



**BOROUGH OF ASHLEY
LUZERNE COUNTY
40-401**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
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Harrisburg, PA 17120-0018
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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 Borough of Ashley, Luzerne County, for the period January 1, 2011 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 Borough of Ashley, Luzerne County's Forms MS-965 for the period January 1, 2011 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 section of this report:

- The municipality expended \$13,807.99 during 2011 and \$5,905.36 during 2012 from the Liquid Fuels Tax Fund for payroll. However the municipality did not maintain daily payroll time sheets identifying the nature of work performed and the location of work assignments (Finding No. 1).
- The municipality expended \$2,900.53 during 2011 and \$2,639.02 during 2012 from the Liquid Fuels Tax Fund for the maintenance and repair of a garbage packer truck, which are nonpermissible expenditures (Finding No. 3).
- The municipality expended \$5,426.30 during 2012 from the Liquid Fuels Tax Fund in excess of the approved amount for street lighting costs (Finding No. 4).

In our opinion, except for the bulleted items discussed 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 Borough of Ashley, Luzerne County, for the period January 1, 2011 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 Borough of Ashley, Luzerne 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 Borough of Ashley, Luzerne County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Ashley, Luzerne County's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Forms MS-965:

- Documentation Supporting Payroll Expenditures Was Not Available For Examination.

Independent Auditor's Report (Continued)

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks.

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 Borough of Ashley, Luzerne County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

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

- Nonpermissible Expenditures.
- Overexpenditure Of Street Lighting Costs.

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



EUGENE A. DEPASQUALE
Auditor General

June 13, 2013

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BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2011 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.

BOROUGH OF ASHLEY
 LUZERNE 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	11,377.88	-	11,377.88
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	6,771.90	-	6,771.90
Maintenance and repair of roads and bridges	15,346.27	-	15,346.27
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 33,496.05</u>	 <u>\$ -</u>	 <u>\$ 33,496.05</u>

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

BOROUGH OF ASHLEY
 LUZERNE 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	\$ 68,964.39	\$ -	\$ 68,964.39
Receipts:			
2. State allocation	53,024.04	-	53,024.04
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	47.49	-	47.49
2c. Miscellaneous (Comment)	-	725.17	725.17
3. Total receipts	<u>53,071.53</u>	<u>725.17</u>	<u>53,796.70</u>
4. Total funds available	<u>122,035.92</u>	<u>725.17</u>	<u>122,761.09</u>
5. Expenditures (Section 1)	<u>33,496.05</u>	-	<u>33,496.05</u>
6. Balance, December 31, 2011	<u><u>\$ 88,539.87</u></u>	<u><u>\$ 725.17</u></u>	<u><u>\$ 89,265.04</u></u>

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

BOROUGH OF ASHLEY
 LUZERNE 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	\$ 23,152.43	\$ -	\$ 23,152.43
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	10,604.81	-	10,604.81
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	33,757.24	-	33,757.24
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>33,757.24</u>	<u>-</u>	<u>33,757.24</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 33,757.24</u>	<u>\$ -</u>	<u>\$ 33,757.24</u>

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

BOROUGH OF ASHLEY
 LUZERNE 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,194.50	-	4,194.50
Traffic control devices	210.00	-	210.00
Street lighting	5,426.30	-	5,426.30
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,905.68	-	4,905.68
Maintenance and repair of roads and bridges	3,556.95	5,905.36	9,462.31
Highway construction and rebuilding projects	6,066.31	-	6,066.31
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 24,359.74</u>	 <u>\$ 5,905.36</u>	 <u>\$ 30,265.10</u>

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

BOROUGH OF ASHLEY
 LUZERNE 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	\$ 88,539.89	\$ 725.15	\$ 89,265.04
Receipts:			
2. State allocation	52,959.48	-	52,959.48
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	135.20	-	135.20
2c. Miscellaneous	-	-	-
3. Total receipts	<u>53,094.68</u>	<u>-</u>	<u>53,094.68</u>
4. Total funds available	<u>141,634.57</u>	<u>725.15</u>	<u>142,359.72</u>
5. Expenditures (Section 1)	<u>24,359.74</u>	<u>5,905.36</u>	<u>30,265.10</u>
6. Balance, December 31, 2012	<u><u>\$ 117,274.83</u></u>	<u><u>\$ (5,180.21)</u></u>	<u><u>\$ 112,094.62</u></u>

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

BOROUGH OF ASHLEY
 LUZERNE COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 33,757.24	\$ -	\$ 33,757.24
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	10,591.90	-	10,591.90
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	44,349.14	-	44,349.14
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>44,349.14</u>	<u>-</u>	<u>44,349.14</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 44,349.14</u>	<u>\$ -</u>	<u>\$ 44,349.14</u>

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

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 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.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 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.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 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 Borough Code, Title 53 P.S § 46316, authorizes the borough 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, 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.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

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

Cash	<u><u>\$112,094.62</u></u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$47.49 during 2011, and \$135.20 during 2012, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2011 - Section 2

An adjustment of \$725.17 was made to “Miscellaneous” because a reimbursement from the General Fund was not reported.

2012 - Section 1

An adjustment of \$5,905.36 was made to “Maintenance and repair of roads and bridges” because a transfer for payroll was not reported.

2012 - Section 2

An adjustment of \$725.15 was made to “Balance, January 1, 2012” because an incorrect fund balance was reported.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 1 - Documentation Supporting Payroll Expenditures Was Not Available For Examination

Our examination disclosed that the municipality expended \$13,807.99 during 2011 and \$5,905.36 during 2012 from the Liquid Fuels Tax Fund for payroll. However, the municipality did not maintain daily payroll time sheets identifying the nature of work performed and the location of work assignments.

Good internal control procedures over payroll ensure that there is documentation identifying the nature of the work performed and location of work assignments.

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 expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without payroll documentation that includes daily time sheets that identify the nature of work performed and the location of work assignments, we could not determine if the payroll expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law.

The failure to maintain documentation of payroll expenditures as noted above could result in the municipality having to reimburse \$19,713.35 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$19,713.35 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over payroll by maintaining daily time sheets that identify the nature of work performed and the location of work assignments.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 1 - Documentation Supporting Payroll Expenditures Was Not Available For Examination (Continued)

Management's Response

The secretary/treasurer stated:

Before being audited, I discovered that I failed to post our transfer for payroll. I thought it would be best if I waited for the auditor and explained what had happened before I corrected anything.

Auditor's Conclusion

The municipality failed to maintain daily payroll time sheets identifying the nature of the work performed and the location of work assignments. Municipal officials should ensure that documentation is maintained for all transfers made from the Liquid Fuels Tax Fund to other funds. During our next examination we will determine if the municipality complied with our recommendations.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 2 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks

Our examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and the back of the canceled checks.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the canceled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time.

The municipality obtained and provided us with copies of the backs of the canceled checks requested for examination.

Recommendation

We recommend that the municipal officials obtain images of the front and back of canceled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each canceled check for any errors or misappropriations.

Management's Response

The municipal officials offered no formal response at this time.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 3 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$2,900.53 during 2011 and \$2,639.02 during 2012 from the Liquid Fuels Tax Fund for the maintenance and repair of a garbage packer truck, 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 maintenance and repair of the borough's garbage packer truck, 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 \$5,539.55 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$5,539.55 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 offered no formal response at this time.

BOROUGH OF ASHLEY
 LUZERNE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 4 - Overexpenditure Of Street Lighting Costs

Our examination disclosed that the borough expended \$5,426.30 during 2012 from the Liquid Fuels Tax Fund in excess of the approved amount for street lighting costs.

The Borough Code, 53 P.S. § 46302(a)(4), or § 1302 and § 1302(4) of *The Borough Code* as published by the Local Government Commission provide that:

The council of the borough shall have power, by ordinance, to levy and collect annually, a tax, not exceeding thirty mills for general borough purposes, unless the council by majority action shall, upon due cause shown by resolution, petition the court of common pleas, in which case the court may order a rate of not more than five mills additional to be levied and in addition thereto any of the following taxes: . . .

(4) For lighting and illuminating the streets, highways and other public places with electric light, gas light or other illuminant, not exceeding eight mills;. . .

We noted that the borough had levied a real estate tax assessment of 2.85 mills, of which, .50 mills was imposed for street lighting costs for the year 2012.

The Department of Transportation’s Regulations permit only those street lighting expenditures in excess of the tax actually collected for street lighting to be expended from the Liquid Fuels Tax Fund.

Our calculations are as follows:

2012 taxes assessed for street lighting	.5 mills	
Total real estate taxes assessed for 2012	2.85 mills	
0.5 mills divided by 2.85 mills equals 0.18		
2012 street lighting costs		\$ 31,580.88
Total real estate taxes collected for 2012	\$230,581.01	
Street lighting percentage	x.18	
2012 taxes collected for street lighting		(41,504.58)
Permissible amount to be paid from liquid fuels		-
Less - Amount expended from liquid fuels		(5,426.30)
Overexpenditure - 2012		\$ (5,426.30)

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 4 - Overexpenditure Of Street Lighting Costs (Continued)

The failure to follow *The Borough Code* and the Department of Transportation's Regulations as noted above could result in the borough having to reimburse \$5,426.30 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$5,426.30 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the borough follow the Department of Transportation's Regulations by limiting their street lighting expenditures from the Liquid Fuels Tax Fund only to lighting costs which exceed the tax amount collected for street lighting.

Management's Response

The borough officials stated:

Before being audited, I discovered that I overspent in the street lighting category. I thought it would be best if I waited for the auditor and explained what had happened before I corrected anything.

Auditor's Conclusion

Municipal officials should ensure that only those street lighting expenditures in excess of the tax actually collected for street lighting are expended from the Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Comment - Summary Of 2008-2009 Examination Recommendation

In our 2008-2009 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$725.17 to its Liquid Fuels Tax Fund because the borough expended \$725.17 in excess of the approved amount for street lighting costs during 2008.

During our 2010 examination we reviewed a letter dated October 8, 2010, from the Department of Transportation informing the municipality to reimburse \$725.17 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on January 25, 2011.

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

An exit conference was held June 13, 2013. Those participating were:

BOROUGH OF ASHLEY

Mrs. Christine J. Casey, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Robert A. Bauder, Auditor

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

BOROUGH OF ASHLEY
LUZERNE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

This report was initially distributed to:

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

Borough of Ashley
Luzerne County
10 North Main Street
Ashley, PA 18706

The Honorable Joe Gorham

President of Council

Mrs. Christine J. Casey

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.