

ATTESTATION ENGAGEMENT

Township of Farmington

Clarion County, Pennsylvania

16-206

Liquid Fuels Tax Fund

For the Period

January 1, 2018 to December 31, 2021

August 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Michael Carroll
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 Farmington, Clarion County, for the period January 1, 2018 to December 31, 2021. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. 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 involves performing procedures to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As described in the Auditor Description Of Select Transactions section of this report, 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 township expended \$15,632.00 during 2021 from the Liquid Fuels Tax Fund for the purchase of cold patch. However, documentation for price quotations was not available for examination.

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 Farmington, Clarion County, for the period January 1, 2018 to December 31, 2021, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

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.

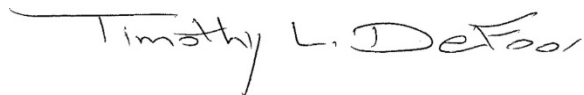
Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Farmington, Clarion 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Documentation For Price Quotations Was Not Available For Examination.
- Noncompliance With Advertising And Bidding Requirements - Recurring.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Farmington, Clarion County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
July 6, 2023

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TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., 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 upon: (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.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2021

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition By March 15th.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 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:

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 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.

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Background (Continued)

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 Form MS-965 has 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 Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Form MS-965 With Adjustments is 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.

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	58,988.20	-	58,988.20
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	45,821.13	-	45,821.13
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	14,295.43	-	14,295.43
Maintenance and repair of roads and bridges	98,879.34	-	98,879.34
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 217,984.10</u>	 <u>\$ -</u>	 <u>\$ 217,984.10</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2018 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, 2018	\$ 89,736.87	\$ -	\$ 89,736.87
Receipts:			
2. State allocation	216,014.66	-	216,014.66
2a. Turnback allocation	10,840.00	-	10,840.00
2b. Interest on investments	3,446.42	-	3,446.42
2c. Miscellaneous	16,889.96	-	16,889.96
3. Total receipts	247,191.04	-	247,191.04
4. Total funds available	336,927.91	-	336,927.91
5. Expenditures (Section 1)	217,984.10	-	217,984.10
6. Balance, December 31, 2018	<u>\$ 118,943.81</u>	<u>\$ -</u>	<u>\$ 118,943.81</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2018 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	\$ 50,484.40	\$ -	\$ 50,484.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	45,370.93	-	45,370.93
3. PENNDOT approved adjustments	<u>8,000.00</u>	<u>-</u>	<u>8,000.00</u>
4. Total funds available for equipment acquisition	103,855.33	-	103,855.33
5. Less: Major equipment expenditures	<u>58,988.20</u>	<u>-</u>	<u>58,988.20</u>
6. Remainder	<u><u>44,867.13</u></u>	<u><u>-</u></u>	<u><u>44,867.13</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 44,867.13</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,867.13</u></u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2019 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	38,404.20	-	38,404.20
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	38,162.97	-	38,162.97
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	10,444.86	-	10,444.86
Maintenance and repair of roads and bridges	138,262.66	-	138,262.66
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 225,274.69</u>	 <u>\$ -</u>	 <u>\$ 225,274.69</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2019 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, 2019	\$ 118,943.81	\$ -	\$ 118,943.81
Receipts:			
2. State allocation	221,048.65	-	221,048.65
2a. Turnback allocation	10,840.00	-	10,840.00
2b. Interest on investments	4,332.33	-	4,332.33
2c. Miscellaneous	-	-	-
3. Total receipts	<u>236,220.98</u>	<u>-</u>	<u>236,220.98</u>
4. Total funds available	<u>355,164.79</u>	<u>-</u>	<u>355,164.79</u>
5. Expenditures (Section 1)	<u>225,274.69</u>	<u>-</u>	<u>225,274.69</u>
6. Balance, December 31, 2019	<u><u>\$ 129,890.10</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 129,890.10</u></u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2019 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	\$ 44,867.13	\$ -	\$ 44,867.13
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	46,377.73	-	46,377.73
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	91,244.86	-	91,244.86
5. Less: Major equipment expenditures	38,404.20	-	38,404.20
6. Remainder	<u>52,840.66</u>	<u>-</u>	<u>52,840.66</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 52,840.66</u>	<u>\$ -</u>	<u>\$ 52,840.66</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2020 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	38,404.20	-	38,404.20
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	30,419.32	-	30,419.32
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	12,904.39	-	12,904.39
Maintenance and repair of roads and bridges	109,978.62	-	109,978.62
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 191,706.53</u>	 <u>\$ -</u>	 <u>\$ 191,706.53</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2020 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, 2020	\$ 129,890.10	\$ -	\$ 129,890.10
Receipts:			
2. State allocation	215,078.56	-	215,078.56
2a. Turnback allocation	10,840.00	-	10,840.00
2b. Interest on investments	1,236.47	-	1,236.47
2c. Miscellaneous	-	-	-
3. Total receipts	<u>227,155.03</u>	<u>-</u>	<u>227,155.03</u>
4. Total funds available	<u>357,045.13</u>	<u>-</u>	<u>357,045.13</u>
5. Expenditures (Section 1)	<u>191,706.53</u>	<u>-</u>	<u>191,706.53</u>
6. Balance, December 31, 2020	<u><u>\$ 165,338.60</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 165,338.60</u></u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2020 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	\$ 52,840.66	\$ -	\$ 52,840.66
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	45,183.71	-	45,183.71
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	98,024.37	-	98,024.37
5. Less: Major equipment expenditures	38,404.20	-	38,404.20
6. Remainder	<u>59,620.17</u>	<u>-</u>	<u>59,620.17</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 59,620.17</u>	<u>\$ -</u>	<u>\$ 59,620.17</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2021 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	38,404.20	-	38,404.20
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	57,608.04	-	57,608.04
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,341.95	-	4,341.95
Maintenance and repair of roads and bridges	143,155.55	-	143,155.55
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 243,509.74</u>	 <u>\$ -</u>	 <u>\$ 243,509.74</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2021 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, 2021	\$ 165,338.60	\$ -	\$ 165,338.60
Receipts:			
2. State allocation	199,614.41	-	199,614.41
2a. Turnback allocation	10,840.00	-	10,840.00
2b. Interest on investments	89.22	-	89.22
2c. Miscellaneous	15,143.80	.59	15,144.39
3. Total receipts	225,687.43	.59	225,688.02
4. Total funds available	391,026.03	.59	391,026.62
5. Expenditures (Section 1)	243,509.74	-	243,509.74
6. Balance, December 31, 2021	<u>\$ 147,516.29</u>	<u>\$.59</u>	<u>\$ 147,516.88</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2021 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	\$ 59,620.17	\$ -	\$ 59,620.17
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	42,090.88	-	42,090.88
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	101,711.05	-	101,711.05
5. Less: Major equipment expenditures	38,404.20	-	38,404.20
6. Remainder	<u>63,306.85</u>	<u>-</u>	<u>63,306.85</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 63,306.85</u>	<u>\$ -</u>	<u>\$ 63,306.85</u>

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2021

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail:

2021 - Section 2

An adjustment of \$.59 was made to "Miscellaneous" because a grant from the General Fund was not reported.

Miscellaneous Receipts

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

Source	Description	2018	2021
Washington Township General Fund	Sale of equipment	\$ 8,000.00	\$ -
	Reimbursement (Summary of Prior Examination Recommendation)	8,483.66	-
Vendor General Fund	Invoice credit	406.30	-
	Reimbursement (Finding No.2)	-	15,143.80
General Fund	Grant	-	.59
	Totals	<u>\$16,889.96</u>	<u>\$15,144.39</u>

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Lease-Purchase Agreement

On March 14, 2018, the municipality purchased a 2018 Dodge 5500 dump truck and snowplow, and a 2018 Massey Ferguson tractor with a rotary mower for \$199,968.36. The municipality made a down payment of \$20,000.00 from the Liquid Fuels Tax Fund. The municipality entered into a lease-purchase agreement with First National Bank for the remaining \$179,968.36. The agreement was for a term of five years at an interest rate of 3.16 percent. Principal and interest payments of \$38,404.20 are due annually.

During the current examination period, the municipality paid principal of \$141,865.33, interest of \$11,751.47, and document fees of \$534.00 from the Liquid Fuels Tax Fund. These amounts and the down payment are reflected in major equipment purchases on the 2018, 2019, 2020, and 2021 Forms MS-965 - Section 1. The outstanding balance of the loan as of December 31, 2021, was \$38,103.03, plus interest.

TOWNSHIP OF FARMINGTON
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2021

Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the township expended \$15,632.00 during 2021 from the Liquid Fuels Tax Fund for the purchase of cold patch. The township was required to obtain three written or telephonic price quotations for this expenditure. However, documentation for price quotations was not available for examination. The cold patch purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
15134	08/10/21	4465	09/01/21	\$ 3,720.00
15142	08/16/21	4465	09/01/21	3,720.00
15155	08/23/21	4465	09/01/21	3,776.00
15170	08/26/21	4465	09/01/21	696.00
15173	08/30/21	4465	09/01/21	3,720.00
Four Year Total				<u>\$15,632.00</u>

The above expenditures were not made in compliance with the contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(b), (also found at § 3102(b) of *The Second Class Township Code* as published by the Local Government Commission), which states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts [during 2012] that exceed ten thousand dollars (\$10,000.00) but are less than the amount [in excess of \$18,500.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance, or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

The thresholds for obtaining price quotations increased to purchases between \$10,900.00 and \$20,100.00 for 2018, \$11,100.00 and \$20,600.00 for 2019, \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, \$11,800.00 and \$21,900.00 for 2022, and \$12,200.00 and \$22,500.00 for 2023.

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

**Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination
(Continued)**

The secretary/treasurer stated that this condition occurred because the prior road master destroyed all the information for the purchasing of cold patch.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$15,632.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$15,632.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township comply with *The Second Class Township Code* as noted in this finding.

Management's Response

The secretary/treasurer stated:

Our former roadmaster left and destroyed all the info for purchasing cold patch. In the future, I will obtain copies of all phone bids. The new roadmaster will not use a lot of cold patch.

Auditor's Conclusion

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

TOWNSHIP OF FARMINGTON
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LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Noncompliance With Advertising And Bidding Requirements - Recurring

We cited the municipality for noncompliance with advertising and bidding requirements in our prior report for the period January 1, 2014, to December 31, 2017. Our current examination disclosed that the township expended \$70,146.68 during 2019 from the Liquid Fuels Tax Fund for the purchase of single seal coat that was bid and awarded in 2018 but could not be completed until 2019. On August 6, 2019, the township expended \$15,143.80 for an additional 10,817 square yards of seal coat at a higher price that was not advertised and bid.

The above expenditure for \$15,143.80 was not 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 \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$20,100.00 for 2018, \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900.00 for 2022, and \$22,500.00 for 2023. *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.

On August 10, 2021, the township reimbursed \$15,143.80 to its Liquid Fuels Tax Fund.

We were unable to determine the cause of this condition.

Recommendation

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

During our next examination, we will determine if the township complied with our recommendation.

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$8,483.66 to its Liquid Fuels Tax Fund for noncompliance with advertising and bidding requirements.

During our current examination, we reviewed a letter dated September 11, 2018, from the Department of Transportation directing the municipality to reimburse \$8,483.66 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on October 30, 2018.

In our prior report, we also recommended that the municipality:

- Improve internal control procedures over disbursements by requiring at least two signatures on all disbursements from the Liquid Fuels Tax Fund account.
- Comply with *The Second Class Township Code* by advertising for bids for all purchases over \$19,700.00. The threshold for advertising for bids increased to purchases over \$20,100.00 for 2018, \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900 for 2022, and \$22,500.00 for 2023.
- Expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

During our current examination, we noted that the municipality complied with our first and third bulleted recommendations. However, the municipality did not comply with our second bulleted recommendation (see Finding No. 2).

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

An exit conference was held June 23, 2023. Those participating were:

TOWNSHIP OF FARMINGTON

Ms. Robin Kahle, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Nicholas Slagle, Auditor

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

TOWNSHIP OF FARMINGTON
CLARION COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Farmington
Clarion County
P.O. Box 148
32691 Route 66
Leeper, PA 16233

The Honorable Matthew Sherbine
Chairman of the Board of Supervisors

Ms. Robin Kahle
Secretary/Treasurer

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