



CITY OF YORK  
YORK COUNTY  
66-301

LIQUID FUELS TAX FUND  
EXAMINATION REPORT

FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

Released September 2013

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

### Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the City of York, York County, for the period January 1, 2008 to December 31, 2011. 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, 2008 to December 31, 2011 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)

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, 2008 to December 31, 2011, in conformity with the criteria set forth in Note 1.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of York, York County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the City of York, York County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the City of York, York County's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the City of York, York County's internal control.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

Independent Auditor's Report (Continued)

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 other matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Nonpermissible Expenditures.
- Liquid Fuels Money Overexpended On Project.
- Failure To Timely Submit Final Completion Report.
- Late Receipt Of Allocation.

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.



November 30, 2012

**JOHN M. LORI**  
Deputy Auditor General for Audits

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CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

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  
2008 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 121,400.47	\$ -	\$ 121,400.47
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	109,201.62	-	109,201.62
Winter maintenance services	62,356.79	-	62,356.79
Traffic control devices	77,027.66	-	77,027.66
Street lighting	70,362.23	-	70,362.23
Storm sewers and drains	29,035.96	-	29,035.96
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	61,700.66	-	61,700.66
Highway construction and rebuilding projects	452,212.01	-	452,212.01
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 983,297.40</u>	 <u>\$ -</u>	 <u>\$ 983,297.40</u>

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

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
2008 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, 2008	\$ 701,843.62	\$ -	\$ 701,843.62
Receipts:			
2. State allocation	769,486.51	-	769,486.51
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	17,008.22	-	17,008.22
2c. Miscellaneous (Note 5)	20,609.28	-	20,609.28
3. Total receipts	<u>829,464.01</u>	<u>-</u>	<u>829,464.01</u>
4. Total funds available	<u>1,531,307.63</u>	<u>-</u>	<u>1,531,307.63</u>
5. Expenditures (Section 1)	<u>983,297.40</u>	<u>-</u>	<u>983,297.40</u>
6. Balance, December 31, 2008	<u><u>\$ 548,010.23</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 548,010.23</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  
2008 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	\$ 537,751.54	\$ -	\$ 537,751.54
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	158,369.30	-	158,369.30
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	696,120.84	-	696,120.84
5. Less: Major equipment expenditures	<u>121,400.47</u>	<u>-</u>	<u>121,400.47</u>
6. Remainder	<u><u>574,720.37</u></u>	<u><u>-</u></u>	<u><u>574,720.37</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 548,010.23</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 548,010.23</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  
2009 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 137,782.77	\$ -	\$ 137,782.77
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	109,842.72	-	109,842.72
Winter maintenance services	113,953.37	-	113,953.37
Traffic control devices	71,947.23	-	71,947.23
Street lighting	61,072.16	-	61,072.16
Storm sewers and drains	34,509.94	-	34,509.94
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	57,293.37	-	57,293.37
Highway construction and rebuilding projects	112,738.82	-	112,738.82
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 699,140.38</u>	<u>\$ -</u>	<u>\$ 699,140.38</u>

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

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
2009 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2009	\$ 548,010.23	\$ -	\$ 548,010.23
Receipts:			
2. State allocation	741,247.56	-	741,247.56
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	1,225.83	-	1,225.83
2c. Miscellaneous (Note 5)	30,010.49	-	30,010.49
3. Total receipts	<u>794,843.88</u>	<u>-</u>	<u>794,843.88</u>
4. Total funds available	<u>1,342,854.11</u>	<u>-</u>	<u>1,342,854.11</u>
5. Expenditures (Section 1)	<u>699,140.38</u>	<u>-</u>	<u>699,140.38</u>
6. Balance, December 31, 2009	<u><u>\$ 643,713.73</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 643,713.73</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  
2009 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 548,010.23	\$ -	\$ 548,010.23
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	152,721.51	-	152,721.51
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	700,731.74	-	700,731.74
5. Less: Major equipment expenditures	<u>137,782.77</u>	<u>-</u>	<u>137,782.77</u>
6. Remainder	<u><u>562,948.97</u></u>	<u><u>-</u></u>	<u><u>562,948.97</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 562,948.97</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 562,948.97</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  
2010 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 157,041.14	\$ -	\$ 157,041.14
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	110,507.98	-	110,507.98
Winter maintenance services	249,081.52	-	249,081.52
Traffic control devices	73,582.95	-	73,582.95
Street lighting	79,356.72	-	79,356.72
Storm sewers and drains	21,538.87	-	21,538.87
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	99,148.43	-	99,148.43
Highway construction and rebuilding projects	287,064.24	-	287,064.24
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 1,077,321.85</u>	<u>\$ -</u>	<u>\$ 1,077,321.85</u>

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

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
2010 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 643,713.73	\$ -	\$ 643,713.73
Receipts:			
2. State allocation	712,623.26	-	712,623.26
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	1,545.63	-	1,545.63
2c. Miscellaneous (Note 5)	81,665.19	-	81,665.19
3. Total receipts	<u>818,194.08</u>	<u>-</u>	<u>818,194.08</u>
4. Total funds available	<u>1,461,907.81</u>	<u>-</u>	<u>1,461,907.81</u>
5. Expenditures (Section 1)	<u>1,077,321.85</u>	<u>-</u>	<u>1,077,321.85</u>
6. Balance, December 31, 2010	<u><u>\$ 384,585.96</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 384,585.96</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  
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	\$ 562,948.97	\$ -	\$ 562,948.97
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	146,996.65	-	146,996.65
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	709,945.62	-	709,945.62
5. Less: Major equipment expenditures	157,041.14	-	157,041.14
6. Remainder	<u>552,904.48</u>	<u>-</u>	<u>552,904.48</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 384,585.96</u>	<u>\$ -</u>	<u>\$ 384,585.96</u>

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

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
2011 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	\$ 155,783.26	\$ -	\$ 155,783.26
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	129,442.72	-	129,442.72
Winter maintenance services	135,625.53	-	135,625.53
Traffic control devices	59,683.27	-	59,683.27
Street lighting	308,604.14	(5,966.74)	302,637.40
Storm sewers and drains	23,583.27	-	23,583.27
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	93,494.87	-	93,494.87
Highway construction and rebuilding projects	24,021.29	-	24,021.29
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 930,238.35</u>	<u>\$ (5,966.74)</u>	<u>\$ 924,271.61</u>

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



CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 384,585.96	\$ -	\$ 384,585.96
Receipts:			
2. State allocation	729,830.58	-	729,830.58
2a. Turnback allocation	22,360.00	-	22,360.00
2b. Interest on investments (Note 3)	494.20	-	494.20
2c. Miscellaneous (Note 5)	3,122.24	-	3,122.24
3. Total receipts	<u>755,807.02</u>	<u>-</u>	<u>755,807.02</u>
4. Total funds available	<u>1,140,392.98</u>	<u>-</u>	<u>1,140,392.98</u>
5. Expenditures (Section 1)	<u>930,238.35</u>	<u>(5,966.74)</u>	<u>924,271.61</u>
6. Balance, December 31, 2011	<u><u>\$ 210,154.63</u></u>	<u><u>\$ 5,966.74</u></u>	<u><u>\$ 216,121.37</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  
2011 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 384,585.96	\$ -	\$ 384,585.96
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	150,438.12	-	150,438.12
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	535,024.08	-	535,024.08
5. Less: Major equipment expenditures	155,783.26	-	155,783.26
6. Remainder	<u>379,240.82</u>	<u>-</u>	<u>379,240.82</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 210,154.63</u>	<u>\$ 5,966.74</u>	<u>\$ 216,121.37</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, 2008 TO DECEMBER 31, 2011

1. Criteria

Section 1

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

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

Section 2

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

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

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.

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

1. Criteria (Continued)

Section 3 (Continued)

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.

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

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 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's or savings bank's assets minus liabilities.

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

There were no deposits exposed to custodial credit risk as of December 31, 2011. 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.

CITY OF YORK  
YORK COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	\$216,121.37
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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 \$17,008.22 during 2008, \$1,225.83 during 2009, \$1,545.63 during 2010, and, \$494.20 during 2011 thus providing additional funds for road maintenance and repairs.

4. Adjustments

2011 - Section 1

An adjustment of \$(5,966.74) was made to “Street lighting” because these expenditures were overstated.

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5. Miscellaneous Receipts

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

Source	Description	2008	2009	2010	2011
Commonwealth of Pennsylvania	Winter maintenance agreement	\$ 9,880.87	\$20,139.62	\$10,387.34	\$ -
Commonwealth of Pennsylvania	Refund for overpayment	2,766.69	-	-	-
Borough of North York	Street sweeper repair and parts	6,223.64	2,562.47	4,780.30	572.87
Vendor	Reimbursement for patching	1,738.08	-	-	-
Commonwealth of Pennsylvania	Severe weather assistance	-	5,015.42	65,051.49	2,531.70
Insurance company	Reimbursement for damages	-	249.96	87.01	-
Financial institution	Accounts payable interest	-	1,002.38	184.05	17.67
Investment account	Correction of transfer in error (Note 14)	-	1,040.64	-	-
Resident	Donation	-	-	200.00	-
Vendor	Reimbursement for brick pavers for LOGOS Academy	-	-	975.00	-
Totals		<u>\$20,609.28</u>	<u>\$30,010.49</u>	<u>\$81,665.19</u>	<u>\$3,122.24</u>

6. Lease-Purchase Agreement

On April 1, 2004, the municipality entered into a lease-purchase agreement with Western Bank-Chinook to purchase a 2004 asphalt zipper machine for \$70,950.00. The agreement was for a term of five years at an interest rate of 7.2 percent. Principal and interest payments of \$16,310.00 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$55,776.46 and \$9,463.54, respectively.

During the current examination period the municipality paid principal of \$15,173.54 and interest of \$1,136.46 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2008 Form MS-965 - Section 1. The lease-purchase agreement was paid-in-full on March 4, 2008.

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7. Lease-Purchase Agreement

On July 6, 2005, the municipality entered into a lease-purchase agreement with Harco Leasing Company to purchase a 2005 International dump truck for \$90,721.00. The agreement was for a term of five years at an interest rate of 5.81 percent. Principal and interest payments of \$20,249.16 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$53,497.25 and \$7,250.23, respectively.

During the current examination period the municipality paid principal of \$37,223.75 and interest of \$3,274.57 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2008 and 2009 Forms MS-965 - Section 1. The lease-purchase agreement was paid-in-full on May 20, 2009.

8. Lease-Purchase Agreement

On February 12, 2007, the municipality entered into a lease-purchase agreement with M&T Bank to purchase a 2006 Vactor 2110 sewer cleaning truck for \$246,952.00. The agreement was for a term of five years at an interest rate of 4.59 percent. Principal and interest payments of \$54,245.31 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$52,754.67 and \$1,490.64, respectively.

During the current examination period the municipality paid principal of \$194,197.33 and interest of \$22,783.91 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2008, 2009, 2010, and 2011 Forms MS-965 - Section 1. The lease-purchase agreement was paid-in-full on March 1, 2011.

9. 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.

During the current examination period the municipality paid principal of \$108,902.86 and interest of \$13,481.14 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2008, 2009, 2010, and 2011 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$29,112.14, plus interest.



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10. 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.

During the current examination period the municipality paid principal of \$54,698.70 and interest of \$9,372.30 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2009, 2010, and 2011 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$40,254.30, plus interest.

11. 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. 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 cannot be used for the purchase of the trucks (see Finding No. 1).

During the current examination period the municipality paid principal of \$31,257.98 and interest of \$4,352.02 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2009, 2010, and 2011 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$14,323.99 and interest of \$2,176.01 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$32,192.03, plus interest.

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12. 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.

During the current examination period the municipality paid principal of \$20,690.68 and interest of \$2,369.16 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2010 and 2011 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$32,967.32, plus interest.

13. 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.

During the current examination period the municipality paid principal of \$46,457.69 and interest of \$5,912.71 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2010 and 2011 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$74,500.31, plus interest.

14. Transfer In Error

On April 5, 2005, the municipality transferred \$1,040.64 from its Liquid Fuels Tax Fund to its Investment account in error. On December 31, 2009, the municipality transferred this amount from its Investment account to its Liquid Fuels Tax Fund to correct the transfer in error.

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Finding No. 1 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$11,870.00 during 2009, \$11,870.00 during 2010, and \$11,870.00 during 2011 for the lease-purchase payments for two 2009 Chevrolet Silverado trucks that were purchased for the Parks Bureau, which are nonpermissible expenditures.

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 trucks purchased for the Parks Bureau, 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 \$35,610.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$35,610.00 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.

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Finding No. 1 - Nonpermissible Expenditures (Continued)

Management's Response

The director of public works stated:

The trucks were purchased for use by Public Works for plowing alleys and small streets within the City. This is the principal use for these vehicles. The vehicles are also used for leaf removal during leaf season and for cleaning of inlets during other times of the year. All Public Works vehicles have multiple uses throughout the course of the year. The City does not agree that the vehicles are for the Parks Bureau.

Auditor's Conclusion

The city council meeting minutes from January 21, 2009, stated:

Resolution No. 15, Session 2009, (View) A Resolution authorizing the purchase of one 2009 Chevy Utility Body truck for use by the Building and Electrical Bureau & two 2009 Chevy 3/4 Ton Pick-up Trucks for use by the Parks bureau, was introduced by Smith, read at length, and on motion of Smith, seconded by Texter, Resolution No. 15 came up for discussion.

Director Gross explained that these vehicles were included in the 2009 budget and will be purchased through a state contract.

There being no further discussion, Resolution No. 15 passed.

The city used Liquid Fuels Tax Fund money to make lease-purchase payments on the two trucks that it stated were to be used by the Parks Bureau, which is nonpermissible. The Department of Transportation will determine if the city will be required to reimburse \$35,610.00 to its Liquid Fuels Tax Fund. During our next examination we will determine if the city complied with our recommendations.

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Finding No. 2 - Liquid Fuels Money Overexpended On Project

Our examination disclosed that the municipality expended \$290,267.30 of Liquid Fuels Tax Fund money on construction project No. 10-66301-10. However, the amount approved to be expended from the Liquid Fuels Tax Fund for this project was \$271,000.00. The difference of \$19,267.30 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 \$19,267.30 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$19,267.30 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 municipal officials offered no formal response at this time.

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

Our examination disclosed that the municipality expended \$10,975.00 for project No. C-07-66301-28CA. Final payment was made on this project on June 20, 2008, although a Final Completion Report Form MS-999 was not filed with the Department of Transportation.

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

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

Because the municipality failed to file a Final Completion Report, we were unable to determine if the project was completed to the satisfaction of the Department of Transportation. Additionally, we were unable to determine if the municipality expended the approved amount of Liquid Fuels Tax Fund money on the project.

Recommendations

We recommend that the municipality reimburse \$10,975.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

Additionally, we recommend that the municipality submit a completed Form MS-999 to the Department of Transportation for the project.

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

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

Management's Response

The director of Public Works stated:

Approval was received for this project and a project number was assigned by PennDOT, C-07-66301-28CA. The project was properly completed and closed out. A copy of all documentation is attached.

Auditor's Conclusion

We confirm receipt of the documentation, however, a Form MS-999 Final Completion Report was not provided. During our next examination we will determine if the municipality complied with our recommendations.

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Finding No. 4 - Late Receipt Of Allocation

Our examination disclosed that the 2009 Liquid Fuels Tax Fund allocation of \$741,247.56, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until October 7, 2009 because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

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

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

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of their allocations for more than six 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.

A similar finding was written in our prior report. However, the municipality received its 2008, 2010, and 2011 allocations on time.

Recommendation

We recommend that, in the future, the municipality continue to 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.



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Finding No. 4 - Late Receipt Of Allocation (Continued)

Management's Response

The municipal officials offered no formal response at this time.

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SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
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An exit conference was held November 30, 2012. 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  
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REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.  
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

Ms. Cherie A. Alwine

Deputy Business Administrator for Finance

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