	58,000.00	-	58,000.00
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 58,000.00</u>	<u>\$ -</u>	<u>\$ 58,000.00</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 58,342.89	\$ -	\$ 58,342.89
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	400.00	-	400.00
2b. Interest on investments (Note 3)	19.18	-	19.18
2c. Miscellaneous	-	-	-
3. Total receipts	<u>419.18</u>	<u>-</u>	<u>419.18</u>
4. Total funds available	<u>58,762.07</u>	<u>-</u>	<u>58,762.07</u>
5. Expenditures (Section 1)	<u>58,000.00</u>	<u>-</u>	<u>58,000.00</u>
6. Balance, December 31, 2011	<u><u>\$ 762.07</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 762.07</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 11,936.05	\$ -	\$ 11,936.05
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	80.00	-	80.00
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	12,016.05	-	12,016.05
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>12,016.05</u>	<u>-</u>	<u>12,016.05</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 762.07</u>	<u>\$ -</u>	<u>\$ 762.07</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.



TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 762.07	\$ -	\$ 762.07
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	.45	-	.45
2c. Miscellaneous	-	-	-
3. Total receipts	<u>.45</u>	<u>-</u>	<u>.45</u>
4. Total funds available	<u>762.52</u>	<u>-</u>	<u>762.52</u>
5. Expenditures (Section 1)	<u>-</u>	<u>-</u>	<u>-</u>
6. Balance, December 31, 2012	<u><u>\$ 762.52</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 762.52</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 762.07	\$ -	\$ 762.07
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	762.07	-	762.07
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>762.07</u>	<u>-</u>	<u>762.07</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 762.07</u>	<u>\$ -</u>	<u>\$ 762.07</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

1. Criteria

Section 1

This section of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment that cost in excess of \$4,000.00 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

This section of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- Expenditures include the total transferred from Section 1.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

1. Criteria (Continued)

Section 3

This section of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Forms MS-965 have been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

1. Criteria (Continued)

General Fixed Assets

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

2. Deposits

*The Second Class Township Code*, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in 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 and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. 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 minus liabilities.

Deposits consist of receipts and deposits in a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2012. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2012 consists of the following:

Cash	\$762.52
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$227.01 during 2009, \$42.28 during 2010, \$19.18 during 2011, and \$.45 during 2012, thus providing additional funds for road maintenance and repairs.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 1 - One Signature On Liquid Fuels Tax Fund Checks

Our examination disclosed that only one signature was required to authorize checks drawn on the Liquid Fuels Tax Fund. When only one signature is required there is a significant risk of unauthorized disbursements, errors, or misappropriations occurring and remaining undetected. To decrease this risk, good internal controls require that at least two authorized signatures be required to authorize checks drawn on the Liquid Fuels Tax Fund.

Recommendation

We recommend that the municipality improve internal control procedures over disbursements by requiring at least two signatures on all disbursements from the Liquid Fuels Tax Fund account.

Management's Response

The supervisor/secretary/treasurer stated:

We acknowledge this one time error and will diligently work not to let this happen again. In the township's defense, this issue has never occurred with the Township's General Fund. Hundreds of checks are written each year from the General Fund and our CPA firm has never raised this issue. The payment in question was approved by the board at a public meeting for a legitimate invoice. We would have expected the financial institution to have discovered this error and rejected the check.

Auditors Conclusion

The municipality only wrote two checks from the Liquid Fuels Tax Fund during the examination period. The municipality should ensure that its signature card for the checking account filed with the municipality's financial institution requires at least two authorized signatures to authorize checks. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 2 - Late Receipt Of 2009 And 2012 Allocations, Nonreceipt Of 2011 Allocation,  
And 2012 Turnback Allocation Not Deposited Into The Liquid Fuels Tax Fund -  
Recurring

We cited the municipality for receiving its Liquid Fuels Tax Fund allocations late in our last four examination periods, with the most recent for the period ending December 31, 2008. However, our current examination disclosed that the 2009 and 2012 Liquid Fuels Tax Fund allocations of \$59,913.67 and \$61,797.03, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of April of each year, were not received until June 1, 2009 and December 10, 2013, respectively. Additionally, the 2011 Liquid Fuels Tax Fund allocation of \$58,916.40, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, has not been received by the municipality as of the date of this report. The municipality received the 2009 and 2012 allocations late and did not receive the 2011 allocation because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition by March 15<sup>th</sup>.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.



TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 2 - Late Receipt Of 2009 And 2012 Allocations, Nonreceipt Of 2011 Allocation,  
And 2012 Turnback Allocation Not Deposited Into The Liquid Fuels Tax Fund -  
Recurring (Continued)

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2009 allocation for two months and the 2012 allocation for more than 20 months. Furthermore, had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

Additionally, because the municipality failed to file the required documents and information as noted above for more than two years, the 2011 Liquid Fuels Tax Fund allocation of \$58,916.40 has lapsed and the municipality can no longer receive it.

This condition occurred because the municipality failed to comply with our prior examination recommendation to comply with the Department of Transportation's *Publication 9*.

Additionally, the municipality's 2012 Turnback allocation of \$400.00 was distributed to the township on April 1, 2012. However, the township failed to deposit the allocation into the Liquid Fuels Tax Fund. We were unable to determine where the turnback allocation was deposited.

This turnback allocation was made to the municipality in accordance with the *Vehicle Code*, 75 Pa. C.S.A. § 9511(4), which requires that "Annual maintenance payments...shall be deposited into the municipality's liquid fuels tax account..."

If the turnback allocation was deposited into the Liquid Fuels Tax Fund, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs. In addition, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

The failure to follow *The Vehicle Code* as noted above could result in the municipality having to reimburse \$400.00 to its Liquid Fuels Tax Fund.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 2 - Late Receipt Of 2009 And 2012 Allocations, Nonreceipt Of 2011 Allocation,  
And 2012 Turnback Allocation Not Deposited Into The Liquid Fuels Tax Fund -  
Recurring (Continued)

Recommendations

We recommend that the municipality reimburse \$400.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

Further, we again strongly recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in April as outlined above.

Additionally, we recommend that the municipality deposit turnback allocations received for annual maintenance immediately into the Liquid Fuels Tax Fund.

Management's Response

The supervisor/secretary/treasurer stated:

We certainly hope that there will not be any late submittals of future allocation paperwork. The current secretary will not be involved in future Liquid Fuels paperwork submittals. A part time assistant was approved for hire by the township to assume those duties and others.

Auditors Conclusion

A finding for late receipt of allocation has occurred in each examination period since 2000-2001. The township supervisors should ensure that employees are cross trained to file all required documents. The failure to file the required documents to receive the 2011 allocation has resulted in a loss of \$58,916.40 of Liquid Fuels Tax Fund money that could have been used for road maintenance and construction. We strongly recommend that the municipality comply with our recommendations.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 3 - Failure To Timely Submit Final Completion Report - Recurring

We cited the municipality for failing to timely submit a Final Completion Report in our last examination report for the period ending December 31, 2008. However, our current examination disclosed that the municipality expended \$75,000.00 for project No. 09-53-222-01. Final payment was made on this project on December 31, 2009 although a Final Completion Report Form MS-999 was not filed with the Department of Transportation until September 18, 2013, which is subsequent to the examination period.

The Department of Transportation's *Publication 9* outlines the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.8, states, in relevant part:

9. Upon completion of the project, local officials shall complete Form MS-999, Project Completion Report, and submit this form to the Municipal Services Representatives...The MS-999 must reflect actual quantities used and the total cost of the project. It shall also indicate the distribution of costs to the approved funding sources for the project.

This condition occurred because the municipality failed to comply with our prior examination recommendation to submit a Final Completion Report Form MS-999 for completed projects in a timely manner.

Recommendation

We strongly recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 9* by submitting a Final Completion Report Form MS-999 for completed projects in a timely manner.

Management's Response

The supervisor/secretary/treasurer stated:

The township was under assumption that the completion report was submitted to the PENNDOT Municipal Service Representative. We recall that there was a change in the personnel with our District Municipal Service Representative and it could have been misplaced. The report has been completed and resubmitted to PENNDOT.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Finding No. 3 - Failure To Timely Submit Final Completion Report - Recurring  
(Continued)

Auditors Conclusion

If the Final Completion Report was filed timely, the municipal officials should have followed up with the Department of Transportation when it did not receive an approved Form MS-999 back from the Department of Transportation. This is a recurring finding. We strongly recommend that the municipality comply with our recommendation.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
COMMENT  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

Comment - Summary Of Prior Examination Recommendation

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$66,928.44 to its Liquid Fuels Tax Fund for failing to timely submit final completion reports. A similar finding was also written in our current report (see Finding No. 3).

During our current examination we reviewed a letter dated October 11, 2012, from the Department of Transportation informing the municipality that the reimbursement of \$66,928.44 would not be required.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

An exit conference was held June 27, 2013. Those participating were:

TOWNSHIP OF PORTER

The Honorable William Schaeffer, Supervisor/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian P. Dries, Auditor

The results of the examination were presented and discussed in their entirety.

TOWNSHIP OF PORTER  
SCHUYLKILL COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.  
Secretary  
Department of Transportation

Township of Porter  
Schuylkill County  
309 West Wiconisco Street  
Muir, PA 17957

The Honorable John Hawk

Chairman of the Board of Supervisors

The Honorable William Schaeffer

Supervisor/Secretary/Treasurer

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).