

ATTESTATION ENGAGEMENT

City of York
York County, Pennsylvania
66-301
Liquid Fuels Tax Fund
For the Period
January 1, 2012 to December 31, 2013

July 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 City of York, York County, for the period January 1, 2012 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 City of York, York County's Forms MS-965 for the period January 1, 2012 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 Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the municipality expended \$13,559.39 during 2012 and \$11,870.00 during 2013 from the Liquid Fuels Tax Fund for nonpermissible purposes. Furthermore, as discussed in the Summary of Prior Examination Recommendations section of this report, during our prior examination period the municipality expended \$35,610.00 from its Liquid Fuels Tax Fund for nonpermissible expenditures. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on February 24, 2014, which was subsequent to our examination period.

In our opinion, except for the matters discussed in the preceding paragraph, 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 City of York, York County, for the period January 1, 2012 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 internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

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 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. 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 over reporting on the Forms MS-965 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 would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 City of York, York 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Nonpermissible Expenditures - Recurring.
- Late Receipt Of Allocations - Recurring.

We are concerned that the municipality failed to correct our prior examination findings for nonpermissible expenditures and late receipt of allocations. The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$25,429.39 to its Liquid Fuels Tax Fund. Additionally, because the municipality failed to file documents and information timely, the municipality did not have use of the 2012 allocation for more than 16 months and the 2013 allocation for more than 8 months. The municipality should strive to comply with the recommendations and corrective actions noted in this report.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the City of York, York 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 City of York, York 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

May 1, 2015

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CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2012 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.

CITY OF YORK
YORK 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	\$ 101,538.04	\$ -	\$ 101,538.04
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	109,707.96	-	109,707.96
Winter maintenance services	52,946.04	-	52,946.04
Traffic control devices	98,747.57	-	98,747.57
Street lighting	144,132.35	-	144,132.35
Storm sewers and drains	15,189.90	-	15,189.90
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	56,673.08	-	56,673.08
Highway construction and rebuilding projects	153,171.98	-	153,171.98
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 732,106.92</u>	 <u>\$ -</u>	 <u>\$ 732,106.92</u>

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

CITY OF YORK
YORK 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	\$ 216,121.37	\$ -	\$ 216,121.37
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	.36	-	.36
2c. Miscellaneous (Note 5)	513,657.40	-	513,657.40
3. Total receipts	<u>536,017.76</u>	<u>-</u>	<u>536,017.76</u>
4. Total funds available	<u>752,139.13</u>	<u>-</u>	<u>752,139.13</u>
5. Expenditures (Section 1)	<u>732,106.92</u>	<u>-</u>	<u>732,106.92</u>
6. Balance, December 31, 2012	<u><u>\$ 20,032.21</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,032.21</u></u>

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

CITY OF YORK
YORK 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	\$ 216,121.37	\$ -	\$ 216,121.37
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	4,472.00	-	4,472.00
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	220,593.37	-	220,593.37
5. Less: Major equipment expenditures	101,538.04	-	101,538.04
6. Remainder	119,055.33	-	119,055.33
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ 20,032.21	\$ -	\$ 20,032.21

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 71,898.76	\$ -	\$ 71,898.76
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	118,268.88	-	118,268.88
Winter maintenance services	107,521.33	-	107,521.33
Traffic control devices	71,093.41	-	71,093.41
Street lighting	123,164.97	-	123,164.97
Storm sewers and drains	18,772.62	-	18,772.62
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	80,679.52	-	80,679.52
Highway construction and rebuilding projects	74,091.46	-	74,091.46
Miscellaneous (Note 6)	-	383,764.27	383,764.27
 Total (To Section 2, Line 5)	 <u>\$ 665,490.95</u>	 <u>\$ 383,764.27</u>	 <u>\$ 1,049,255.22</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 20,032.21	\$ -	\$ 20,032.21
Receipts:			
2. State allocation	1,532,946.11	-	1,532,946.11
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	125.80	-	125.80
2c. Miscellaneous (Note 5)	22,808.43	383,764.27	406,572.70
3. Total receipts	<u>1,578,240.34</u>	<u>383,764.27</u>	<u>1,962,004.61</u>
4. Total funds available	<u>1,598,272.55</u>	<u>383,764.27</u>	<u>1,982,036.82</u>
5. Expenditures (Section 1)	<u>665,490.95</u>	<u>383,764.27</u>	<u>1,049,255.22</u>
6. Balance, December 31, 2013	<u>\$ 932,781.60</u>	<u>\$ -</u>	<u>\$ 932,781.60</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2013 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	\$ 20,032.21	\$ -	\$ 20,032.21
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	311,061.22	-	311,061.22
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	331,093.43	-	331,093.43
5. Less: Major equipment expenditures	<u>71,898.76</u>	<u>-</u>	<u>71,898.76</u>
6. Remainder	<u>259,194.67</u>	<u>-</u>	<u>259,194.67</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 259,194.67</u>	<u>\$ -</u>	<u>\$ 259,194.67</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 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.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 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.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

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.

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 Third Class City Code, Title 53 P.S § 36804.1, authorizes the city 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 financial institutions. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

2. Deposits (Continued)

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.

Fund Balance

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

Cash	<u>\$932,781.60</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 \$.36 during 2012, and \$125.80 during 2013, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2013 - Section 1

An adjustment of \$383,764.27 was made to "Miscellaneous" because reimbursements for temporary loans from the Investment Fund were not reported.

2013 - Section 2

An adjustment of \$383,764.27 was made to "Miscellaneous" because temporary loans from the Investment Fund were not reported.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

5. 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>2012</u>	<u>2013</u>
Investment Fund	Grant	\$501,541.00	\$ -
Investment Fund	Temporary loans (Note 6)	-	383,764.27
Commonwealth of Pennsylvania	Winter maintenance agreement	11,116.40	11,327.58
Resident	Cedar Street repair	1,000.00	-
Commonwealth of Pennsylvania	Severe weather assistance	-	445.13
North York Borough	Street sweeper repair and parts	-	535.72
Penn Township	Weather assistance	-	10,500.00
Totals		<u>\$513,657.40</u>	<u>\$406,572.70</u>

6. Temporary Loan

During 2013 the municipality loaned \$383,764.27 on various dates from its Investment Fund to its Liquid Fuels Tax Fund. On August 29, 2013, and September 4, 2013, the municipality transferred \$373,331.30 and \$10,432.97, respectively, from its Liquid Fuels Tax Fund to its Investment Fund to repay the temporary loan.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

7. Lease-Purchase Agreement

On January 7, 2008, the municipality entered into a lease-purchase agreement with M&T Bank to purchase a 2007 Elgin Pelican Sweeper for \$138,015.00. The agreement was for a term of five years at an interest rate of 4.97 percent. Principal and interest payments of \$30,596.00 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$108,902.86 and \$13,481.14, respectively.

During the current examination period the municipality paid principal of \$29,112.14 and interest of \$1,483.86 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2012 Form MS-965 - Section 1. The lease-purchase agreement as paid-in-full on June 19, 2012.

8. Lease-Purchase Agreement

On April 29, 2009, the municipality entered into a lease-purchase agreement with M&T Bank to purchase three 2009 Chevrolet Silverado trucks for \$77,774.00. The agreement was for a term of five years at an interest rate of 3.7955 percent. Principal and interest payments of \$17,370.00 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$31,257.98 and \$4,352.02, respectively. Additionally, the municipality paid principal of \$14,323.99 and interest of \$2,176.01 from the General Fund. Two of the trucks were purchased for the use of the Parks Bureau. The other truck was purchased for the use of the Building and Electric Bureau. Therefore, Liquid Fuels money should not have been used for the purchase of the trucks (see Finding No. 1).

During the current examination period the municipality paid principal of \$21,951.34 and interest of \$1,788.66 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2012 and 2013 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$10,240.69 and interest of \$759.31 from the General Fund. The lease-purchase agreement was paid-in-full on May 24, 2013.

9. Lease-Purchase Agreement

On September 4, 2009, the municipality entered into a lease-purchase agreement with M&T Bank to purchase a 2009 Ford F-550 truck with an Altec aerial device for \$94,953.00. The agreement was for a term of five years at an interest rate of 4.04 percent. Principal and interest payments of \$21,357.00 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$54,698.70 and \$9,372.30, respectively.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

9. Lease-Purchase Agreement (Continued)

During the current examination period the municipality paid principal of \$40,254.30 and interest of \$954.18 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2012 and 2013 Forms MS-965 - Section 1. The lease-purchase agreement was paid-in-full on October 25, 2013.

10. Lease-Purchase Agreement

On August 15, 2011, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2011 Ford F-350 truck with plow for \$53,658.00. The agreement was for a term of five years at an interest rate of 2.44 percent. Principal and interest payments of \$11,529.92 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$20,690.68 and \$2,369.16, respectively.

During the current examination period the municipality paid principal of \$21,711.18, interest of \$1,348.58, and late fees of \$1,152.90 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2012 and 2013 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2013 was \$11,256.14, plus interest.

11. Lease-Purchase Agreement

On June 3, 2010, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2011 International 7400 dump truck for \$120,958.00. The agreement was for a term of five years at an interest rate of 2.70 percent. Principal and interest payments of \$26,185.21 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$46,457.69 and \$5,912.71, respectively.

During the current examination period the municipality paid principal of \$49,002.40, interest of \$3,368.00, and late fees of \$1,309.26 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2012 and 2013 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2013 was \$25,497.91, plus interest.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 1 – Nonpermissible Expenditures - Recurring

We cited the city for nonpermissible expenditures in our prior report for the period January 1, 2008 to December 31, 2011. Our current examination disclosed that the municipality expended \$13,559.39 during 2012 and \$11,870.00 during 2013 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Payment for trucks not used for roads and bridges (see Note 8)	\$11,870.00	
ID-2 patching material	1,584.07	
¼" rice	105.32	
	<hr/>	
2012 Total		\$13,559.39
Payment for trucks not used for roads and bridges (see Note 8)	11,870.00	
	<hr/>	
2013 Total		11,870.00
		<hr/>
Two Year Total		\$25,429.39
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The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance, and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including parks vehicles, ID-2 patching materials, ID-2 binder patching material, and ¼" rice are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$25,429.39 to its Liquid Fuels Tax Fund.

This condition occurred because the city failed to comply with our prior recommendations to comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 1 – Nonpermissible Expenditures - Recurring (Continued)

Recommendations

We recommend that the municipality reimburse \$25,429.39 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

Management's Response

The Deputy Business Administrator for finance stated:

On February 24, 2014, the Liquid Fuels Tax Fund was reimbursed from the General Fund \$35,610.00 for the Parks truck payments that should not have been charged to a Liquid Fuels account.

Auditor's Conclusion

The reimbursement of \$35,610.00 to the Liquid Fuels Tax Fund on February 24, 2014, was reimbursement for the finding noted in our report for the period January 1, 2008 to December 31, 2011 (see Summary of Prior Examination Recommendations). This is a recurring finding. We strongly recommend that the city comply with our recommendations.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 2 - Late Receipt Of Allocations - Recurring

We cited the city for late receipt of allocations in our prior report for the period January 1, 2008 to December 31, 2011. Our current examination disclosed that the 2012 and 2013 Liquid Fuels Tax Fund allocations of \$760,256.42 and \$772,689.69, 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 August 23, 2013, and December 11, 2013, respectively, 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 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2012 allocation for more than 16 months and the 2013 allocation for more than 8 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.

This condition occurred because the city failed to comply with the Department of Transportation's *Publication 9* to ensure that its allocations are received during the first week in April.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 2 - Late Receipt Of Allocations - Recurring (Continued)

Recommendation

We again 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.

Management's Response

The Deputy Business Administrator for finance stated:

We will submit Financial Condition Report in a timely manner. The deadline is March 15, however, I received an email stating it needs to be submitted by January 31 for a timely Liquid Fuels payment from the state.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the city comply with our recommendations. During our next examination we will determine if the municipality complied with our recommendations.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 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 \$65,852.30 to its Liquid Fuels Tax Fund. This amount consists of \$35,610.00 for nonpermissible expenditures, \$19,267.30 for over expending Liquid Fuels Tax Fund money on project No. 10-66301-10, and \$10,975.00 for failure to timely submit a final completion report for project No. C-07-66301-28CA. A finding for nonpermissible expenditures was also written in our current report (see Finding No. 1).

During our current examination, we reviewed letters dated November 7, 2013, and February 25, 2014 from the Department of Transportation, informing the municipality that reimbursements of \$19,267.30 and \$10,975.00, respectively, would not be required. However, \$35,610.00 would still be required to be reimbursed to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on February 24, 2014, which was subsequent to our examination period.

In our prior report we also recommended:

- That the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.
- That the municipality comply with the Department of Transportation's *Publication 9* by submitting a Final Completion Report MS-999 for completed projects in a timely manner.
- That the municipality comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.
- That the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in April.

During our current examination we noted that municipality complied with our first two bulleted recommendations but did not comply with the last two bulleted recommendations (see Finding Nos. 1 and 2).

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

An exit conference was held January 27, 2015. Those participating were:

CITY OF YORK

Ms. Cherie A. Alwine, Deputy Business Administrator for Finance

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Auditor

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

City of York
York County
101 South George Street
P.O. Box 509
York, PA 17405

The Honorable C. Kim Bracey

Mayor

The Honorable Carol Hill-Evans

President of Council

Ms. Cherie A. Alwine

Deputy Business Administrator for Finance

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.