

ATTESTATION ENGAGEMENT

City of York
York County, Pennsylvania
66-301
Liquid Fuels Tax Fund
For the Period
January 1, 2014 to December 31, 2016

January 2018



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



Commonwealth of Pennsylvania
Department of the 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, 2014 to December 31, 2016. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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)

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 City of York, York County, for the period January 1, 2014 to December 31, 2016, in accordance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Liquid Fuels Money Over Expended On Project.
- Retroactive Expenditure.
- Late Receipt Of Allocation - Recurring.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

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

January 16, 2018

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CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Background (Continued)

3. 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.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2014 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	\$ 37,715.04	\$ -	\$ 37,715.04
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	94,045.20	(181.50)	93,863.70
Winter maintenance services	234,817.73	-	234,817.73
Traffic control devices	91,703.81	40,416.12	132,119.93
Street lighting	168,685.80	(40,416.12)	128,269.68
Storm sewers and drains	21,463.37	-	21,463.37
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	72,929.52	-	72,929.52
Highway construction and rebuilding projects	40,478.32	-	40,478.32
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 761,838.79</u>	 <u>\$ (181.50)</u>	 <u>\$ 761,657.29</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2014 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, 2014	\$ 932,781.60	\$ -	\$ 932,781.60
Receipts:			
2. State allocation	819,345.93	-	819,345.93
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	1,129.57	17.36	1,146.93
2c. Miscellaneous (Note 5)	<u>63,954.82</u>	<u>(17.36)</u>	<u>63,937.46</u>
3. Total receipts	<u>906,790.32</u>	<u>-</u>	<u>906,790.32</u>
4. Total funds available	<u>1,839,571.92</u>	<u>-</u>	<u>1,839,571.92</u>
5. Expenditures (Section 1)	<u>761,838.79</u>	<u>(181.50)</u>	<u>761,657.29</u>
6. Balance, December 31, 2014	<u>\$ 1,077,733.13</u>	<u>\$ 181.50</u>	<u>\$ 1,077,914.63</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2014 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	\$ 259,194.67	\$ -	\$ 259,194.67
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	168,341.19	-	168,341.19
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	427,535.86	-	427,535.86
5. Less: Major equipment expenditures	<u>37,715.04</u>	<u>-</u>	<u>37,715.04</u>
6. Remainder	<u>389,820.82</u>	<u>-</u>	<u>389,820.82</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 389,820.82</u>	<u>\$ -</u>	<u>\$ 389,820.82</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2015 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	\$ 72,541.88	\$ -	\$ 72,541.88
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	114,986.26	(1,037.28)	113,948.98
Winter maintenance services	184,103.60	(5,300.08)	178,803.52
Traffic control devices	79,486.68	7,195.00	86,681.68
Street lighting	75,814.07	(7,195.00)	68,619.07
Storm sewers and drains	20,332.00	-	20,332.00
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	65,727.19	-	65,727.19
Highway construction and rebuilding projects	6,450.61	-	6,450.61
Miscellaneous (Note 11)	-	1,037.28	1,037.28
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 619,442.29</u>	<u>\$ (5,300.08)</u>	<u>\$ 614,142.21</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2015 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, 2015	\$ 1,077,733.13	\$ 181.50	\$ 1,077,914.63
Receipts:			
2. State allocation	906,758.53	-	906,758.53
2a. Turnback allocation	20,280.00	-	20,280.00
2b. Interest on investments (Note 3)	1,402.55	-	1,402.55
2c. Miscellaneous (Note 5)	54,406.02	-	54,406.02
3. Total receipts	982,847.10	-	982,847.10
4. Total funds available	2,060,580.23	181.50	2,060,761.73
5. Expenditures (Section 1)	619,442.29	(5,300.08)	614,142.21
6. Balance, December 31, 2015	<u>\$ 1,441,137.94</u>	<u>\$ 5,481.58</u>	<u>\$ 1,446,619.52</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2015 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	\$ 389,820.82	\$ -	\$ 389,820.82
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	185,407.71	-	185,407.71
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	575,228.53	-	575,228.53
5. Less: Major equipment expenditures	<u>72,541.88</u>	<u>-</u>	<u>72,541.88</u>
6. Remainder	<u>502,686.65</u>	<u>-</u>	<u>502,686.65</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 502,686.65</u>	<u>\$ -</u>	<u>\$ 502,686.65</u>

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

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
2016 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, 2016	\$ 1,441,137.94	\$ 5,481.58	\$ 1,446,619.52
Receipts:			
2. State allocation	1,058,821.79	-	1,058,821.79
2a. Turnback allocation	20,280.00	-	20,280.00
2b. Interest on investments (Note 3)	6,261.29	-	6,261.29
2c. Miscellaneous (Note 5)	18,813.49	37,860.15	56,673.64
3. Total receipts	<u>1,104,176.57</u>	<u>37,860.15</u>	<u>1,142,036.72</u>
4. Total funds available	<u>2,545,314.51</u>	<u>43,341.73</u>	<u>2,588,656.24</u>
5. Expenditures (Section 1)	<u>1,262,285.67</u>	<u>44,977.78</u>	<u>1,307,263.45</u>
6. Balance, December 31, 2016	<u><u>\$ 1,283,028.84</u></u>	<u><u>\$ (1,636.05)</u></u>	<u><u>\$ 1,281,392.79</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
2016 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	\$ 502,686.65	\$ -	\$ 502,686.65
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	215,820.36	-	215,820.36
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	718,507.01	-	718,507.01
5. Less: Major equipment expenditures	<u>110,481.61</u>	<u>-</u>	<u>110,481.61</u>
6. Remainder	<u>608,025.40</u>	<u>-</u>	<u>608,025.40</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 608,025.40</u>	<u>\$ -</u>	<u>\$ 608,025.40</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, 2014 TO DECEMBER 31, 2016

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:

2012	2013	2014	2015/2016
\$10,000.00	\$10,200.00	\$10,300.00	\$10,500.00

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

2012	2013	2014	2015/2016
\$10,000.00	\$10,200.00	\$10,300.00	\$10,500.00

- 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 available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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, 2014 TO DECEMBER 31, 2016

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 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.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2016. Custodial credit risk, as defined by GASB No. 40, as amended, 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, 2016, consists of the following:

Cash	<u>\$1,281,392.79</u>
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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 \$1,146.93 during 2014, \$1,402.55 during 2015, and \$6,261.29 during 2016, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2014 - Section 1

An adjustment of \$(181.50) was made to "Cleaning streets and gutters" because these expenditures were overstated.

Adjustments were made to "Traffic control devices" and "Street lighting" because expenditures of \$40,416.12 were misclassified.

2014 - Section 2

Adjustments were made to "Interest on investments" and "Miscellaneous" because receipts of \$17.36 were misclassified.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

4. Adjustments (Continued)

2015 - Section 1

Adjustments were made to “Cleaning streets and gutters” and “Miscellaneous” because expenditures of \$1,037.28 were misclassified.

An adjustment of \$(5,300.08) was made to “Winter maintenance services” because these expenditures were overstated.

Adjustments were made to “Traffic control devices” and “Street lighting” because expenditures of \$7,195.00 were misclassified.

2015 - Section 2

An adjustment of \$181.50 was made to “Balance, January 1, 2015” to reflect the adjustment made to the fund balance in 2014 - Section 2.

2016 - Section 1

An adjustment of \$7,499.50 was made to “Winter maintenance services” because these expenditures were understated.

Adjustments were made to “Traffic control devices” and “Street lighting” because expenditures of \$14,437.20 were misclassified.

An adjustment of \$(381.87) was made to “Maintenance and repair of roads and bridges” because these expenditures were overstated.

An adjustment of \$37,860.15 was made to “Miscellaneous” because these expenditures were not reported.

2016 - Section 2

An adjustment of \$5,481.58 was made to “Balance, January 1, 2016” to reflect the adjustment made to the fund balance in 2015 - Section 2.

An adjustment of \$37,860.15 was made to “Miscellaneous” because these receipts were not reported.

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

5. Miscellaneous Receipts

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

Source	Description	2014	2015	2016
North York Borough	Shared sweeper expenses	\$ 766.81	\$ -	\$ -
Local business	Reimbursement for damages	419.34	-	400.00
General Fund	Reimbursement (Summary of 2008-2011 Examination Recommendations)	35,610.00	-	-
General Fund	Reimbursement (Summary of 2012-2013 Examination Recommendations)	-	25,429.39	-
Insurance company	Reimbursement for damages	70.94	-	-
Commonwealth of Pennsylvania	Severe weather assistance	27,070.37	27,614.00	18,413.49
Local business	Grant	-	200.00	-
General Fund	Reimbursement for materials	-	125.35	-
General Fund	Deposits in error (Note 11)	-	1,037.28	27,206.89
General Fund	Transfer in error (Note 12)	-	-	10,653.26
	Totals	<u>\$63,937.46</u>	<u>\$54,406.02</u>	<u>\$56,673.64</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

Payee	Description	2016
General Fund	Correction of deposits in error (Note 11)	\$27,206.89
General Fund	Correction of transfer in error (Note 12)	<u>10,653.26</u>
	Total	<u>\$37,860.15</u>

CITY OF YORK
YORK COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
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7. 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 \$95,460.09 and \$9,280.71, respectively.

During the current examination period, the municipality paid principal of \$25,497.91, interest of \$687.29 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2014 Form MS-965 - Section 1. The lease-purchase agreement was paid-in-full on May 30, 2014.

8. 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 \$42,401.86 and \$3,717.74, respectively.

During the current examination period, the municipality paid principal of \$11,256.14, interest of \$273.70 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2014 Form MS-965 - Section 1. The lease-purchase agreement was paid-in-full on August 12, 2014.

9. Lease-Purchase Agreement

On February 6, 2015, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2014 Global Street Sweeper for \$337,545.00. The agreement was for a term of five years at an interest rate of 3.25 percent. Principal and interest payments of \$72,041.88 are due annually.

During the current examination period, the municipality paid principal of \$134,741.17, interest of \$9,342.59, and fees of \$7,204.18 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2015 and 2016 Forms MS-965 – Section 1. As of December 31, 2016, the outstanding balance of the lease-purchase agreement was \$202,803.83, plus interest.

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10. Lease-Purchase Agreement

On August 1, 2016, the municipality entered into a lease-purchase agreement with Fulton Bank to purchase a 2017 Western Star dump truck for \$145,532.00. The agreement was for a term of five years at an interest rate of 2.80 percent. Principal and interest payments of \$30,735.55 are due annually.

During the current examination period, the municipality paid principal of \$30,735.55 and a document fee of \$500.00 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2016 Form MS-965 - Section 1. As of December 31, 2016, the outstanding balance is \$114,796.45.

11. Deposits in Error

On October 13, 2015, the municipality deposited \$1,037.28 into its Liquid Fuels Tax Fund in error. On October 16, 2015, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

On November 3, 2016 and December 28, 2016, the Commonwealth of Pennsylvania electronically deposited \$10,790.56 and \$16,416.33, respectively, into its Liquid Fuels Tax Fund in error. On November 3, 2016 and December 31, 2016, the municipality transferred \$10,790.56 and \$16,416.44, respectively, from its Liquid Fuels Tax Fund to its General Fund to correct the deposits in error.

12. Transfer in Error

On November 2, 2016, the municipality transferred \$10,653.26 from its General Fund to its Liquid Fuels Tax Fund in error. On November 2, 2016, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the transfer in error.

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FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Liquid Fuels Money Over Expended On Project

Our examination disclosed that the municipality expended \$100,766.69 of Liquid Fuels Tax Fund money on construction project No. 13-66301-001. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for this project was \$74,091.46. The difference of \$26,675.23 should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$26,675.23 to its Liquid Fuels Tax Fund.

We also noted that \$25,972.58 of construction expenditures in this finding is also noted in Finding No. 2.

Recommendations

We recommend that the municipality reimburse \$26,675.23 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The deputy business administrator for finance stated:

Our acting director of public works, is working with a representative. As soon as I have more information I will send it to the auditor.

Auditor's Conclusion

During our next examination we will determine if the city complied with our recommendations.

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Finding No. 2 - Retroactive Expenditure

Our examination disclosed that the municipality transferred \$25,972.58 from its Liquid Fuels Tax Fund to its General Fund on March 1, 2014 for an expenditure incurred on October 7, 2013, which is a retroactive expenditure.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because this expenditure was incurred on October 7, 2013 and was not paid until March 1 2014, the expenditure incurred was not paid in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$25,972.58 to its Liquid Fuels Tax Fund.

We noted that the \$25,972.58 is also included in Finding No. 1.

Recommendations

We recommend that the municipality reimburse \$25,972.58 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation, unless reimbursement is required in Finding No. 1.

We further recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* as noted above.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

During our next examination we will determine if the city complied with our recommendations.

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Finding No. 3 - Late Receipt Of Allocation - Recurring

We cited the city for late receipt of allocations in our prior two reports with the most recent being for the period January 1, 2012 to December 31, 2013. Our current examination disclosed that the 2015 Liquid Fuels Tax Fund allocation of \$906,758.53 which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until June 12, 2015, 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 2015 allocation for more than three months. Furthermore, had the allocation 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.

The municipality received its 2014 and 2016 Liquid Fuels Tax Fund allocations on time.

Recommendation

We recommend that, in the future, the municipality continues to comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

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Finding No. 3 - Late Receipt Of Allocation - Recurring (Continued)

Management's Response

The Deputy Business Administrator for finance stated:

The allocations for 2016 and 2017 have been received on time.

Auditor's Conclusion

During our next examination we will determine if the municipality continued to comply with our recommendation.

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SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
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Summary Of 2008-2011 Examination Recommendation

In our 2008-2011 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$35,610.00 to its Liquid Fuels Tax Fund for nonpermissible expenditure.

During our 2012-2013 examination we reviewed a letter dated February 25, 2014, from the Department of Transportation informing the municipality to reimburse \$35,610.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on February 24, 2014.

Summary Of 2012-2013 Examination Recommendations

In our 2012-2013 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$25,429.39 to its Liquid Fuels Tax Fund for nonpermissible expenditures.

During our current examination we reviewed a letter dated July 27, 2015, from the Department of Transportation informing the municipality to reimburse \$25,429.39 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 19, 2015.

In our 2012-2013 report we also recommended:

- That the municipality comply with the Liquid Fuels Tax Municipal Allocation Law regarding permissible expenditures.
- The municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March.

During our current examination we noted that the municipality complied with our first bulleted recommendation but did not comply with our second bulleted recommendation during 2015 (see Finding).

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SUMMARY OF EXIT CONFERENCE
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An exit conference was held January 5, 2018. Those participating were:

CITY OF YORK

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

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ryan W. Shrauder, 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, 2014 TO DECEMBER 31, 2016

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 Michael Ray Helfrich
Mayor

The Honorable Henry Hay Nixon
President of City Council

Ms. Cherie A. Alwine
Deputy Business Administrator for Finance

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