



TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
17-204

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

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TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

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.



Independent Auditor's Report

The Honorable Allen D. Biehler, 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 Bloom, Clearfield County, for the four years ended December 31, 2009. 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 Bloom, Clearfield County's Forms MS-965 for the four years ended December 31, 2009 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 Finding No. 2, on November 12, 2007, the township expended \$19,591.65 from its Liquid Fuels Tax for the purchase of E-3 oil without maintaining documentation for bids. Additionally, as discussed in Finding No. 3, on March 24, 2009 the township transferred \$10,293.70 from its Liquid Fuels Tax Fund to its General Fund for the reimbursement of invoices that were paid from the General Fund during 2008, which makes the transfer a retroactive expenditure. Also, as discussed in Finding No. 4, the township expended \$7,122.28 in excess of the amount available for the purchase of equipment for the year ending December 31, 2008. On April 8, 2009, the township reimbursed \$2,296.74 to its Liquid Fuels Tax Fund, leaving a balance of \$4,825.54 due the Liquid Fuels Tax Fund for the overexpenditure.

In our opinion, except for the matters 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 Bloom, Clearfield County, for the four years ended December 31, 2009, 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 Bloom, Clearfield 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 Bloom, Clearfield County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Bloom, Clearfield 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:

- Failure To Properly Prepare Forms MS-965.
- Failure To Maintain Documentation For Bids.

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 Bloom, Clearfield 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. 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*:

- Retroactive Expenditures.
- Overexpended Equipment Purchase Tally.

We also noted an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Late Receipt Of Allocations.

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

March 22, 2010

JACK WAGNER
Auditor General



TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2006 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	\$ 13,009.92	\$ -	\$ 13,009.92
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	3,589.00	-	3,589.00
Repairs of tools and machinery	5,008.88	(55.00)	4,953.88
Maintenance and repair of roads and bridges	23,814.43	-	23,814.43
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	2,857.46	-	2,857.46
	<u>2,857.46</u>	<u>-</u>	<u>2,857.46</u>
Total (To Section 2, Line 5)	<u>\$ 48,279.69</u>	<u>\$ (55.00)</u>	<u>\$ 48,224.69</u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2006 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, 2006	\$ 60,036.61	\$ 772.53	\$ 60,809.14
Receipts:			
2. State allocation	36,403.44	-	36,403.44
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,793.87	-	1,793.87
2c. Miscellaneous (Note 5)	-	8,017.46	8,017.46
3. Total receipts	<u>38,197.31</u>	<u>8,017.46</u>	<u>46,214.77</u>
4. Total funds available	<u>98,233.92</u>	<u>8,789.99</u>	<u>107,023.91</u>
5. Expenditures (Section 1)	<u>48,279.69</u>	<u>(55.00)</u>	<u>48,224.69</u>
6. Balance, December 31, 2006	<u><u>\$ 49,954.23</u></u>	<u><u>\$ 8,844.99</u></u>	<u><u>\$ 58,799.22</u></u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2006 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	\$ 16,026.26	\$ -	\$ 16,026.26
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	7,280.69	-	7,280.69
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	23,306.95	-	23,306.95
5. Less: Major equipment expenditures	13,009.92	-	13,009.92
6. Remainder	<u>10,297.03</u>	<u>-</u>	<u>10,297.03</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 10,297.03</u>	<u>\$ -</u>	<u>\$ 10,297.03</u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2007 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	\$ 13,009.92	\$ -	\$ 13,009.92
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	973.70	-	973.70
Street lighting	-	-	-
Storm sewers and drains	1,839.00	-	1,839.00
Repairs of tools and machinery	3,785.19	(24.01)	3,761.18
Maintenance and repair of roads and bridges	29,818.33	-	29,818.33
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 49,426.14</u>	 <u>\$ (24.01)</u>	 <u>\$ 49,402.13</u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2007 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, 2007	\$ 49,954.23	\$ 8,844.99	\$ 58,799.22
Receipts:			
2. State allocation	37,610.63	-	37,610.63
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,811.18	(35.73)	1,775.45
2c. Miscellaneous	-	-	-
3. Total receipts	<u>39,421.81</u>	<u>(35.73)</u>	<u>39,386.08</u>
4. Total funds available	<u>89,376.04</u>	<u>8,809.26</u>	<u>98,185.30</u>
5. Expenditures (Section 1)	<u>49,426.14</u>	<u>(24.01)</u>	<u>49,402.13</u>
6. Balance, December 31, 2007	<u><u>\$ 39,949.90</u></u>	<u><u>\$ 8,833.27</u></u>	<u><u>\$ 48,783.17</u></u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2007 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	\$ 10,297.03	\$ -	\$ 10,297.03
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	7,522.13	-	7,522.13
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	17,819.16	-	17,819.16
5. Less: Major equipment expenditures	13,009.92	-	13,009.92
6. Remainder	<u>4,809.24</u>	<u>-</u>	<u>4,809.24</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 4,809.24</u>	<u>\$ -</u>	<u>\$ 4,809.24</u>

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
2008 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	\$ 9,978.88	\$ 1,952.64	\$ 11,931.52
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	580.00	-	580.00
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	9,051.66	-	9,051.66
Maintenance and repair of roads and bridges	10,473.52	(165.00)	10,308.52
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Bank service charges)	-	40.00	40.00
 Total (To Section 2, Line 5)	 <u>\$ 30,084.06</u>	 <u>\$ 1,827.64</u>	 <u>\$ 31,911.70</u>

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
2008 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, 2008	\$ 45,109.90	\$ 3,673.27	\$ 48,783.17
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,161.49	-	1,161.49
2c. Miscellaneous (Note 5)	<u>2,872.90</u>	<u>-</u>	<u>2,872.90</u>
3. Total receipts	<u>4,034.39</u>	<u>-</u>	<u>4,034.39</u>
4. Total funds available	<u>49,144.29</u>	<u>3,673.27</u>	<u>52,817.56</u>
5. Expenditures (Section 1)	<u>30,084.06</u>	<u>1,827.64</u>	<u>31,911.70</u>
6. Balance, December 31, 2008	<u><u>\$ 19,060.23</u></u>	<u><u>\$ 1,845.63</u></u>	<u><u>\$ 20,905.86</u></u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2008 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	\$ 4,809.24	\$ -	\$ 4,809.24
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>2,872.90</u>	<u>(2,872.90)</u>	<u>-</u>
4. Total funds available for equipment acquisition	7,682.14	(2,872.90)	4,809.24
5. Less: Major equipment expenditures	<u>9,978.88</u>	<u>1,952.64</u>	<u>11,931.52</u>
6. Remainder	<u><u>(2,296.74)</u></u>	<u><u>(4,825.54)</u></u>	<u><u>(7,122.28)</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
2009 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	\$ 13,668.48	\$ (2,928.96)	\$ 10,739.52
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,460.51	10.00	4,470.51
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	6,456.99	-	6,456.99
Maintenance and repair of roads and bridges	38,533.51	-	38,533.51
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Bank service charges)	10.00	-	10.00
 Total (To Section 2, Line 5)	 <u>\$ 63,129.49</u>	 <u>\$ (2,918.96)</u>	 <u>\$ 60,210.53</u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2009 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, 2009	\$ 22,653.50	\$ (1,747.64)	\$ 20,905.86
Receipts:			
2. State allocation	81,164.48	-	81,164.48
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	883.77	-	883.77
2c. Miscellaneous (Note 5)	<u>2,795.93</u>	<u>1,952.64</u>	<u>4,748.57</u>
3. Total receipts	<u>84,844.18</u>	<u>1,952.64</u>	<u>86,796.82</u>
4. Total funds available	<u>107,497.68</u>	<u>205.00</u>	<u>107,702.68</u>
5. Expenditures (Section 1)	<u>63,129.49</u>	<u>(2,918.96)</u>	<u>60,210.53</u>
6. Balance, December 31, 2009	<u>\$ 44,368.19</u>	<u>\$ 3,123.96</u>	<u>\$ 47,492.15</u>

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

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2009 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	\$ -	\$ -	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,232.90	-	16,232.90
3. PENNDOT approved adjustments	-	1,952.64	1,952.64
4. Total funds available for equipment acquisition	16,232.90	1,952.64	18,185.54
5. Less: Major equipment expenditures	13,668.48	(2,928.96)	10,739.52
6. Remainder	<u>2,564.42</u>	<u>4,881.60</u>	<u>7,446.02</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 2,564.42</u>	<u>\$ 4,881.60</u>	<u>\$ 7,446.02</u>

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

1. Criteria

Section 1

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

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

Section 2

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

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

Section 3

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

1. Criteria (Continued)

Section 3 (Continued)

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

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 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, 2009. 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 BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE FOUR YEARS ENDED
 DECEMBER 31, 2009

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2009 consists of the following:

Cash	\$19,138.55
Certificate of deposit	28,353.60
Total	\$47,492.15

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts and certificates of deposit which earned \$1,793.87 during 2006, \$1,775.45 during 2007, \$1,161.49 during 2008, and \$883.77 during 2009 thus providing additional funds for road maintenance and repairs.

4. Adjustments

2006 - Section 1

An adjustment of \$(55.00) was made to “Repairs of tools and machinery” because check No. 319 was voided but was included as an expenditure.

2006 - Section 2

An adjustment of \$772.53 was made to “Balance, January 1, 2006” because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$8,017.46 was made to “Miscellaneous” because these receipts were not reported.

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LIQUID FUELS TAX FUND
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4. Adjustments (Continued)

2007 - Section 1

An adjustment of \$(24.01) was made to "Repairs of tools and machinery" because check No. 346 was voided but was included as an expenditure.

2007 - Section 2

An adjustment of \$8,844.99 was made to "Balance, January 1, 2007" to reflect the adjustments made in 2006 - Section 1 and 2006 - Section 2.

An adjustment of \$(35.73) was made to "Interest on investments" because interest earnings were overstated.

2008 - Section 1

An adjustment of \$1,952.64 was made to "Major equipment purchases" because check Nos. 379 for \$976.32 and 382 for \$976.32, which were issued in 2008, were incorrectly reported as expenditures in 2009.

An adjustment of \$(165.00) was made to "Maintenance and repair of roads and bridges" because check No. 381 was voided but was included as an expenditure.

An adjustment of \$40.00 was made to "Miscellaneous" expenditures because bank service charges were not reported.

2008 - Section 2

An adjustment of \$3,673.27 was made to "Balance, January 1, 2008" because an incorrect fund balance was reported.

2008 - Section 3

An adjustment of \$(2,872.90) was made to "PENNDOT approved adjustments" because there were no approved adjustments.

An adjustment of \$1,952.64 was made to "Major equipment expenditures" to reflect the adjustment made to major equipment purchases in 2008 - Section 1.

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CLEARFIELD COUNTY
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4. Adjustments (Continued)

2009 - Section 1

An adjustment of \$(2,928.96) was made to “Major equipment purchases” because check Nos. 379 for \$976.32 and 382 for \$976.32, which were issued in 2008, were erroneously reported as expenditures in 2009. Additionally, check No. 405 for \$976.32 was voided but was included as an expenditure.

An adjustment of \$10.00 was made to “Winter maintenance services” because check No. 388 was reported as \$257.57, but was issued for \$267.57.

2009 - Section 2

An adjustment of \$(1,747.64) was made to “Balance, January 1, 2009” because an incorrect fund balance was reported.

An adjustment of \$1,952.64 was made to “Miscellaneous” receipts because these receipts were understated.

2009 - Section 3

An adjustment of \$1,952.64 was made to “PENNDOT approved adjustments” because the reimbursement of loan payments was not reported as an approved adjustment.

An adjustment of \$(2,928.96) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2009 - Section 1.

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5. Miscellaneous Receipts

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

Source	Description	2006	2008	2009
General Fund	Reimbursement (Comment)	\$5,160.00	\$ -	\$ -
General Fund	Overdraft protection (Note 6)	2,857.46	2,872.90	499.19
Financial institution	Refund of loan payments	-	-	1,952.64
General Fund	Reimbursement (Finding No. 4)	-	-	2,296.74
Totals		<u>\$8,017.46</u>	<u>\$2,872.90</u>	<u>\$4,748.57</u>

6. Overdraft Protection

The township's financial institution offers overdraft protection on the Liquid Fuels Tax Fund's checking account. If there are insufficient funds in the liquid fuels checking account when a check is drawn on the account, money from the General Fund is automatically transferred to cover the deficit. The township received \$2,857.46 during 2006 to cover deficits. The township transferred \$2,857.46 from its Liquid Fuels Tax Fund to its General Fund for the reimbursement of the transfers. Additionally, during 2008 the township received \$2,872.90 and during 2009 the township received \$499.19 to cover its deficits. These funds were not reimbursed to its General Fund.

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7. Bank Loan

On May 15, 2005, the municipality borrowed \$84,747.00 from CSB Bank (now Northwest Savings Bank) to purchase a new truck. The term of the loan was for 8 years at an interest rate of 5.20 percent. Principal and interest payments of \$1,084.16 are due monthly, until January 2008, when the payment decreased to \$976.32. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$5,094.96 and \$2,494.16, respectively.

During the current examination period the municipality paid principal of \$36,752.34 and interest of \$11,938.54 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2006, 2007, 2008, and 2009 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$5,600.00 from the General Fund. The outstanding balance of the loan as of December 31, 2009 was \$37,299.70, plus interest.

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CLEARFIELD COUNTY
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Finding No. 1 - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2006, 2007, 2008, and 2009 Forms MS-965. These adjustments, which are disclosed in Note 4, are as follows:

2006 - Section 1

- An adjustment of \$(55.00) was made to "Repairs of tools and machinery" because check No. 319 was voided but was included as an expenditure.

2006 - Section 2

- An adjustment of \$772.53 was made to "Balance, January 1, 2006" because of prior report adjustments that were not carried forward in the fund balance.
- An adjustment of \$8,017.46 was made to "Miscellaneous" because these receipts were not reported.

2007 - Section 1

- An adjustment of \$(24.01) was made to "Repairs of tools and machinery" because check No. 346 was voided but was included as an expenditure.

2007 - Section 2

- An adjustment of \$8,844.99 was made to "Balance, January 1, 2007" to reflect the adjustments made in 2006 - Section 1 and 2006 - Section 2.
- An adjustment of \$(35.73) was made to "Interest on investments" because interest earnings were overstated.

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
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FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

2008 - Section 1

- An adjustment of \$1,952.64 was made to “Major equipment purchases” because check Nos. 379 for \$976.32 and 382 for \$976.32, which were issued in 2008, were incorrectly reported as expenditures in 2009.
- An adjustment of \$(165.00) was made to “Maintenance and repair of roads and bridges” because check No. 381 was voided but was included as an expenditure.
- An adjustment of \$40.00 was made to “Miscellaneous” expenditures because bank service charges were not reported.

2008 - Section 2

- An adjustment of \$3,673.27 was made to “Balance, January 1, 2008” because an incorrect fund balance was reported.

2008 - Section 3

- An adjustment of \$(2,872.90) was made to “PENNDOT approved adjustments” because there were no approved adjustments.
- An adjustment of \$1,952.64 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2008 - Section 1.

2009 - Section 1

- An adjustment of \$(2,928.96) was made to “Major equipment purchases” because check Nos. 379 for \$976.32 and 382 for \$976.32, which were issued in 2008, were erroneously reported as expenditures in 2009. Additionally, check No. 405 for \$976.32 was voided but was included as an expenditure.
- An adjustment of \$10.00 was made to “Winter maintenance services” because check No. 388 was reported as \$257.57, but was issued for \$267.57.

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CLEARFIELD COUNTY
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Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

2009 - Section 2

- An adjustment of \$(1,747.64) was made to “Balance, January 1, 2009” because an incorrect fund balance was reported.
- An adjustment of \$1,952.64 was made to “Miscellaneous” receipts because these receipts were understated.

2009 - Section 3

- An adjustment of \$1,952.64 was made to “PENNDOT approved adjustments” because the reimbursement of loan payments was not reported as an approved adjustment.
- An adjustment of \$(2,928.96) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2009 - Section 1.

Good internal controls ensure that the municipality completes its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or irregularities may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-965 is complete and accurate.

Management’s Response

The municipal officials stated:

The supervisors assumed the prior secretary did the paperwork.

Auditor’s Conclusion

The supervisors should ensure that the municipality’s Forms MS-965 are completed properly. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF BLOOM
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LIQUID FUELS TAX FUND
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Finding No. 2 - Failure To Maintain Documentation For Bids

Our examination disclosed that on June 11, 2007 the township advertised for bids for E-3 oil. At the township supervisors' meeting on July 9, 2007 the supervisors tabled the bids until August 13, 2007. According to the minutes for the township supervisors' meeting on August 13, 2007 the bids for the E-3 oil were discussed. However, no bidders were listed nor was there any mention of a bid being accepted. Additionally, the township could not provide us with a signed contract for the E-3 oil. On November 12, 2007, the township expended \$19,591.65 from the Liquid Fuels Tax Fund for the purchase of E-3 oil.

Because the municipality did not document the bidders, the acceptance of bids, and a contract, we could not verify that the above purchase was made in compliance with the advertising, bidding, and contract requirements of *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 requires that purchases over \$10,000.00 must be advertised, bid, and awarded by contract. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

In addition, the above purchase was not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 . . .

The failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$19,591.65 to its Liquid Fuels Tax Fund.

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
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Finding No. 2 - Failure To Maintain Documentation For Bids (Continued)

Recommendations

We recommend that the township reimburse \$19,591.65 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township maintain documentation to support compliance with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The township officials stated:

We received bids with bonds. In order for us to accept the bid it had to be the lowest bid, but due to the secretary's lack of paperwork the bid cannot be found.

Auditor's Conclusion

The supervisors should ensure that advertising and bidding documentation is maintained for all purchases over \$10,000.00. During our next examination we will determine if the township complied with our recommendations.

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
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Finding No. 3 - Retroactive Expenditures

Our examination disclosed that on March 24, 2009, the municipality transferred \$10,293.70 from its Liquid Fuels Tax Fund to its General Fund for the reimbursement of invoices that were paid from the General Fund during 2008, which makes the transfer a retroactive expenditure. Retroactive expenditures are not permitted to be made from the Liquid Fuels Tax Fund. These expenditures are as follows:

<u>Date Paid</u>	<u>General Fund Check No.</u>	<u>Invoice Date</u>	<u>Invoice Number</u>	<u>Amount</u>
09/08/08	5483	08/14/08	1282270045	\$ 136.73
09/08/08	5484	08/12/08	48706	581.40
09/08/08	5485	08/26/08	8113	558.60
09/08/08	5485	05/25/08	3577	56.38
10/06/08	5488	10/06/08	None	5,205.78
10/06/08	5489	Various	Various	1,111.89
10/28/08	5499	06/20/08	8288	25.00
10/28/08	5498	08/27/08	None	960.00
11/05/08	5509	10/09/08	None	1,468.62
11/10/08	5519	09/15/08	None	165.00
12/08/08	5528	08/26/08	5518	24.30
Total				<u>\$10,293.70</u>

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

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

- 8. Repayments of prior year's expenditures.
- 17. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were paid from the General Fund during 2008 and were not reimbursed with Liquid Fuels Tax Fund money until March 24, 2009, the expenditures incurred were not reimbursed in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
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Finding No. 3 - Retroactive Expenditure (Continued)

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$10,293.70 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$10,293.70 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 Department of Transportation's *Publication 9* as noted above.

Management's Response

The municipal officials stated:

The reason for this is because paperwork was not filed in time to receive our 2008 allocation. The liquid fuels money was not received until February 2009 and at that time the secretary transferred money to the General Fund checking to cover the bills that were paid in 2008 by the General Fund checking which should have been paid for from the state checking. This was done in the first quarter, which she thought she was allowed to do.

Auditor's Conclusion

The Department of Transportation's *Publication 9* does not permit municipalities to reimburse other funds with Liquid Fuels Tax Fund money for prior years' expenditures. As discussed in Finding No. 5 the municipality should file all required documents and information timely to receive its allocation during the first week in April of each year. There is no exception to regulations regarding retroactive expenditures because the municipality failed to file its paperwork. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF BLOOM
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
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Finding No. 4 - Overexpended Equipment Purchase Tally

Our examination disclosed that the municipality expended \$7,122.28 in excess of the amount available for the purchase of equipment for the year ending December 31, 2008, as follows:

<u>2008</u>	<u>Actual</u>
1. Prior year equipment balance	\$ 4,809.24
2. Current year equipment allocation (20% of Lines 2 + 2A, Section 2)	-
3. PENNDOT approved adjustments	-
4. Total funds available for equipment acquisition	4,809.24
5. Less: Major equipment purchases	<u>11,931.52</u>
6. Amount overexpended for equipment – 2008	<u><u>\$ (7,122.28)</u></u>

The Department of Transportation’s *Publication 9*, Appendix D, Section 449.11, 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, 20 percent of the current year’s Liquid Fuels Tax Fund allocations, and any PENNDOT approved adjustments.

On April 8, 2009, the municipality reimbursed \$2,296.74 to the Liquid Fuels Tax Fund.

The failure to follow the Department of Transportation’s *Publication 9* as noted above could result in the municipality having to reimburse \$4,825.54 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$4,825.54 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation’s *Publication 9*.

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 4 - Overexpended Equipment Purchase Tally (Continued)

Management's Response

The municipal officials stated:

The reason for this was that overdraft protection fees of \$2,872.90 were put in as a PENNDOT approved adjustment which should not have been put there. Also two checks that were written for truck payments were marked void, but were cashed for truck payments which changed the amount to be allocated toward major equipment purchases.

Auditor's Conclusion

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE FOUR YEARS ENDED
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Finding No. 5 - Late Receipt Of Allocations

Our examination disclosed that the 2007, 2008, and 2009 Liquid Fuels Tax Fund allocations, which should have been distributed during the first week of April of each year, were not received until May 21, 2008, February 6, 2009, and December 31, 2009, respectively, because the municipality failed to comply with the Department of Transportation's Regulation 449.12, which requires the timely filing of particular documents and information, among them:

- Evidence that its treasurer is bonded in accordance with the law or that its treasurer is a bank requiring no bond.
- A report indicating the manner in which its Liquid Fuels Tax Fund was expended in the preceding year.
- Survey of financial condition.
- Roster of municipal officials.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2007 allocation for more than 13 months, the 2008 allocation for 10 months, and the 2009 allocation for more than 8 months. Furthermore, had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

Recommendation

We recommend that, in the future, the municipality comply with the Department of Transportation's Regulation 449.12 to ensure that the allocations are received during the first week in April as outlined above.

Management's Response

The municipal officials stated:

The previous secretary did not fill out paperwork on time which made our allocations late.

Auditor's Conclusion

The municipal officials should ensure that all requires documents and information are filed timely.

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

Comment - Summary Of 2002-2003 Audit Recommendation

During our 2002-2003 audit, we recommended that the Department of Transportation review our audit finding to determine if the municipality should reimburse \$5,160.00 to the Liquid Fuels Tax Fund because documentation supporting transfers was not available for audit.

During our 2004-2005 examination, we reviewed a letter dated March 3, 2006, from the Department of Transportation informing the municipality to reimburse \$5,160.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on March 16, 2006.

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE FOUR YEARS ENDED
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An exit conference was held March 22, 2010. Those participating were:

TOWNSHIP OF BLOOM

Ms. Sheila Doane, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Christopher Heglen, Auditor

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

TOWNSHIP OF BLOOM
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2009

This report was initially distributed to:

The Honorable Allen D. Biehler, P.E.
Secretary
Department of Transportation

Township of Bloom
Clearfield County
6209 Greenville Pike
Grampian, PA 16838

The Honorable William Kendall

Chairman of the Board of Supervisors

Ms. Sheila Doane

Secretary/Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, and Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.