

# ATTESTATION ENGAGEMENT

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**Borough of McClure**  
**Snyder County, Pennsylvania**  
**54-406**  
**Liquid Fuels Tax Fund**  
**For the Period**  
**January 1, 2015 to December 31, 2017**

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**November 2018**



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



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
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EUGENE A. DePASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of McClure, Snyder County, for the period January 1, 2015 to December 31, 2017. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination 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 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 Finding No. 1, 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, although Liquid Fuels Tax Fund money was not approved to be expended on construction project No. 17-54406-02, \$1,980.00 of Liquid Fuels Tax Fund money was spent on the project. Additionally, as discussed in the Summary Of Prior Examination Recommendations section of this report, during the prior examination period the municipality expended \$1,920.00 in excess of the approved amounts for road projects from its Liquid Fuels Tax Fund. As of the exit conference date of this examination of September 24, 2018, this amount had not been reimbursed to the borough's Liquid Fuels Tax Fund.

In our opinion, except for the matters discussed in the preceding paragraph, the Forms MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of McClure, Snyder County, for the period January 1, 2015 to December 31, 2017, in accordance with the criteria set forth in Note 1.

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

Our consideration of internal control 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiency below to be a material weakness:

- Failure To Properly Prepare Forms MS-965 - Recurring.

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 Borough of McClure, Snyder County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Liquid Fuels Money Improperly Expended On Project - Recurring.

We also noted a 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 And Untimely Deposit Of Allocations - Recurring.

The examination findings contained in this report cite conditions that existed in the operation of the municipality during the previous engagement period and were not corrected during the current examination period. The municipality should strive to comply with the recommendations noted in this report.

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 Borough of McClure, Snyder County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

October 10, 2018

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BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), 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 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.

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
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.

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2015 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 20,460.40	\$ -	\$ 20,460.40
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	1,751.09	-	1,751.09
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	14,875.70	(18.46)	14,857.24
Repairs of tools and machinery	1,362.38	-	1,362.38
Maintenance and repair of roads and bridges	361.06	85.99	447.05
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	85.99	4,302.00	4,387.99
	<u>85.99</u>	<u>4,302.00</u>	<u>4,387.99</u>
Total (To Section 2, Line 5)	<u>\$ 38,896.62</u>	<u>\$ 4,369.53</u>	<u>\$ 43,266.15</u>

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



BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2015 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2015	\$ 39,973.53	\$ 4,427.97	\$ 44,401.50
Receipts:			
2. State allocation	28,832.39	-	28,832.39
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	174.06	(65.72)	108.34
2c. Miscellaneous (Note 4)	26,060.30	(4,871.19)	21,189.11
3. Total receipts	<u>55,066.75</u>	<u>(4,936.91)</u>	<u>50,129.84</u>
4. Total funds available	<u>95,040.28</u>	<u>(508.94)</u>	<u>94,531.34</u>
5. Expenditures (Section 1)	<u>38,896.62</u>	<u>4,369.53</u>	<u>43,266.15</u>
6. Balance, December 31, 2015	<u>\$ 56,143.66</u>	<u>\$ (4,878.47)</u>	<u>\$ 51,265.19</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2015 FORM MS-965 – SECTION 3  
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 33,860.61	\$ 8,949.11	\$ 42,809.72
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	5,766.48	-	5,766.48
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	39,627.09	8,949.11	48,576.20
5. Less: Major equipment expenditures	20,460.40	-	20,460.40
6. Remainder	<u>19,166.69</u>	<u>8,949.11</u>	<u>28,115.80</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 19,166.69</u>	<u>\$ 8,949.11</u>	<u>\$ 28,115.80</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2016 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	1,562.99	-	1,562.99
Traffic control devices	304.52	-	304.52
Street lighting	-	-	-
Storm sewers and drains	5,153.07	-	5,153.07
Repairs of tools and machinery	2,014.02	15.00	2,029.02
Maintenance and repair of roads and bridges	892.33	809.00	1,701.33
Highway construction and rebuilding projects	13,162.35	-	13,162.35
Miscellaneous (Note 5)	5,172.21	(809.00)	4,363.21
	<u>5,172.21</u>	<u>(809.00)</u>	<u>4,363.21</u>
 Total (To Section 2, Line 5)	 <u>\$ 28,261.49</u>	 <u>\$ 15.00</u>	 <u>\$ 28,276.49</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2016 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2016	\$ 60,571.57	\$ (9,306.38)	\$ 51,265.19
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	124.22	(22.93)	101.29
2c. Miscellaneous (Note 4)	4,363.21	6,678.36	11,041.57
3. Total receipts	<u>4,487.43</u>	<u>6,655.43</u>	<u>11,142.86</u>
4. Total funds available	<u>65,059.00</u>	<u>(2,650.95)</u>	<u>62,408.05</u>
5. Expenditures (Section 1)	<u>28,261.49</u>	<u>15.00</u>	<u>28,276.49</u>
6. Balance, December 31, 2016	<u>\$ 36,797.51</u>	<u>\$ (2,665.95)</u>	<u>\$ 34,131.56</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2016 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	\$ 28,115.80	\$ -	\$ 28,115.80
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	28,115.80	-	28,115.80
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>28,115.80</u>	<u>-</u>	<u>28,115.80</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 28,115.80</u>	<u>\$ -</u>	<u>\$ 28,115.80</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2017 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	9,530.00	-	9,530.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	540.00	-	540.00
Winter maintenance services	1,561.99	-	1,561.99
Traffic control devices	57.00	-	57.00
Street lighting	-	-	-
Storm sewers and drains	6,413.84	(30.00)	6,383.84
Repairs of tools and machinery	2,073.86	-	2,073.86
Maintenance and repair of roads and bridges	45,230.82	(38,097.94)	7,132.88
Highway construction and rebuilding projects	-	-	-
Miscellaneous	790.14	(790.14)	-
	<u>790.14</u>	<u>(790.14)</u>	<u>-</u>
 Total (To Section 2, Line 5)	 <u>\$ 66,197.65</u>	 <u>\$ (38,918.08)</u>	 <u>\$ 27,279.57</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2017 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2017	\$ 36,797.51	\$ (2,665.95)	\$ 34,131.56
Receipts:			
2. State allocation	68,876.98	-	68,876.98
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	98.91	(21.37)	77.54
2c. Miscellaneous (Note 4)	<u>7,579.29</u>	<u>-</u>	<u>7,579.29</u>
3. Total receipts	<u>76,555.18</u>	<u>(21.37)</u>	<u>76,533.81</u>
4. Total funds available	<u>113,352.69</u>	<u>(2,687.32)</u>	<u>110,665.37</u>
5. Expenditures (Section 1)	<u>66,197.65</u>	<u>(38,918.08)</u>	<u>27,279.57</u>
6. Balance, December 31, 2017	<u>\$ 47,155.04</u>	<u>\$ 36,230.76</u>	<u>\$ 83,385.80</u>

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

BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 2017 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	\$ 28,115.80	\$ -	\$ 28,115.80
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	13,775.40	-	13,775.40
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	41,891.20	-	41,891.20
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>41,891.20</u>	<u>-</u>	<u>41,891.20</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 41,891.20</u>	<u>\$ -</u>	<u>\$ 41,891.20</u>

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



BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2015 TO DECEMBER 31, 2017

1. Criteria

Section 1

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

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

2013	2014	2015/2016	2017
\$10,200.00	\$10,300.00	\$10,500.00	\$10,700.00

- 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:

2013	2014	2015/2016	2017
\$10,200.00	\$10,300.00	\$10,500.00	\$10,700.00

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

Section 2

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

- The state allocation is 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.

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

1. Criteria (Continued)

Section 3

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

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

*The Borough Code*, Title 53 P.S. § 46316, authorizes the borough to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts, of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan 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, 2017. Custodial credit risk, as defined by GASB No. 40, as amended, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

Fund Balance

The fund balance as of December 31, 2017, consists of the following:

Cash	<u>\$83,385.80</u>
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BOROUGH OF MCCLURE  
 SNYDER COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2015 TO DECEMBER 31, 2017

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 \$108.34 during 2015, \$101.29 during 2016, and \$77.54 during 2017, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

<u>Source</u>	<u>Description</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Equipment Fund Commonwealth Of Pennsylvania	Grants Winter Maintenance agreement	\$15,589.21	\$ -	\$ -
Commonwealth Of Pennsylvania	Deposits in error (Note 5)	1,211.91	6,678.36	3,629.66
		<u>4,387.99</u>	<u>4,363.21</u>	<u>3,949.63</u>
Totals		<u>\$21,189.11</u>	<u>\$11,041.57</u>	<u>\$7,579.29</u>

5. Deposits In Error

The following state funds were electronically deposited into the Liquid Fuels Tax Fund in error:

<u>Date Deposited</u>	<u>Amount</u>	<u>Date Reimbursed</u>
09/24/2015	\$ 4,387.99	10/13/2015
09/20/2016	4,363.21	10/12/2016
09/25/2017	<u>3,949.63</u>	Not Reimbursed
Total	<u>\$12,700.83</u>	

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

**Finding No. 1 - Failure To Properly Prepare Forms MS-965 - Recurring**

We cited the municipality for failing to properly prepare Forms MS-965 in our prior two reports with the most recent being for the period January 1, 2013 to December 31, 2014. Our current examination disclosed that there were numerous errors made in the preparation of the municipality's 2015, 2016, and 2017 Forms MS-965. These errors resulted in the following adjustments:

2015 - Section 1

An adjustment of \$(18.46) was made to "Storm sewers and drains" because check No. 120 was reported as \$375.94 but was issued for \$357.48.

An adjustment of \$85.99 was made to "Maintenance and repair of roads and bridges" because these expenditures were misclassified as miscellaneous.

An adjustment of \$4,302.00 was made to "Miscellaneous" because expenditures of \$85.99 for maintenance and repair of roads and bridges were misclassified and a deposit in error of \$4,387.99 a correction of a deposit in error was not reported.

2015 - Section 2

An adjustment of \$4,427.97 was made to "Balance, January 1, 2015" because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$(65.72) was made to "Interest on investments" because interest earnings were overstated.

An adjustment of \$(4,871.19) was made to "Miscellaneous" because these receipts were overstated.

2015 - Section 3

An adjustment of \$8,949.11 was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

2016 - Section 1

An adjustment of \$15.00 was made to "Repairs of tools and machinery" because check No. 165 was reported as \$8.50 but was issued for \$23.50.

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 1 - Failure To Properly Prepare Forms MS-965 - Recurring (Continued)**

2016 - Section 1 (Continued)

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$809.00 were misclassified.

2016 - Section 2

An adjustment of \$(9,306.38) was made to “Balance, January 1, 2016” because an incorrect equipment balance was carried forward.

An adjustment of \$(22.93) was made to “Interest on investments” because interest earnings were overstated.

An adjustment of \$6,678.36 was made to “Miscellaneous” because receipts for winter maintenance from the Commonwealth of Pennsylvania were not reported.

2017 - Section 1

An adjustment of \$(30.00) was made to “Storm sewers and drains” because check No. 203 was reported as \$144.00 but was issued for \$114.00.

An adjustment of \$(38,097.94) was made to “Maintenance and repair of roads and bridges” because expenditures of \$61.47 were misclassified as miscellaneous, check No. 204 for \$524.88 was not reported, and these expenditures were overstated by \$38,684.29.

An adjustment of \$(790.14) was made to “Miscellaneous” because expenditures of \$61.47 for maintenance and repair of roads and bridges were misclassified and these expenditures were overstated by \$728.67.

2017 - Section 2

An adjustment of \$(2,665.95) was made to “Balance, January 1, 2017” to reflect the adjustment made to the fund balance in 2016 - Section 2.

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

**Finding No. 1 - Failure To Properly Prepare Forms MS-965 - Recurring (Continued)**

2017 - Section 2 (Continued)

An adjustment of \$(21.37) was made to “Interest on investments” because interest earnings were overstated.

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

Recommendation

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

Management’s Response

The municipal officials offered no formal response at this time.

Auditor’s Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendation. During our next examination we will determine if the municipality complied with our recommendation.

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

**Finding No. 2 - Liquid Fuels Money Improperly Expended On Project - Recurring**

We cited the municipality for over expending Liquid Fuels Tax Fund money on projects in our prior report for the period January 1, 2013 to December 31, 2014. Our examination disclosed that although Liquid Fuels Tax Fund money was not approved to be expended on construction project No. 17-54406-02, \$1,980.00 of Liquid Fuels Tax Fund money was spent on the project. The expenditures related to this project should have been paid directly from the General Fund.

The Department of Transportation's *Publication 9* outlines the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states that nonpermissible expenditures include construction and reconstruction projects without prior approval from the Department of Transportation.

The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$1,980.00 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$1,980.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again recommend that, in the future, no liquid fuels tax funds be expended for construction projects without the prior approval of the Department of Transportation.

**Management's Response**

The municipal officials offered no formal response at this time.

**Auditor's Conclusion**

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



BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

**Finding No. 3 - Late Receipt Of Allocations And Untimely Deposit Of Allocations -  
Recurring**

We cited the municipality for untimely deposit of allocations in our prior report for the period January 1, 2013 to December 31, 2014. Our current examination disclosed that the 2015, 2016 and 2017 Liquid Fuels Tax Fund allocations of \$28,832.39, \$33,660.34 and \$35,216.64, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until July 22, 2015, February 9, 2017, and April 18, 2017 respectively, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition by March 15<sup>th</sup>.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- 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.

We also noted that the 2016 and 2017 Liquid Fuels Tax Fund allocations were received on February 9, 2017 and April 18, 2017 as noted above, but were not deposited into the Liquid Fuels Tax Fund until March 9, 2017 and May 11, 2017 into the Liquid Fuels Tax Fund.

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

**Finding No. 3 - Late Receipt Of Allocations And Untimely Deposit Of Allocations -  
Recurring (Continued)**

Because the municipality failed to file documents and information timely for all three years and did not timely deposit its 2016 and 2017 allocations timely as noted above, the municipality did not have use of the 2015 allocation for more than four months, the 2016 allocation for one year, and the 2017 allocation for more than two months. Furthermore, had the allocations been received and deposited timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs. Additionally, good internal control procedures require that all funds received be deposited immediately upon receipt. The failure to do so increases the risk that errors and misappropriations may occur and remain undetected.

Recommendations

We recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

We further again recommend that, in the future, the municipality deposit all allocations immediately upon receipt.

In addition, the municipal officials should consider using the electronic transfer of funds offered by the Department of Transportation.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

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 \$1,920.00 to its Liquid Fuels Tax Fund for expending Liquid Fuels Tax Fund monies in excess of the amounts approved on Municipal Services Completion Reports Form MS-999.

During our current examination we reviewed a letter dated July 20, 2016, from the Department of Transportation informing the municipality to reimburse \$1,920.00 to its Liquid Fuels Tax Fund. As of the exit conference date of this examination of September 24, 2018, the municipality had not reimbursed this amount to its Liquid Fuels Tax Fund.

In our prior report we also recommended that the municipality:

- Ensure that its Forms MS-965 are complete and accurate.
- Deposit all allocations immediately upon receipt and should consider using the electronic transfer of funds offered by the Department of Transportation.
- Expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

During our current examination, we noted that the municipality did not comply with our recommendations (see Findings No. 1, No. 2, and No. 3).

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

An exit conference was held September 24, 2018. Those participating were:

BOROUGH OF MCCLURE

Ms. Juli Jones, Assistant Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. David R. Brown, Auditor

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

BOROUGH OF MCCLURE  
SNYDER COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2017

This report was initially distributed to:

**The Honorable Leslie Richards**  
Secretary  
Department of Transportation

**Borough of McClure**  
Snyder County  
1 North Forbes Street  
P.O. Box 407  
McClure, PA 17841

**The Honorable Andrew Benner**  
President of Council

**Ms. Juli Jones**  
Assistant Secretary/Treasurer

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