



**TOWNSHIP OF MONROE
JUNIATA COUNTY
34-208**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Monroe, Juniata County, for the period January 1, 2009 to December 31, 2012. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Monroe, Juniata County's Forms MS-965 for the period January 1, 2009 to December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the municipality expended \$3,382.05 during 2009 from the Liquid Fuels Tax Fund account to purchase fuel in bulk quantities. However, records of dispensation for these fuel purchases were not maintained. Additionally, as discussed in Finding No. 2, during 2012 the municipality expended \$107,991.84 for engineering and construction charges for the rehabilitation of Bridges WP-2 and WP-4 without obtaining the approval of the Department of Transportation. Furthermore, as discussed in Finding No. 3, the municipality expended \$4,125.33 in excess of the approved amount for road project No. 12-34208-01. Also, as discussed in Finding No. 4, the municipality expended \$681.09 during 2009 from the Liquid Fuels Tax Fund for heating oil, which is a nonpermissible expenditure.

In our opinion, except for the matters discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Monroe, Juniata County, for the period January 1, 2009 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Monroe, Juniata County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Monroe, Juniata County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Monroe, Juniata County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- Fuel Dispensation Records Not Maintained.

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Monroe, Juniata County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

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

- Failure To Obtain Project Approval.
- Liquid Fuels Money Overexpended On Project - Recurring.
- Nonpermissible Expenditure.

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



EUGENE A. DEPASQUALE
Auditor General

April 19, 2013

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TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

The Vehicle Code, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In this case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 21,737.01	\$ 7,250.00	\$ 28,987.01
Minor equipment purchases	10,333.00	(3,985.20)	6,347.80
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	22,012.77	-	22,012.77
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,361.60	-	7,361.60
Maintenance and repair of roads and bridges	38,694.90	(3,264.80)	35,430.10
Highway construction and rebuilding projects	55,694.66	-	55,694.66
Miscellaneous (Bank service charges)	15.00	-	15.00
 Total (To Section 2, Line 5)	 <u>\$ 155,848.94</u>	 <u>\$ -</u>	 <u>\$ 155,848.94</u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2009 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, 2009	\$ 113,113.12	\$ -	\$ 113,113.12
Receipts:			
2. State allocation	98,738.96	-	98,738.96
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	455.45	-	455.45
2c. Miscellaneous	-	-	-
3. Total receipts	<u>99,194.41</u>	<u>-</u>	<u>99,194.41</u>
4. Total funds available	<u>212,307.53</u>	<u>-</u>	<u>212,307.53</u>
5. Expenditures (Section 1)	<u>155,848.94</u>	<u>-</u>	<u>155,848.94</u>
6. Balance, December 31, 2009	<u><u>\$ 56,458.59</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,458.59</u></u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 96,757.19	\$ -	\$ 96,757.19
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	19,747.79	-	19,747.79
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	116,504.98	-	116,504.98
5. Less: Major equipment expenditures	21,737.01	7,250.00	28,987.01
6. Remainder	<u>94,767.97</u>	<u>(7,250.00)</u>	<u>87,517.97</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 56,458.59</u>	<u>\$ -</u>	<u>\$ 56,458.59</u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2010 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 19,200.00	\$ -	\$ 19,200.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	7,605.83	-	7,605.83
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	839.77	-	839.77
Maintenance and repair of roads and bridges	3,894.48	-	3,894.48
Highway construction and rebuilding projects	39,937.58	-	39,937.58
Miscellaneous (Bank service charges)	55.00	-	55.00
 Total (To Section 2, Line 5)	 <u>\$ 71,532.66</u>	 <u>\$ -</u>	 <u>\$ 71,532.66</u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2010 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, 2010	\$ 56,458.59	\$ -	\$ 56,458.59
Receipts:			
2. State allocation	95,148.58	-	95,148.58
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	418.84	-	418.84
2c. Miscellaneous (Comment)	23,008.14	-	23,008.14
3. Total receipts	<u>118,575.56</u>	<u>-</u>	<u>118,575.56</u>
4. Total funds available	<u>175,034.15</u>	<u>-</u>	<u>175,034.15</u>
5. Expenditures (Section 1)	<u>71,532.66</u>	<u>-</u>	<u>71,532.66</u>
6. Balance, December 31, 2010	<u><u>\$ 103,501.49</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 103,501.49</u></u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2010 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 56,458.59	\$ -	\$ 56,458.59
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	19,017.17	12.55	19,029.72
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	75,475.76	12.55	75,488.31
5. Less: Major equipment expenditures	<u>19,200.00</u>	<u>-</u>	<u>19,200.00</u>
6. Remainder	<u><u>56,275.76</u></u>	<u><u>12.55</u></u>	<u><u>56,288.31</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 56,275.76</u></u>	<u><u>\$ 12.55</u></u>	<u><u>\$ 56,288.31</u></u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2011 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 42,674.02	\$ -	\$ 42,674.02
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	19,036.14	-	19,036.14
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	897.18	-	897.18
Maintenance and repair of roads and bridges	12,220.56	-	12,220.56
Highway construction and rebuilding projects	61,722.42	-	61,722.42
Miscellaneous (Bank service charges)	35.00	-	35.00
 Total (To Section 2, Line 5)	 <u>\$ 136,585.32</u>	 <u>\$ -</u>	 <u>\$ 136,585.32</u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2011 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, 2011	\$ 103,501.49	\$ -	\$ 103,501.49
Receipts:			
2. State allocation	97,367.87	-	97,367.87
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	541.09	-	541.09
2c. Miscellaneous	-	-	-
3. Total receipts	<u>97,908.96</u>	<u>-</u>	<u>97,908.96</u>
4. Total funds available	<u>201,410.45</u>	<u>-</u>	<u>201,410.45</u>
5. Expenditures (Section 1)	<u>136,585.32</u>	<u>-</u>	<u>136,585.32</u>
6. Balance, December 31, 2011	<u><u>\$ 64,825.13</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,825.13</u></u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2011 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 56,275.76	\$ 12.55	\$ 56,288.31
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	19,473.57	-	19,473.57
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	75,749.33	12.55	75,761.88
5. Less: Major equipment expenditures	42,674.02	-	42,674.02
6. Remainder	<u>33,075.31</u>	<u>12.55</u>	<u>33,087.86</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 33,075.31</u>	<u>\$ 12.55</u>	<u>\$ 33,087.86</u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 16,710.00	\$ -	\$ 16,710.00
Minor equipment purchases	589.09	-	589.09
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	1,741.06	-	1,741.06
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	8,228.13	(4,867.80)	3,360.33
Maintenance and repair of roads and bridges	31,512.30	-	31,512.30
Highway construction and rebuilding projects	107,991.84	4,867.80	112,859.64
Miscellaneous (Bank service charges)	15.00	-	15.00
 Total (To Section 2, Line 5)	 <u>\$ 166,787.42</u>	 <u>\$ -</u>	 <u>\$ 166,787.42</u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2012 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, 2012	\$ 64,825.13	\$ -	\$ 64,825.13
Receipts:			
2. State allocation	102,129.19	-	102,129.19
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	126.71	-	126.71
2c. Miscellaneous	-	-	-
3. Total receipts	<u>102,255.90</u>	<u>-</u>	<u>102,255.90</u>
4. Total funds available	<u>167,081.03</u>	<u>-</u>	<u>167,081.03</u>
5. Expenditures (Section 1)	<u>166,787.42</u>	<u>-</u>	<u>166,787.42</u>
6. Balance, December 31, 2012	<u><u>\$ 293.61</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 293.61</u></u>

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

TOWNSHIP OF MONROE
 JUNIATA COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 33,075.31	\$ 12.55	\$ 33,087.86
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	20,425.84	-	20,425.84
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	53,501.15	12.55	53,513.70
5. Less: Major equipment expenditures	16,710.00	-	16,710.00
6. Remainder	<u>36,791.15</u>	<u>12.55</u>	<u>36,803.70</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 293.61</u>	<u>\$ -</u>	<u>\$ 293.61</u>

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

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

1. Criteria

Section 1

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

- Major equipment purchases are purchases of road machinery and road equipment that cost in excess of \$4,000.00 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

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

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

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

1. Criteria (Continued)

Section 3

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

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

The Second Class Township Code, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in financial institutions. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2012. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

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

Cash	\$293.61
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$455.45 during 2009, \$418.84 during 2010, \$541.09 during 2011, and \$126.71 during 2012 thus providing additional funds for road maintenance and repairs.

4. Adjustments

2009 - Section 1

Adjustments were made to “Major equipment purchases,” “Minor equipment purchases,” and “Maintenance and repair or roads and bridges” because expenditures of \$7,250.00 were misclassified.

2009 - Section 3

An adjustment of \$7,250.00 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2009 - Section 1.

2010 - Section 3

An adjustment of \$12.55 was made to “Current year equipment allocation” because of a calculation error.

2011 - Section 3

An adjustment of \$12.55 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2010 - Section 3.

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NOTES TO FORMS MS-965 WITH ADJUSTMENTS
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4. Adjustments (Continued)

2012 - Section 1

Adjustments were made to “Repairs of tools and machinery” and “Highway construction and rebuilding projects” because expenditures of \$4,867.80 were misclassified.

2012 - Section 3

An adjustment of \$12.55 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2011 - Section 3.

5. Lease-Purchase Agreement

On December 28, 2009, the municipality entered into a lease-purchase agreement with F.N.B. Commercial Leasing to purchase a 2009 Ford F-750 dump truck for \$96,997.00. The agreement was for a term of five years at interest rate of 3.26 percent. Principal and interest payments of \$21,337.01 are due annually.

During the current examination period the municipality paid principal of \$65,701.00 and interest of \$8,310.03 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2009, 2011, and 2012 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$10,632.55 and interest of \$704.46 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2012 was \$20,663.45, plus interest.

TOWNSHIP OF MONROE
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FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Fuel Dispensation Records Not Maintained

Our examination disclosed that the municipality expended \$3,382.05 during 2009 from the Liquid Fuels Tax Fund account to purchase fuel in bulk quantities. However, records for the dispensation of these fuel purchases were not maintained.

To ensure good internal control of fuel purchases and usage, the municipality should maintain records listing the following information:

- Date.
- Number of gallons pumped.
- License number or identity of the vehicle.
- Intended use.
- Signature of the operator.

Without fuel dispensation records, there is no record that fuel was used for purposes permitted by the Liquid Fuels Tax Municipal Allocation Law. As a result, we could not determine if the expenditures made from the Liquid Fuels Tax Fund to purchase the fuel were permissible.

The failure to maintain records of fuel dispensation as noted above could result in the municipality having to reimburse \$3,382.05 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. However, the municipality did not use Liquid Fuels Tax Fund money to purchase fuel during 2010, 2011, and 2012.

Recommendations

We recommend that the municipality reimburse \$3,382.05 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality prepare detailed fuel usage reports to ensure good internal controls over fuel purchases and usage.

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF MONROE
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FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 3 - Liquid Fuels Money Overexpended On Project - Recurring

We cited the municipality for overexpending Liquid Fuels Tax Fund money on construction projects in the prior examination for the period ending December 31, 2008, and are citing the municipality again in the current examination. Our current examination disclosed that the municipality expended \$4,867.80 of Liquid Fuels Tax Fund money on construction project No. 12-34208-01. However, the amount approved to be expended from the Liquid Fuels Tax Fund for this project was \$742.47. The difference of \$4,125.33 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.

This condition existed because the municipality did not comply with our prior examination recommendation to expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects. The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$4,125.33 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$4,125.33 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

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 recommendations.

TOWNSHIP OF MONROE
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LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 4 - Nonpermissible Expenditure

Our examination disclosed that the municipality expended \$681.09 during 2009 from the Liquid Fuels Tax Fund for heating oil, which is a nonpermissible expenditure.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance, and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including heating oil, are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$681.09 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. However, the municipality did not use Liquid Fuels Tax Fund money to purchase heating oil during 2010, 2011, and 2012.

Recommendations

We recommend that the municipality reimburse \$681.09 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality continue to comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF MONROE
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LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$23,008.14 to its Liquid Fuels Tax Fund. This amount consists of \$1,655.41 for a failure to maintain fuel dispensation records, \$15,000.00 for a loan to the General Fund, \$4,868.03 for overexpending liquid fuels money on a road project, and \$1,484.70 for nonpermissible expenditures. Findings for a failure to maintain fuel dispensation records, liquid fuels money overexpended on a road project, and nonpermissible expenditures were also written in our current report (see Finding Nos. 1, 3, and 4).

During our current examination we reviewed a letter dated November 5, 2010, from the Department of Transportation informing the municipality to reimburse \$23,008.14 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$22,141.14 and \$867.00 to its Liquid Fuels Tax Fund on September 10, 2010 and November 9, 2010, respectively.

In our prior report we also recommended that the municipality discontinue the practice of loaning liquid fuels money to other funds or accounts.

During our examination we noted that the municipality complied with our recommendation.

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

An exit conference was held April 19, 2013. Those participating were:

TOWNSHIP OF MONROE

Mr. Larry E. Niemond, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Auditor

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

TOWNSHIP OF MONROE
JUNIATA COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

This report was initially distributed to:

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

Township of Monroe
Juniata County
P.O. Box 126
Richfield, PA 17086

The Honorable George P. Sheaffer

Chairman of the Board of Supervisors

Mr. Larry E. Niemond

Secretary/Treasurer

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