



**TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
03-203**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Bradys Bend, Armstrong County, for the period January 1, 2010 to December 31, 2012. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Bradys Bend, Armstrong County's Forms MS-965 for the period January 1, 2010 to December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

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 the Findings and Recommendations and Comments sections of this report:

- The municipality expended \$1,230.25 during 2010 and \$1,987.61 during 2011 for nonpermissible expenditures (Finding No. 1).
- During 2010 the municipality expended \$950.00 more than the permissible amount for computer services in a calendar year (Finding No. 2).
- During the prior examination period the municipality failed to maintain documentation for expenditures of \$6,110.57, failed to maintain bids for expenditures of \$16,500.00, failed to maintain documentation for price quotations of \$4,765.51, and deposited \$162.13 of Liquid Fuels Tax Fund money into the General Fund. The Department of Transportation required the municipality to reimburse \$22,722.70 of those amounts to the Liquid Fuels Tax Fund. As of December 31, 2012, this amount was due the Liquid Fuels Tax Fund.

In our opinion, except for the matters discussed in the bullets above, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Bradys Bend, Armstrong County, for the period January 1, 2010 to December 31, 2012, in conformity with the criteria set forth in Note 1.

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

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

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Bradys Bend, Armstrong 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.

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

- Nonpermissible Expenditures.

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



March 18, 2014

EUGENE A. DEPASQUALE
Auditor General

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TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Background

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

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

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

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

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

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2010 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	\$ 13,900.00	\$ -	\$ 13,900.00
Minor equipment purchases	5,885.67	(500.00)	5,385.67
Computer/Computer related training	1,950.00	-	1,950.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	16,349.83	-	16,349.83
Traffic control devices	115.40	-	115.40
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	26,561.61	(660.24)	25,901.37
Maintenance and repair of roads and bridges	68,107.01	(570.01)	67,537.00
Highway construction and rebuilding projects	60,318.01	-	60,318.01
Miscellaneous (See Finding No. 1)	-	1,230.25	1,230.25
 Total (To Section 2, Line 5)	 <u>\$ 193,187.53</u>	 <u>\$ (500.00)</u>	 <u>\$ 192,687.53</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG 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	\$ 118,661.29	\$ -	\$ 118,661.29
Receipts:			
2. State allocation	40,767.77	-	40,767.77
2a. Turnback allocation	44,040.00	-	44,040.00
2b. Interest on investments (Note 3)	195.65	-	195.65
2c. Miscellaneous (Note 5)	7,136.89	-	7,136.89
3. Total receipts	<u>92,140.31</u>	<u>-</u>	<u>92,140.31</u>
4. Total funds available	<u>210,801.60</u>	<u>-</u>	<u>210,801.60</u>
5. Expenditures (Section 1)	<u>193,187.53</u>	<u>(500.00)</u>	<u>192,687.53</u>
6. Balance, December 31, 2010	<u><u>\$ 17,614.07</u></u>	<u><u>\$ 500.00</u></u>	<u><u>\$ 18,114.07</u></u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG 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	\$ 38,912.19	\$ -	\$ 38,912.19
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,961.55	-	16,961.55
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	55,873.74	-	55,873.74
5. Less: Major equipment expenditures	13,900.00	-	13,900.00
6. Remainder	41,973.74	-	41,973.74
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ 17,614.07	\$ 500.00	\$ 18,114.07

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG 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	\$ 3,850.01	\$ 3,850.01	\$ 7,700.02
Minor equipment purchases	4,389.68	(3,850.01)	539.67
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	645.10	(645.10)	-
Traffic control devices	150.00	-	150.00
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	23,425.25	(4,238.20)	19,187.05
Maintenance and repair of roads and bridges	31,155.25	(839.79)	30,315.46
Highway construction and rebuilding projects	47,431.21	4,138.20	51,569.41
Miscellaneous (See Finding No. 1)	-	1,987.61	1,987.61
 Total (To Section 2, Line 5)	 <u>\$ 111,046.50</u>	 <u>\$ 402.72</u>	 <u>\$ 111,449.22</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2011 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, 2011	\$ 17,614.07	\$ 500.00	\$ 18,114.07
Receipts:			
2. State allocation	41,720.11	-	41,720.11
2a. Turnback allocation	44,040.00	-	44,040.00
2b. Interest on investments (Note 3)	26.76	-	26.76
2c. Miscellaneous (Note 5)	13,988.14	-	13,988.14
3. Total receipts	99,775.01	-	99,775.01
4. Total funds available	117,389.08	500.00	117,889.08
5. Expenditures (Section 1)	111,046.50	402.72	111,449.22
6. Balance, December 31, 2011	\$ 6,342.58	\$ 97.28	\$ 6,439.86

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2011 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 17,614.07	\$ 500.00	\$ 18,114.07
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,152.02	-	17,152.02
3. PENNDOT approved adjustments	<u>700.00</u>	<u>-</u>	<u>700.00</u>
4. Total funds available for equipment acquisition	35,466.09	500.00	35,966.09
5. Less: Major equipment expenditures	<u>3,850.01</u>	<u>3,850.01</u>	<u>7,700.02</u>
6. Remainder	<u>31,616.08</u>	<u>(3,350.01)</u>	<u>28,266.07</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 6,342.58</u>	<u>\$ 97.28</u>	<u>\$ 6,439.86</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG 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	\$ 11,550.03	\$ -	\$ 11,550.03
Minor equipment purchases	-	-	-
Computer/Computer related training	950.00	-	950.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	99.90	-	99.90
Street lighting	-	-	-
Storm sewers and drains	925.00	-	925.00
Repairs of tools and machinery	14,807.89	-	14,807.89
Maintenance and repair of roads and bridges	25,104.71	-	25,104.71
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 53,437.53</u>	 <u>\$ -</u>	 <u>\$ 53,437.53</u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2012 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, 2012	\$ 6,005.07	\$ 434.79	\$ 6,439.86
Receipts:			
2. State allocation	40,531.39	-	40,531.39
2a. Turnback allocation	44,040.00	-	44,040.00
2b. Interest on investments (Note 3)	32.42	-	32.42
2c. Miscellaneous	-	-	-
3. Total receipts	<u>84,603.81</u>	<u>-</u>	<u>84,603.81</u>
4. Total funds available	<u>90,608.88</u>	<u>434.79</u>	<u>91,043.67</u>
5. Expenditures (Section 1)	<u>53,437.53</u>	<u>-</u>	<u>53,437.53</u>
6. Balance, December 31, 2012	<u><u>\$ 37,171.35</u></u>	<u><u>\$ 434.79</u></u>	<u><u>\$ 37,606.14</u></u>

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

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 5,939.72	\$ 500.14	\$ 6,439.86
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,914.28	-	16,914.28
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	22,854.00	500.14	23,354.14
5. Less: Major equipment expenditures	11,550.03	-	11,550.03
6. Remainder	<u>11,303.97</u>	<u>500.14</u>	<u>11,804.11</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 11,303.97</u>	<u>\$ 500.14</u>	<u>\$ 11,804.11</u>

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria

Section 1

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

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

Section 2

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

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

Section 3

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

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

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

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in 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.

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

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

Cash	\$37,606.14
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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 \$195.65 during 2010, \$26.76 during 2011, and \$32.42 during 2012, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2010 - Section 1

An adjustment of \$(500.00) was made to "Minor equipment purchases" because check No. 1692 was reported as \$3,750.00 but was issued for \$3,250.00.

Adjustments were made to "Repairs of tools and machinery," "Maintenance and repair of roads and bridges," and "Miscellaneous" because expenditures of \$1,230.25 were misclassified.

2011 - Section 1

Adjustments were made to "Major equipment purchases" and "Minor equipment purchases" because expenditures of \$3,850.01 were misclassified.

An adjustment of \$(645.10) was made to "Winter maintenance services" because miscellaneous expenditures were misclassified.

An adjustment of \$(4,238.20) was made to "Repairs of tools and machinery" because expenditures of \$4,138.20 for highway construction and rebuilding projects and miscellaneous expenditures of \$100.00 were misclassified.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

4. Adjustments (Continued)

2011 - Section 1 (Continued)

An adjustment of \$(839.79) was made to “Maintenance and repair of roads and bridges” because expenditures of \$402.72 were not reported and miscellaneous expenditures of \$1,242.51 were misclassified.

An adjustment of \$4,138.20 was made to “Highway construction and rebuilding projects” because these expenditures were misclassified as maintenance and repair of roads and bridges.

An adjustment of \$1,987.61 was made to “Miscellaneous” because expenditures of \$645.10 were misclassified as winter maintenance services, expenditures of \$100.00 were misclassified as repairs of tools and machinery, and expenditures of \$1,242.51 were misclassified as maintenance and repair of roads and bridges.

2011 - Section 2

An adjustment of \$500.00 was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance in 2010 - Section 2.

2011 - Section 3

An adjustment of \$500.00 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2010 - Section 3.

An adjustment of \$3,850.01 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2011 - Section 1.

2012 - Section 2

An adjustment of \$434.79 was made to “Balance, January 1, 2011” because an incorrect fund balance was reported.

2012 - Section 3

An adjustment of \$500.14 was made to “Prior year equipment balance” because an incorrect equipment balance was reported.

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2012

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>2010</u>	<u>2011</u>
General Fund	Reimbursement (Comment No. 1)	\$2,818.32	\$ -
Washington Township	Sale of cold patch	1,961.70	-
Sugarcreek Township	Sale of cold patch	2,356.87	-
Sugarcreek Township	Shared equipment purchase	-	350.00
Washington Township	Share equipment purchase	-	350.00
Armstrong County	Grant	-	4,500.00
Armstrong County	Reimbursement for County aid	-	7,838.14
General Fund	Reimbursement (Finding No. 2)	-	950.00
	Totals	<u>\$7,136.89</u>	<u>\$13,988.14</u>

6. Bank Loan

On January 26, 2011, the municipality borrowed \$126,624.00 from Farmers National Bank to purchase a 2008 International truck with plow and spreader. The term of the loan was for ten years at 4.0 percent. Principal and interest payments of \$3,850.01 are due quarterly for the first thirty nine payments with a final payment of \$3,849.99.

During the current examination period the municipality paid principal of \$13,423.33 and interest of \$5,826.72 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2011 and 2012 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$8,441.74 and interest of \$3,108.29 from the General Fund. The outstanding balance of the loan as of December 31, 2012 was \$104,758.93, plus interest.

TOWNSHIP OF BRADYS BEND
 ARMSTRONG COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$1,230.25 during 2010 and \$1,987.61 during 2011 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Heating fuel-2010		\$1,230.25
Sewage fee	100.00	
Ashes	645.10	
Heating fuel	<u>1,242.51</u>	
2011 Total		<u>1,987.61</u>
Two Year Total		<u><u>\$3,217.86</u></u>

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 heating fuel, sewage fees and ashes, 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 \$3,217.86 to its Liquid Fuels Tax Fund.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Nonpermissible Expenditures (Continued)

Recommendations

We recommend that the municipality reimburse \$3,217.86 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 municipal officials stated:

We were unaware that these items were nonpermissible expenditures under Liquid Fuels.

Auditor's Conclusion

The municipal officials should become familiar with Department of Transportation Regulations regarding permissible expenditures. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Liquid Fuels Money Overexpended For Computer Services

Our examination disclosed that during 2010 the municipality expended \$1,950.00 for computer services from its Liquid Fuels Tax Fund, which is \$950.00 more than municipalities are permitted to spend for computer services in a calendar year.

The Department of Transportation's *Publication 9*, Chapter Two, Section 2.7.1, states:

Example of acceptable expenditures for Municipal Liquid Fuels Tax funds are:

23. Computer hardware, software, and/or training, up to \$1,000.00 annually.

On January 13, 2011 the municipality reimbursed \$950.00 to its Liquid Fuels Tax Fund.

Recommendation

We recommended that the municipality expend only up to \$1,000.00 per year for computer hardware, software, and/or training from its Liquid Fuels Tax Fund.

Management's Response

The municipal officials stated:

We were unaware that these items were nonpermissible expenditures under Liquid Fuels.

Auditor's Conclusion

The municipality should review the Department of Transportation's *Publication 9* to become familiar with Department of Transportation Regulations. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Comment No. 1 - Summary Of 2005-2007 Examination Recommendations

In our 2005-2007 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$55,616.22 to its Liquid Fuels Tax Fund. This amount consists of \$27,857.16 for expenditures without maintaining documentation to support the expenditures, \$15,664.62 for the purchase of fuel without maintaining fuel dispensation records, and \$12,094.44 for MC-70 road oil without advertising for bids.

During our prior examination we reviewed a letter dated January 13, 2010, from the Department of Transportation informing the municipality to reimburse \$2,818.32 to its Liquid Fuels Tax Fund. The municipality reimbursed \$2,818.32 to the Liquid Fuels Tax Fund on January 13, 2010. The letter further stated that reimbursement of the remaining \$52,797.90 would not be required.

Comment No. 2 - Summary Of 2008-2009 Examination Recommendations

In our 2008-2009 report we recommended that the municipality reimburse \$27,538.21 to its Liquid Fuels Tax Fund related to the following findings:

- Documentation Supporting Expenditures Was Not Available For Examination for \$6,110.57.
- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements for \$16,500.00.
- Documentation For Price Quotations Was Not Available For Examination for \$4,765.51.
- Liquid Fuels Money Deposited Into The General Fund for \$162.13.

During our current examination we reviewed a letter dated July 18, 2013, from the Department of Transportation informing the municipality to reimburse \$22,772.70 to its Liquid Fuels Tax Fund. The letter further stated that reimbursement of the remaining \$4,765.51 would not be required.

The municipality will be reimbursing the \$22,722.70 in two payments. The first payment of \$11,286.35 is due by December 31, 2013. The second payment of \$11,386.35 is due by December 31, 2014.

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Comment No. 2 - Summary Of 2008-2009 Examination Recommendations (continued)

During our 2008-2009 examination we also recommended:

- That the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.
- That the municipality comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by advertising for bids for all purchases over \$10,000.00. The thresholds for advertising for bids increased to purchases over \$18,500.00 for 2012, \$18,900.00 for 2013, and \$19,000.00 for 2014.
- That the municipality comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by obtaining price quotations for all purchases between \$4,000.00 and \$10,000.00. The thresholds for obtaining price quotations were increased to purchases between \$10,000.00 and \$18,500.00 for 2012, \$10,200.00 and \$18,900.00 for 2013, and \$10,300.00 and \$19,100.00 for 2014.
- That the municipality deposit all Liquid Fuels Tax money promptly into the Liquid Fuels Tax Fund.
- That the municipality comply with the Department of Transportation's Regulation 449.12 to ensure that allocations are received during the first week in April.

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

An exit conference was held November 14, 2013. Those participating were:

TOWNSHIP OF BRADYS BEND

The Honorable Joseph Bayne, Vice-Chairman of the Board of Supervisors
Mrs. Sheila A. Markel, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ronald J. Fairman, Auditor

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

TOWNSHIP OF BRADYS BEND
ARMSTRONG COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

This report was initially distributed to:

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

Township of Bradys Bend
Armstrong County
1004 State Route 68
East Brady, PA 16028

The Honorable Ronald Ford

Chairman of the Board of Supervisors

Mrs. Sheila A. Markel

Secretary/Treasurer

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