

ATTESTATION ENGAGEMENT

Township of Elkland
Sullivan County, Pennsylvania
56-204
Liquid Fuels Tax Fund
For the Period
January 1, 2011 to December 31, 2013

June 2015



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



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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Leslie Richards
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Elkland, Sullivan County, for the period January 1, 2011 to December 31, 2013. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Elkland, Sullivan County's Forms MS-965 for the period January 1, 2011 to December 31, 2013 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in the Finding and Recommendations section of this report, the township made loan payments of \$19,965.98 during 2011, \$7,931.96 during 2012, and \$7,931.96 during 2013 toward the purchase of a 1999 International truck and a 2004 Chevrolet truck that were improperly bid.

In our opinion, except for the matter discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Elkland, Sullivan County, for the period January 1, 2011 to December 31, 2013, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Elkland, Sullivan County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Improper Bidding Procedures.

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

We appreciate the courtesy extended by the Township of Elkland, Sullivan 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

April 13, 2015

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TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Background

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

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

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

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

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

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 27,717.19	\$ -	\$ 27,717.19
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	20,832.83	-	20,832.83
Traffic control devices	2,642.77	-	2,642.77
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	19,053.99	-	19,053.99
Maintenance and repair of roads and bridges	39,818.45	-	39,818.45
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 110,065.23</u>	<u>\$ -</u>	<u>\$ 110,065.23</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN 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	\$ 54,902.20	\$ -	\$ 54,902.20
Receipts:			
2. State allocation	77,601.34	-	77,601.34
2a. Turnback allocation	1,680.00	-	1,680.00
2b. Interest on investments (Note 3)	24.56	-	24.56
2c. Miscellaneous (Note 5)	4,830.02	-	4,830.02
3. Total receipts	<u>84,135.92</u>	<u>-</u>	<u>84,135.92</u>
4. Total funds available	<u>139,038.12</u>	<u>-</u>	<u>139,038.12</u>
5. Expenditures (Section 1)	<u>110,065.23</u>	<u>-</u>	<u>110,065.23</u>
6. Balance, December 31, 2011	<u><u>\$ 28,972.89</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,972.89</u></u>

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

TOWNSHIP OF ELKLAND
SULLIVAN 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	\$ 21,011.41	\$ -	\$ 21,011.41
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	15,856.27	-	15,856.27
3. PENNDOT approved adjustments	<u>-</u>	<u>2,750.02</u>	<u>2,750.02</u>
4. Total funds available for equipment acquisition	36,867.68	2,750.02	39,617.70
5. Less: Major equipment expenditures	<u>27,717.19</u>	<u>-</u>	<u>27,717.19</u>
6. Remainder	<u>9,150.49</u>	<u>2,750.02</u>	<u>11,900.51</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 9,150.49</u>	<u>\$ 2,750.02</u>	<u>\$ 11,900.51</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
2012 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	\$ 7,931.96	\$ -	\$ 7,931.96
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	23,420.85	(10,946.13)	12,474.72
Traffic control devices	767.35	-	767.35
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	21,912.39	(6,676.75)	15,235.64
Maintenance and repair of roads and bridges	40,997.60	-	40,997.60
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	-	17,622.88	17,622.88
 Total (To Section 2, Line 5)	 <u>\$ 95,030.15</u>	 <u>\$ -</u>	 <u>\$ 95,030.15</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 28,972.89	\$ -	\$ 28,972.89
Receipts:			
2. State allocation	80,165.89	-	80,165.89
2a. Turnback allocation	1,680.00	-	1,680.00
2b. Interest on investments (Note 3)	16.22	-	16.22
2c. Miscellaneous (Note 6)	17,622.88	-	17,622.88
3. Total receipts	<u>99,484.99</u>	<u>-</u>	<u>99,484.99</u>
4. Total funds available	<u>128,457.88</u>	<u>-</u>	<u>128,457.88</u>
5. Expenditures (Section 1)	<u>95,030.15</u>	<u>-</u>	<u>95,030.15</u>
6. Balance, December 31, 2012	<u><u>\$ 33,427.73</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,427.73</u></u>

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

TOWNSHIP OF ELKLAND
SULLIVAN 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	\$ 9,150.49	\$ 2,750.02	\$ 11,900.51
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,369.18	-	16,369.18
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	25,519.67	2,750.02	28,269.69
5. Less: Major equipment expenditures	7,931.96	-	7,931.96
6. Remainder	<u>17,587.71</u>	<u>2,750.02</u>	<u>20,337.73</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 17,587.71</u>	<u>\$ 2,750.02</u>	<u>\$ 20,337.73</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 7,931.96	\$ -	\$ 7,931.96
Minor equipment purchases	5,915.00	-	5,915.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	11,501.93	-	11,501.93
Traffic control devices	2,204.97	-	2,204.97
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	23,817.61	-	23,817.61
Maintenance and repair of roads and bridges	63,560.11	-	63,560.11
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 114,931.58</u>	 <u>\$ -</u>	 <u>\$ 114,931.58</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
2013 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, 2013	\$ 33,427.73	\$ -	\$ 33,427.73
Receipts:			
2. State allocation	78,311.95	-	78,311.95
2a. Turnback allocation	1,680.00	-	1,680.00
2b. Interest on investments (Note 3)	12.09	-	12.09
2c. Miscellaneous (Note 5)	1,500.00	-	1,500.00
3. Total receipts	<u>81,504.04</u>	<u>-</u>	<u>81,504.04</u>
4. Total funds available	<u>114,931.77</u>	<u>-</u>	<u>114,931.77</u>
5. Expenditures (Section 1)	<u>114,931.58</u>	<u>-</u>	<u>114,931.58</u>
6. Balance, December 31, 2013	<u>\$.19</u>	<u>\$ -</u>	<u>\$.19</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
2013 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	\$ 17,587.71	\$ 2,750.02	\$ 20,337.73
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	15,998.39	-	15,998.39
3. PENNDOT approved adjustments	<u>1,500.00</u>	<u>-</u>	<u>1,500.00</u>
4. Total funds available for equipment acquisition	35,086.10	2,750.02	37,836.12
5. Less: Major equipment expenditures	<u>7,931.96</u>	<u>-</u>	<u>7,931.96</u>
6. Remainder	<u>27,154.14</u>	<u>2,750.02</u>	<u>29,904.16</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$.19</u>	<u>\$ -</u>	<u>\$.19</u>

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

1. Criteria

Section 1

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

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

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

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

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

- Agility projects are exchanges of services with the Department of Transportation.

Section 2

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

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

Section 3

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

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

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

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

Basis Of Presentation

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

1. Criteria (Continued)

Basis Of Accounting

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

General Fixed Assets

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

2. Deposits

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

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

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2013. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

Fund Balance

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

Cash	\$.19
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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 \$24.56 during 2011, \$16.22 during 2012, and \$12.09 during 2013, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2011 - Section 3

An adjustment of \$2,750.02 was made to "PENNDOT approved adjustments" because the sale of equipment was not reported as an approved adjustment.

2012 - Section 1

Adjustments were made to "Winter maintenance services," "Repairs of tools and machinery," and "Miscellaneous" because expenditures of \$17,622.88 were misclassified.

2012 - Section 3

An adjustment of \$2,750.02 was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2011 - Section 3.

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

4. Adjustments (Continued)

2013 - Section 3

An adjustment of \$2,750.02 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2012 - Section 3.

5. Miscellaneous Receipts

<u>Source</u>	<u>Description</u>	<u>2011</u>	<u>2013</u>
Local business	Sale of bridge decking	\$2,080.00	\$ -
Resident	Sale of equipment	2,750.02	1,500.00
	Totals	<u>\$4,830.02</u>	<u>\$1,500.00</u>

6. Transfer In Error

On January 20, 2012, the municipality transferred \$17,622.88 from the General Fund to its Liquid Fuels Tax Fund in error. On March 1, 2012, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the transfer in error.

7. Bank Loan

On August 1, 2006, the municipality borrowed \$26,000.00 from Citizens and Northern Bank to purchase a Ford F-550 truck. The term of the loan was five year at an interest rate of 5.0 percent. Principal and interest payments of \$1,477.69 are due quarterly. Prior years’ principal and interest payments from the Liquid Fuels Tax Fund were \$21,729.45 and \$3,391.28, respectively. Additionally, the municipality paid principal of \$1,302.04 and interest of \$175.65 from the General Fund.

During the current examination period the municipality paid principal of \$2,968.51 and interest of \$32.70 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2011 Form MS-965 - Section 1. The loan was paid-in-full on February 4, 2011.

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

8. Bank Loan

On March 30, 2011, the township purchased a 1999 International truck for \$27,500.00 and a 2004 Chevrolet truck for \$24,000.00. The township made a down payment of \$16,000.00 from the Liquid Fuels Tax Fund. The municipality borrowed the remaining \$35,500.00 from Citizens and Northern Bank. The term of the loan was for five years at an interest rate of 4.25 percent. Principal and interest payments of \$1,982.99 are due quarterly. Because these trucks were improperly bid, payments on this loan should not be paid from the Liquid Fuels Tax Fund (see Finding).

During the current examination period the municipality paid principal of \$16,782.31, interest of \$3,047.09 from the Liquid Fuels Tax Fund. These amounts plus the down payment are reflected in major equipment purchases on the 2011, 2012, and 2013 Forms MS-965 - Section 1. The outstanding balance of the loan on December 31, 2013 was \$18,717.69, plus interest.

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding – Improper Bidding Procedures

Our examination disclosed that the township purchased a 1999 International truck for \$27,500.00 and a 2004 Chevrolet truck for \$24,000.00. The township properly advertised for sealed bids for both trucks and awarded the bids to the low bidders. However, the bid that was accepted for the International truck was submitted via e-mail and was therefore not sealed. Additionally, the advertisement for the Chevrolet truck stated that the bid opening would be on April 7, 2011. However, the bid was awarded on March 16, 2011.

The township made a down payment of \$16,000.00 from the Liquid Fuels Tax Fund toward the two trucks and borrowed the remaining \$35,500.00 from Citizens and Northern Bank (see Note 8). The township made loan payments of \$3,965.98 during 2011, \$7,931.96 during 2012, and \$7,931.96 during 2013 from the Liquid Fuels Tax Fund. These payments were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
14213	03/17/11	2130	03/17/11	\$16,000.00	
3126	06/17/11	2146	07/07/11	1,982.99	
3126	09/16/11	2164	10/06/11	1,982.99	
2011 Total					\$19,965.98
3126	12/16/11	2188	01/03/12	1,982.99	
3126	03/16/12	2206	04/05/12	1,982.99	
3126	06/18/12	2219	06/30/12	1,982.99	
3126	09/18/12	2236	10/02/12	1,982.99	
2012 Total					7,931.96
3126	12/18/12	2257	01/07/13	1,982.99	
3126	03/18/13	2270	04/04/13	1,982.99	
3126	06/18/13	2284	06/24/13	1,982.00	
3126	09/18/13	2306	10/03/13	1,982.99	
2013 Total					7,931.96
Three Year Total					\$35,829.90

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding – Improper Bidding Procedures (Continued)

During 2011, townships were required by *The Second Class Township Code* to advertise for bids for all purchases over \$10,000.00. Additionally, good business practice requires municipalities to advertise for and obtain sealed bids when bidding for items or materials. Although the township did properly advertise for sealed bids, the township did not comply with their advertisement when awarding a bid that was submitted via e-mail for the International Truck.

The Second Class Township Code, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which states:

. . . Any published notice for bids shall contain full plans and specifications or refer to the places where copies thereof can be obtained and give the date, time and place of a meeting at which an individual or committee approved by the board of supervisors will open and read the bids.

Because the township awarded the bids for the Chevrolet truck before the advertised meeting, the township did not comply with *The Second Class Township Code*.

The failure of the township to comply with *The Second Class Township Code*, good business practices, and its requirement for sealed bids in its advertisement could result in the township having to reimburse \$35,829.90 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$35,829.90 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township only accept sealed bids for purchases in excess of bidding thresholds. The threshold for advertising for bids increased to purchases over \$18,500.00 for 2012, \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,500.00 for 2015.

Additionally, we recommend that, in the future, the municipality award bids on the date of the advertised meeting.

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

Finding – Improper Bidding Procedures (Continued)

Management’s Response

The secretary/treasurer stated:

I don’t agree with this finding and the PennDot district office is looking into this.

Auditor’s Conclusion

The township failed to comply with good business practices and its own requirement in its advertisement to accept only sealed bids regarding the purchase of the International truck. Additionally, the township did not comply with *The Second Class Township Code* by awarding the bid for the Chevrolet truck before the scheduled bid opening. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

An exit conference was held December 18, 2014. Those participating were:

TOWNSHIP OF ELKLAND

Ms. Deborah M. Smith, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Vicki Baker, Auditor

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

TOWNSHIP OF ELKLAND
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Township of Elkland
Sullivan County
909 Kobbe Road
Forksville, PA 18616

The Honorable Charles Baumunk, Jr. Chairman of the Board of Supervisors

Ms. Deborah M. Smith Secretary/Treasurer

This report is a matter of public record and is available online at <http://www.PaAuditor.gov>.
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General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to:
news@PaAuditor.gov.