

ATTESTATION ENGAGEMENT

Lancaster County
Pennsylvania
36-000

Liquid Fuels, Act 44, and Act 89
Tax Funds
For the Period
January 1, 2019 to December 31, 2020

August 2022



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 Yassmin Gramian, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 and Act 89 Tax Funds With Adjustments of Lancaster County for the period January 1, 2019 to December 31, 2020 (Forms). The county's management is responsible for presenting the Forms 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 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms. 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 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.

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Forms are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

In our opinion, the Forms present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund, the Act 44 Tax Fund, and the Act 89 Tax Fund of Lancaster County for the period January 1, 2019 to December 31, 2020, 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; 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. 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 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 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 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 was for the limited purpose of expressing an opinion on whether the Forms 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.

As part of obtaining reasonable assurance about whether the Forms are free from material misstatement, we performed tests of Lancaster 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. 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*:

- Retroactive Expenditures.
- Liquid Fuels Tax Fund Money Over Expended On Projects.

Independent Auditor's Report (Continued)

The purpose of this report is to determine whether the county's Liquid Fuels Tax Fund, Act 44 Tax Fund, and Act 89 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 Lancaster 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
June 28, 2022

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LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background

The Vehicle Code makes provisions and provides funding for the County Liquid Fuels, Act 44, and Act 89 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

The Vehicle Code imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. *The Vehicle Code* further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

The Vehicle Code, as amended by Act 44 of 2007 (July 18, 2007, P.L.169) and Act 89 of 2013 (November 25, 2013, P.L. 169), provides the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund (75 Pa. C.S. § 8915.6(b)(2) and as of July 1, 2014 § 9301(b)). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

The Vehicle Code, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89) provides for semi-annual allocations to all counties that own public bridges (75 Pa. C.S. § 9502(a)(2)(iv)). These allocations are made on the first business day of June and December each year. The Commonwealth allocates the funds available through Act 89 to counties based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- Construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- Property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- Construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- Interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- Acquisition, maintenance, repair and operation of traffic signs and signals;
- Erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and
 - Individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 31 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation may withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as amended by Act 44 of 2007 (July 18, 2007, P.L. 169) and Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

(1) Funds received by the counties must be deposited in a special fund designated as the County Act 44 Fund and no other money may be deposited and commingled. (Note: Act 44 and Act 89 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- Construction, reconstruction, maintenance, and repair of public bridges for which the county is legally responsible.
- Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.
- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
- Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
- Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 44 Fund.
- Inspection costs associated with bridges.
- Purchase of right-of-way for bridge construction, reconstruction, or maintenance.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
 - (4) In order to receive Act 44 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.
- C. *The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 89 funds distributed to the counties from the Department of Transportation. The County's Act 89 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.
- (1) Funds received by the counties must be deposited in a special fund designated as the County Act 89 Fund and no other money may be deposited and commingled. (Note: Act 89 and Act 44 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). Money should be invested to earn interest until expended.
 - For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.
 - (2) Payments from the special fund may be used for:
 - Construction, reconstruction, maintenance, and repair of public bridges for which the county is legally responsible.
 - Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
 - Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
 - Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 89 Fund.
 - Inspection costs associated with bridges.
 - Purchase of right-of-way for bridge construction, reconstruction, or maintenance.
- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
- (4) In order to receive Act 89 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Form MS-991 With Adjustments and the Reports of Act 44 and Act 89 Tax Funds With Adjustments do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund, the County Act 44 Tax Fund and, the County Act 89 Tax Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Form MS-991, *Report of County Liquid Fuels Tax Fund*:

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Liquid Fuels Tax Fund allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end)
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Reports Of Act 44 Tax Fund and Act 89 Tax Fund:

- A. The balance in the County Act 44 and Act 89 Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Act 44 and Act 89 allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Total Act 44 and Act 89 funds available for expenditure.
- D. Expenditures for county-owned bridges.
- E. The balance in the fund at the close of the report calendar year.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

Basis Of Accounting

The accompanying Form MS-991 With Adjustments, Report of Act 44 Tax Fund With Adjustments, and Report of Act 89 Tax Fund 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.

LANCASTER COUNTY
LIQUID FUELS TAX FUND
2019 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Actual balance in county Liquid Fuels Tax Fund on January 1, 2019	\$ 2,651,082.91	\$ -	\$ 2,651,082.91
<u>Receipts:</u>			
Liquid Fuels Tax Funds received from Commonwealth	800,707.43	-	800,707.43
Interest	2,681.03	-	2,681.03
Reimbursable agreements	405,281.72	-	405,281.72
Miscellaneous	80,084.90	(7,032.13)	73,052.77
Total receipts	<u>1,288,755.08</u>	<u>(7,032.13)</u>	<u>1,281,722.95</u>
Total Liquid Fuels Tax Funds available for expenditures and encumbrances	<u>3,939,837.99</u>	<u>(7,032.13)</u>	<u>3,932,805.86</u>
<u>Expenditures:</u>			
Administrative	16,351.20	-	16,351.20
Minor equipment purchases	872.56	-	872.56
County aid payments	-	-	-
Major equipment expenditures	-	-	-
Street cleaning and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	2,954.64	-	2,954.64
Street lighting	742.57	-	742.57
Storm sewers and drains	-	-	-
Repairs of tools and machinery	28.48	-	28.48
Maintenance and repairs - roads and bridges	169,241.86	-	169,241.86
Highway construction and rebuilding projects	2,906,972.43	-	2,906,972.43
Miscellaneous	-	-	-
Total expenditures	<u>3,097,163.74</u>	<u>-</u>	<u>3,097,163.74</u>
Remaining funds available as of December 31, 2019	<u>\$ 842,674.25</u>	<u>\$ (7,032.13)</u>	<u>\$ 835,642.12</u>

LANCASTER COUNTY
LIQUID FUELS TAX FUND
2019 FORM MS-991 WITH ADJUSTMENTS

2019 Form MS-991 With Adjustments (Continued)

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
<u>Approved future year receipts and expenditures</u>			
Accounts receivable	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Unpaid encumbrances	322,001.00	-	322,001.00
Unpaid county aid grants	-	-	-
	<hr/>	<hr/>	<hr/>
Total approved future year receipts and expenditures	<hr/> 322,001.00	<hr/> -	<hr/> 322,001.00
	<hr/>	<hr/>	<hr/>
Year end balance available for future years as of December 31, 2019	<u>\$ 520,673.25</u>	<u>\$ (7,032.13)</u>	<u>\$ 513,641.12</u>

LANCASTER COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Actual balance in county Liquid Fuels Tax Fund on January 1, 2020	\$ 842,674.25	\$ (7,032.13)	\$ 835,642.12
<u>Receipts:</u>			
Liquid Fuels Tax Funds received from Commonwealth	697,572.58	-	697,572.58
Interest	177.69	-	177.69
Reimbursable agreements	628,194.66	-	628,194.66
Miscellaneous	311,878.04	33,887.15	345,765.19
Total receipts	<u>1,637,822.97</u>	<u>33,887.15</u>	<u>1,671,710.12</u>
Total Liquid Fuels Tax Funds available for expenditures and encumbrances	<u>2,480,497.22</u>	<u>26,855.02</u>	<u>2,507,352.24</u>
<u>Expenditures:</u>			
Administrative	8,337.86	-	8,337.86
Minor equipment purchases	-	-	-
County aid payments	-	-	-
Major equipment expenditures	-	-	-
Street cleaning and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	1,994.95	-	1,994.95
Street lighting	850.50	-	850.50
Storm sewers and drains	-	-	-
Repairs of tools and machinery	90.31	-	90.31
Maintenance and repairs - roads and bridges	184,590.89	-	184,590.89
Highway construction and rebuilding projects	2,201,669.22	-	2,201,669.22
Miscellaneous	-	20.00	20.00
Total expenditures	<u>2,397,533.73</u>	<u>20.00</u>	<u>2,397,553.73</u>
Remaining funds available as of December 31, 2020	<u>\$ 82,963.49</u>	<u>\$ 26,835.02</u>	<u>\$ 109,798.51</u>

LANCASTER COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-991 WITH ADJUSTMENTS

2020 Form MS-991 With Adjustments (Continued)

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
<u>Approved future year receipts and expenditures</u>			
Accounts receivable	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Unpaid encumbrances	52,000.00	-	52,000.00
Unpaid county aid grants	-	-	-
	<hr/>	<hr/>	<hr/>
Total approved future year receipts and expenditures	52,000.00	-	52,000.00
	<hr/>	<hr/>	<hr/>
Year end balance available for future years as of December 31, 2020	<u>\$ 30,963.49</u>	<u>\$ 26,835.02</u>	<u>\$ 57,798.51</u>

LANCASTER COUNTY
2019 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2019	\$ 317,277.24	\$ -	\$ 317,277.24
<u>Receipts:</u>			
Act 44 Funds	112,205.29	-	112,205.29
Interest	6,787.05	-	6,787.05
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>118,992.34</u>	<u>-</u>	<u>118,992.34</u>
Total funds available	<u>436,269.58</u>	<u>-</u>	<u>436,269.58</u>
<u>Expenditures:</u>			
Construction	36,526.39	-	36,526.39
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>36,526.39</u>	<u>-</u>	<u>36,526.39</u>
Balance, December 31, 2019	<u><u>\$ 399,743.19</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 399,743.19</u></u>

LANCASTER COUNTY
2020 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 399,743.19	\$ -	\$ 399,743.19
<u>Receipts:</u>			
Act 44 Funds	112,668.05	-	112,668.05
Interest	2,152.64	-	2,152.64
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>114,820.69</u>	<u>-</u>	<u>114,820.69</u>
Total funds available	<u>514,563.88</u>	<u>-</u>	<u>514,563.88</u>
<u>Expenditures:</u>			
Construction	82,540.37	-	82,540.37
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>82,540.37</u>	<u>-</u>	<u>82,540.37</u>
Balance, December 31, 2020	<u><u>\$ 432,023.51</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 432,023.51</u></u>

LANCASTER COUNTY
2019 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2019	\$ 619,293.57	\$ -	\$ 619,293.57
<u>Receipts:</u>			
Act 89 Funds	212,727.77	-	212,727.77
Interest	15,048.11	-	15,048.11
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>227,775.88</u>	<u>-</u>	<u>227,775.88</u>
Total funds available	<u>847,069.45</u>	<u>-</u>	<u>847,069.45</u>
<u>Expenditures:</u>			
Construction	36,526.38	-	36,526.38
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>36,526.38</u>	<u>-</u>	<u>36,526.38</u>
Balance, December 31, 2019	<u><u>\$ 810,543.07</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 810,543.07</u></u>

LANCASTER COUNTY
2020 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 810,543.07	\$ -	\$ 810,543.07
<u>Receipts:</u>			
Act 89 Funds	199,600.77	-	199,600.77
Interest	4,481.61	-	4,481.61
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>204,082.38</u>	<u>-</u>	<u>204,082.38</u>
Total funds available	<u>1,014,625.45</u>	<u>-</u>	<u>1,014,625.45</u>
<u>Expenditures:</u>			
Construction	165,138.44	-	165,138.44
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>165,138.44</u>	<u>-</u>	<u>165,138.44</u>
Balance, December 31, 2020	<u><u>\$ 849,487.01</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 849,487.01</u></u>

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

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

Adjustments

2019 Form MS-991

An adjustment of \$(7,032.13) was made to “Miscellaneous” because these receipts were overstated.

2020 Form MS-991

An adjustment of \$(7,032.13) was made to “Balance, January 1, 2020” to reflect the adjustment made to the fund balance in 2019.

An adjustment of \$33,887.15 was made to “Miscellaneous” receipts because these receipts were understated.

An adjustment of \$20.00 was made to “Miscellaneous” expenditures because a bank service charge was not reported.

Reimbursable Agreements

During our examination, we noted that the county entered into reimbursable agreements with the Commonwealth of Pennsylvania for inspection and reconstruction of county bridges. During our current examination period, the county received \$405,281.72 during 2019 and \$628,194.66 during 2020 as a result of these agreements and deposited this money into its Liquid Fuels Tax Fund. As of December 31, 2020, \$4,633.11 was due the Liquid Fuels Tax Fund.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
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Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>2019</u>	<u>2020</u>
Act 44 Fund	Reimbursement for bridge expenditures	\$36,526.39	\$ 75,121.75
Act 89 Fund	Reimbursement for bridge expenditures	36,526.38	154,010.50
Lancaster Sewer Authority	Reimbursement for expenditures	-	82,725.79
Financial Institution	Reimbursement for bank service charges	-	20.00
Commonwealth of Pennsylvania	Deposit in error	-	33,887.15
Totals		<u>\$73,052.77</u>	<u>\$345,765.19</u>

Miscellaneous Expenditures

On November 30, 2020, the county expended \$20.00 from the Liquid Fuels Tax Fund for bank service charges.

Deposit In Error

On December 30, 2020, \$33,887.15 of state funds was electronically deposited into the county's Liquid Fuels Tax Fund in error. The municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error on January 22, 2021, which was subsequent to our examination period.

Encumbrances

As of December 31, 2020, \$52,000.00 was encumbered for county projects.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 1 - Retroactive Expenditures

Our examination disclosed that the county transferred \$44,779.06 on February 25, 2021, and \$168,606.81 on August 19, 2021, from the Liquid Fuels Tax Fund to the General Fund for expenditures incurred during 2020. Additionally, the county transferred \$7,418.62 and \$11,127.94 from the Act 44 Fund and Act 89 Fund, respectively, to the Liquid Fuels Tax Fund on December 31, 2021, for expenditures incurred during 2020. Because these expenditures were paid from one fund during 2020 and were not reimbursed until 2021, they are considered to be retroactive expenditures.

Although the transfers for retroactive expenditures were made during 2021, we included them as a finding in the current examination in order for the Department of Transportation and the Lancaster County to expedite the resolution of the condition.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter One, Section 1.6.6.3, states, in relevant part:

Unacceptable Expenditures

10. Retroactive expenditures.

Additionally, the Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the County Act 44 Tax Fund. *Publication 9*, Chapter Four, Section 4.6.6.3, states, in relevant part:

Unacceptable Expenditures

12. Retroactive expenditures.

Furthermore, the Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the County Act 89 Tax Fund. *Publication 9*, Chapter Six, Section 6.6.6.3, states, in relevant part:

Unacceptable Expenditures

12. Retroactive expenditures.

Because these expenditures were paid from other funds during 2020 and were not reimbursed with Liquid Fuels Tax Fund, Act 44, and Act 89 Tax Fund money until 2021, the expenditures incurred were not reimbursed in a reasonable period of time. Therefore, the county did not comply with the Department of Transportation's *Publication 9*.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Retroactive Expenditures (Continued)

The failure to follow the Department of Transportation's *Publication 9* could result in the county having to reimburse \$213,385.87 to its Liquid Fuels Tax Fund, \$7,418.62 to its Act 44 Fund, and \$11,127.94 to its Act 89 Fund.

It is not known why the county did not reimburse the expenditures within a during the calendar year as required by the Department of Transportation's *Publication 9*.

Recommendations

We recommend that the county reimburse \$213,385.87 to its Liquid Fuels Tax Fund, \$7,418.62 to its Act 44 Fund, and \$11,127.94 to its Act 89 Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the county complies with the Department of Transportation's *Publication 9* as noted above.

Management's Response

The county officials offered no formal response at this time.

Auditor's Conclusion

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

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Liquid Fuels Tax Fund Money Over Expended On Projects

Our examination disclosed that the municipality expended \$382,725.27 of Liquid Fuels Tax Fund money on construction project No. 18-36000-001. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for this project was \$374,784.64. The difference of \$7,940.63 should have been paid directly from the General Fund. The \$7,940.63 was also included in Finding No. 1.

Additionally, the municipality expended \$288,073.17 of Liquid Fuels Tax Fund money on construction project No. 18-36000-002. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for this project was \$275,025.45. The difference of \$13,047.72 should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$20,988.35 to its Liquid Fuels Tax Fund.

The county did not know why the projects were over expended.

Recommendations

If the Department of Transportation does not require reimbursement for Finding No. 1, we recommend that the municipality reimburse \$20,988.35 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation. If the Department of Transportation does require reimbursement for Finding No. 1, we recommend that the municipality reimburse \$13,047.72 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
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Finding No. 2 - Liquid Fuels Tax Fund Money Over Expended On Projects (Continued)

Management's Response

The county officials offered no formal response at this time.

Auditor's Conclusion

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

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

An exit conference was held April 28, 2022. Those participating were:

LANCASTER COUNTY

The Honorable Lisa K. Colon, Controller

Mr. Matthew Luciani, CPA, Accounting Auditing Manager

Ms. Brittany Ritchey, Accountant Junior

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Michael Klassen, Audit Supervisor

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

LANCASTER COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation

Lancaster County
150 North Queen Street
Suite 710
Lancaster, PA 17603

The Honorable Raymond D'Agostino
Chairman of the Board of Commissioners

The Honorable Lisa K. Colon
Controller

Mr. Matthew Luciani, CPA
Accounting Auditing Manager

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.