

# ATTESTATION ENGAGEMENT

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Township of Lower Southampton  
Bucks County, Pennsylvania  
09-212  
Liquid Fuels Tax Fund  
For the Period  
January 1, 2010 to December 31, 2013

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June 2015



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DEPASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Leslie Richards  
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 Lower Southampton, Bucks County, for the period January 1, 2010 to December 31, 2013. 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 Lower Southampton, Bucks County's Forms MS-965 for the period January 1, 2010 to December 31, 2013 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*.

As described in Finding No. 1, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

## Independent Auditor's Report (Continued)

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 Lower Southampton, Bucks County, for the period January 1, 2010 to December 31, 2013, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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.

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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 Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below to be a material weakness.

- Failure To Properly Prepare Forms MS-965.

*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. We consider the deficiency listed below to be significant deficiency.

- Idle Funds Held In A Noninterest-Bearing Account.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Lower Southampton, Bucks County's 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 amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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*. However, we did note an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.

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

We appreciate the courtesy extended by the Township of Lower Southampton, Bucks County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

March 13, 2015

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TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

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 LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2010 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	169,804.01	(4,575.21)	165,228.80
Traffic control devices	42,961.64	(3,667.00)	39,294.64
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	70.94	-	70.94
Maintenance and repair of roads and bridges	185,970.37	1,602.86	187,573.23
Highway construction and rebuilding projects	100,000.00	-	100,000.00
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 498,806.96</u>	<u>\$ (6,639.35)</u>	<u>\$ 492,167.61</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2010 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 245,557.37	\$ -	\$ 245,557.37
Receipts:			
2. State allocation	383,006.30	-	383,006.30
2a. Turnback allocation	7,840.00	-	7,840.00
2b. Interest on investments (Note 3)	1,016.97	-	1,016.97
2c. Miscellaneous (Note 4)	4,114.78	852.44	4,967.22
3. Total receipts	<u>395,978.05</u>	<u>852.44</u>	<u>396,830.49</u>
4. Total funds available	<u>641,535.42</u>	<u>852.44</u>	<u>642,387.86</u>
5. Expenditures (Section 1)	<u>498,806.96</u>	<u>(6,639.35)</u>	<u>492,167.61</u>
6. Balance, December 31, 2010	<u>\$ 142,728.46</u>	<u>\$ 7,491.79</u>	<u>\$ 150,220.25</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS 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	\$ 245,557.37	\$ -	\$ 245,557.37
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	78,169.26	-	78,169.26
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	323,726.63	-	323,726.63
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>323,726.63</u>	<u>-</u>	<u>323,726.63</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 142,728.46</u>	<u>\$ 7,491.79</u>	<u>\$ 150,220.25</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	184,292.56	10,525.93	194,818.49
Traffic control devices	42,141.30	(2,680.79)	39,460.51
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	127,601.35	26,736.63	154,337.98
Highway construction and rebuilding projects	207,520.54	-	207,520.54
Miscellaneous (Note 5)	-	119,555.77	119,555.77
	<u>-</u>	<u>119,555.77</u>	<u>119,555.77</u>
Total (To Section 2, Line 5)	<u>\$ 561,555.75</u>	<u>\$ 154,137.54</u>	<u>\$ 715,693.29</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2011 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 142,728.46	\$ 7,491.79	\$ 150,220.25
Receipts:			
2. State allocation	392,193.03	-	392,193.03
2a. Turnback allocation	7,840.00	-	7,840.00
2b. Interest on investments (Note 3)	378.19	-	378.19
2c. Miscellaneous (Note 4)	19,240.94	162,674.22	181,915.16
3. Total receipts	<u>419,652.16</u>	<u>162,674.22</u>	<u>582,326.38</u>
4. Total funds available	<u>562,380.62</u>	<u>170,166.01</u>	<u>732,546.63</u>
5. Expenditures (Section 1)	<u>561,555.75</u>	<u>154,137.54</u>	<u>715,693.29</u>
6. Balance, December 31, 2011	<u>\$ 824.87</u>	<u>\$ 16,028.47</u>	<u>\$ 16,853.34</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 142,728.46	\$ 7,491.79	\$ 150,220.25
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	80,006.61	-	80,006.61
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	222,735.07	7,491.79	230,226.86
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>222,735.07</u>	<u>7,491.79</u>	<u>230,226.86</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 824.87</u>	<u>\$ 16,028.47</u>	<u>\$ 16,853.34</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	25,652.39	(4,533.73)	21,118.66
Traffic control devices	44,185.37	5,190.99	49,376.36
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	145,982.73	(257.19)	145,725.54
Highway construction and rebuilding projects	50,700.00	-	50,700.00
Miscellaneous (Note 5)	-	37,150.45	37,150.45
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 266,520.49</u>	<u>\$ 37,550.52</u>	<u>\$ 304,071.01</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 824.87	\$ 16,028.47	\$ 16,853.34
Receipts:			
2. State allocation	391,948.53	-	391,948.53
2a. Turnback allocation	7,840.00	-	7,840.00
2b. Interest on investments	-	-	-
2c. Miscellaneous (Note 4)	<u>29,208.69</u>	<u>44,043.10</u>	<u>73,251.79</u>
3. Total receipts	<u>428,997.22</u>	<u>44,043.10</u>	<u>473,040.32</u>
4. Total funds available	<u>429,822.09</u>	<u>60,071.57</u>	<u>489,893.66</u>
5. Expenditures (Section 1)	<u>266,520.49</u>	<u>37,550.52</u>	<u>304,071.01</u>
6. Balance, December 31, 2012	<u><u>\$ 163,301.60</u></u>	<u><u>\$ 22,521.05</u></u>	<u><u>\$ 185,822.65</u></u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2012 FORM MS-965 – SECTION 3  
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 824.87	\$ 16,028.47	\$ 16,853.34
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	79,957.71	-	79,957.71
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	80,782.58	16,028.47	96,811.05
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>80,782.58</u>	<u>16,028.47</u>	<u>96,811.05</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 80,782.58</u>	<u>\$ 16,028.47</u>	<u>\$ 96,811.05</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2013 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	100,618.92	-	100,618.92
Traffic control devices	53,707.72	-	53,707.72
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	163,321.33	-	163,321.33
Highway construction and rebuilding projects	100,000.00	-	100,000.00
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 417,647.97</u>	<u>\$ -</u>	<u>\$ 417,647.97</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2013 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 163,301.60	\$ 22,521.05	\$ 185,822.65
Receipts:			
2. State allocation	386,614.15	-	386,614.15
2a. Turnback allocation	7,840.00	-	7,840.00
2b. Interest on investments (Note 3)	269.00	-	269.00
2c. Miscellaneous (Note 4)	28,890.95	-	28,890.95
3. Total receipts	<u>423,614.10</u>	<u>-</u>	<u>423,614.10</u>
4. Total funds available	<u>586,915.70</u>	<u>22,521.05</u>	<u>609,436.75</u>
5. Expenditures (Section 1)	<u>417,647.97</u>	<u>-</u>	<u>417,647.97</u>
6. Balance, December 31, 2013	<u><u>\$ 169,267.73</u></u>	<u><u>\$ 22,521.05</u></u>	<u><u>\$ 191,788.78</u></u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2013 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 80,782.58	\$ 16,028.47	\$ 96,811.05
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	78,890.83	-	78,890.83
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	159,673.41	16,028.47	175,701.88
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>159,673.41</u>	<u>16,028.47</u>	<u>175,701.88</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 159,673.41</u>	<u>\$ 16,028.47</u>	<u>\$ 175,701.88</u>

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

TOWNSHIP OF LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2010 TO DECEMBER 31, 2013

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 with varying yearly costs in excess of the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs, or less, than the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- 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.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

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 LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

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 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, 2013. 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 LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2010 TO DECEMBER 31, 2013

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2013 consists of the following:

Cash	<u>\$191,788.78</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$1,016.97 during 2010, \$378.19 during 2011 and, \$269.00 during 2013, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Liquid Fuels Tax Fund during the examination period:

<u>Source</u>	<u>Description</u>	<u>2010</u>
County of Bucks	Reimbursement for damages	\$ 42.56
Local businesses	Reimbursement for damages	2,348.11
Citizen	Reimbursement for damages	120.00
Bensalem Township	Reimbursement for shared maintenance on traffic signal	202.98
Upper Southampton Township	Reimbursement for shared maintenance on traffic signal	616.61
Northampton Township	Reimbursement for shared maintenance on traffic signal	513.88
Lower Morland Township	Reimbursement for shared maintenance on traffic signal	270.64
General Fund	Reimbursement for road materials	<u>852.44</u>
Total		<u>\$4,967.22</u>

TOWNSHIP OF LOWER SOUTHAMPTON  
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4. Miscellaneous Receipts (Continued)

<u>Source</u>	<u>Description</u>	<u>2011</u>
Insurance companies	Reimbursement for damages	\$ 5,873.07
Bensalem Township	Reimbursement for shared maintenance on traffic signal	450.91
Upper Southampton Township	Reimbursement for shared maintenance on traffic signal	800.11
Local business	Reimbursement for shared maintenance on traffic signal	592.58
Lower Moreland Township	Reimbursement for shared maintenance on traffic signal	598.54
Northampton Township	Reimbursement for shared maintenance on traffic signal	2,147.82
Vendor	Refund for unused materials	4,950.00
General Fund	Reimbursement (Summary of prior examination recommendations)	8,777.91
General Fund	Transfer in error (Note 5)	119,555.77
General Fund	Transfer in error (Note 5)	37,150.45
General Fund	Grants	<u>1,018.00</u>
Total		<u>\$181,915.16</u>

<u>Source</u>	<u>Description</u>	<u>2012</u>
Insurance companies	Reimbursement for damages	\$16,043.05
Bensalem Township	Reimbursement for shared maintenance on traffic signal	168.34
Northampton Township	Reimbursement for shared maintenance on traffic signal	219.58
Lower Morland Township	Reimbursement for shared maintenance on traffic signal	173.05
Upper Southampton Township	Reimbursement for shared maintenance on traffic signal	317.63
General Fund	Grants	<u>56,330.14</u>
Total		<u>\$73,251.79</u>

TOWNSHIP OF LOWER SOUTHAMPTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2010 TO DECEMBER 31, 2013

4. Miscellaneous Receipts (Continued)

<u>Source</u>	<u>Description</u>	<u>2013</u>
Insurance companies	Reimbursement for damages	\$28,685.16
Bensalem Township	Reimbursement for shared maintenance on	
Township	traffic signal	68.60
Northampton Township	Reimbursement for shared maintenance on	
	traffic signal	<u>137.19</u>
Total		<u>\$28,890.95</u>

5. Transfers In Error

On January 13, 2011 the municipality transferred \$119,555.77 from its General Fund to its Liquid Fuels Tax Fund in error. On February 11, 2011, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the transfer in error.

On December 31, 2011 the municipality transferred \$37,150.45 from its General Fund to its Liquid Fuels Tax Fund in error. On January 1, 2012, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the transfer in error.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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JANUARY 1, 2010 TO DECEMBER 31, 2013

**Finding No. 1 - Failure To Properly Prepare Forms MS-965**

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2010, 2011, 2012 and 2013 Forms MS-965. These errors resulted in the following adjustments:

2010 - Section 1

- An adjustment of \$(4,575.21) was made to "Winter maintenance services" because check No. 11921 which was issued in 2011, was incorrectly reported as an expenditure in 2010.
- An adjustment of \$(3,667.00) was made to "Traffic control devices" because check Nos. 11873 for \$3,272.36, 12001 for \$280.00, and 11884 for \$114.64, which were issued in 2011, were incorrectly reported as expenditures in 2010.
- An adjustment of \$1,602.86 was made to "Maintenance and repair of roads and bridges" because these expenditures were understated.

2010 - Section 2

- An adjustment of \$852.44 was made to "Miscellaneous" because these receipts were understated.

2011 - Section 1

- An adjustment of \$10,525.93 was made to "Winter maintenance services" because these expenditures were understated.
- An adjustment of \$(2,680.79) was made to "Traffic control devices" because check Nos. 18233 for \$4,300.00, 18326 for \$620.00, 18327 for \$1,026.25 and 18375 for \$94.54 which were issued in 2012, were incorrectly reported as expenditures in 2011 and these expenditures were understated by \$3,360.00.
- An adjustment of \$26,736.63 was made to "Maintenance and repair of roads and bridges" because these expenditures were understated.
- An adjustment of \$119,555.77 was made to "Miscellaneous" expenditures because a transfer to the General Fund to correct a deposit in error was not reported.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
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**Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)**

2011- Section 2

- An adjustment of \$7,491.79 was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance in 2010 Section 2.
- An adjustment of \$162,674.22 was made to “Miscellaneous” because these receipts were understated.

2011 - Section 3

- An adjustment of \$7,491.79 was made to “Prior Year equipment balance” to reflect the adjustment made to the equipment balance in 2010 - Section 3.

2012- Section 1

- An adjustment of \$(4,533.73) was made to “Winter Maintenance Services” because check Nos. 22367 for \$5.99, 22378 for \$3,497.47, 22392 for \$362.45, and 22393 for \$667.82, which were issued in 2013, were incorrectly reported as expenditures in 2012.
- An adjustment of \$5,190.99 was made to “Traffic Control Devices” because check Nos. 22388 for \$95.00, 22389 for \$95.00, 22390 \$95.00, 22391 for \$95.00, 22510 for \$124.40, 22512 \$ for \$124.20, 22513 \$124.20, and 22514 for \$124.20, which were issued in 2013, were incorrectly reported as expenditures in 2012, and these expenditures were understated by \$6,067.99.
- An adjustment of \$(257.19) was made to “Maintenance and repair of roads and bridges” because check Nos. 22395 for \$166.11 and 22396 for \$91.08, which were issued in 2013, were incorrectly reported as expenditures in 2012.
- An adjustment of \$37,150.45 was made to “Miscellaneous” expenditures because a transfer to the General Fund to correct a deposit in error was not reported.

2012- Section 2

- An adjustment of \$16,028.47 was made to “Balance, January 1, 2012” to reflect the adjustment made to the fund balance in 2011 - Section 2.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
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FINDINGS AND RECOMMENDATIONS  
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**Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)**

2012- Section 2 (Continued)

- An adjustment of \$44,043.10 was made to “Miscellaneous” because these receipts were understated.

2012- Section 3

- An adjustment of \$16,028.47 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2011 - Section 3.

2013- Section 2

- An adjustment of \$22,521.05 was made to “Balance, January 1, 2013” to reflect the adjustments made to the fund balance in 2012 - Section 2.

2013- Section 3

- An adjustment of \$16,028.47 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2012 - Section 3.

Good internal controls ensure that the municipality complete its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

Management’s Response

The municipal officials offered no formal response at this time.

Auditor’s Conclusion

The municipality made significant improvements in its preparation of its Form MS-965 for 2013. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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**Finding No. 2 - Idle Funds Held In A Noninterest-Bearing Account**

Our examination disclosed that liquid fuels tax money in excess of current needs was deposited in a noninterest-bearing checking account from September 30, 2011 to December 31, 2012 with an average balance of \$183,704.20.

Sound fiscal management requires that money in excess of current needs be deposited in interest-bearing accounts, certificates of deposit, or other investments as outlined in Section 3204 of *The Second Class Township Code* as published by the Local Government Commission.

If the township had invested the liquid fuels tax funds in interest-bearing accounts, certificates of deposit, or other investments outlined in Section 3204 of *The Second Class Township Code* as published by the Local Government Commission, additional money would have been earned for road maintenance and repairs.

The municipality did maintain its Liquid Fuels Tax Fund money in an interest-bearing account during 2013.

Recommendation

We recommend that the township officials continue investing money in excess of current needs in investments outlined in Section 3204 of *The Second Class Township Code* as published by the Local Government Commission.

Management's Response

The township officials offered no formal response at this time.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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**Finding No. 3 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements**

Our examination disclosed that the township expended \$14,220.00 during 2010 from the Liquid Fuels Tax Fund for street sweeping without advertising for bids.

The above purchases were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$10,000.00 must be advertised, bid, and awarded by contract. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

In addition, the above purchases were not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year . . . . If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 . . .

The failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$14,220.00 to its Liquid Fuels Tax Fund. The threshold for advertising for bids increased to purchases over \$18,500.00 for 2012, \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,400.00 for 2015

We did not note any instances during 2011, 2012, and 2013 of noncompliance with advertising and bidding requirements.

**Recommendations**

We recommend that the township reimburse \$14,220.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

**Finding No. 3 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)**

We further recommend that, in the future, the township continue to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

**Management's Response**

The township manager stated:

At the time only one company was picking debris up. The first invoice was actually for sweepings from late 2009 but not picked up until February 2010. We do not send our sweeper out during the winter months. We have since changed the process and should never hit the \$10,000.00 threshold again.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$8,777.91 to its Liquid Fuels Tax Fund. This amount consists of \$5,188.40 for a failure to maintain documentation for price quotations, \$2,575.07 for nonpermissible expenditures, and \$1,014.44 for retroactive expenditures.

During our current examination we reviewed a letter dated October 18, 2011, from the Department of Transportation informing the municipality to reimburse \$8,777.91 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on November 10, 2011.

In our prior report we also recommended:

- That the municipality comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by obtaining price quotations for all purchases between \$4,000.00 and \$10,000.00. The thresholds for obtaining price quotations increased to purchases between \$10,000.00 and \$18,500.00 for 2012, \$10,200.00 and \$18,900.00 for 2013, \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015.
- That the municipality comply with the Liquid Fuels Tax Municipal Allocation Law regarding permissible expenditures.
- That the municipality comply with the Department of Transportation's *Publication 9* regarding retroactive expenditures.

During our current examination we noted that the municipality complied with our recommendations.

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

An exit conference was held February 9, 2015. Those participating were:

TOWNSHIP OF LOWER SOUTHAMPTON

The Honorable John McMenamin, Supervisor/Township Manager  
Mr. Joseph Galdo, Finance Director

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Matthew R. Hotchkiss, Auditor

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

TOWNSHIP OF LOWER SOUTHAMPTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Leslie Richards  
Secretary  
Department of Transportation

Township of Lower Southampton  
Bucks County  
1500 Desire Avenue  
Feasterville, PA 19053

The Honorable Keith Wesley

Chairman of the Board of Supervisors

The Honorable John McMenamin

Supervisor/Towship Manager

This report is a matter of public record and is available online at <http://www.PaAuditor.gov>. 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@PaAuditor.gov](mailto:news@PaAuditor.gov).