



TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
53-232

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

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TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

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.





**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
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 Walker, Schuylkill County, for the four years ended December 31, 2011. 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 Walker, Schuylkill County's Forms MS-965 for the four years ended December 31, 2011 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 \$97,517.52 during 2009 from the Liquid Fuels Tax Fund for the purchase of seal coat. Although the township advertised for bids as required, the advertisement did not include the estimated quantities of the seal coat to be used.

In our opinion, except for the matter discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Walker, Schuylkill County, for the four years ended December 31, 2011, 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 Walker, Schuylkill 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 Walker, Schuylkill County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Walker, Schuylkill County's internal control.

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 Walker, Schuylkill County's internal control.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

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

- Township Improperly Bid For Seal Coat.

We also noted other matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Late Receipt Of Allocation.
- Minutes Of The Township Supervisors' Meetings Were Not Bound And Sealed.

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

August 1, 2012

JACK WAGNER
Auditor General



TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	66,082.42	-	66,082.42
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 66,082.42</u>	<u>\$ -</u>	<u>\$ 66,082.42</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2008	\$ 26,929.80	\$ 218.16	\$ 27,147.96
Receipts:			
2. State allocation	52,819.03	-	52,819.03
2a. Turnback allocation	37,040.00	-	37,040.00
2b. Interest on investments (Note 3)	1,439.91	(19.44)	1,420.47
2c. Miscellaneous	-	-	-
3. Total receipts	<u>91,298.94</u>	<u>(19.44)</u>	<u>91,279.50</u>
4. Total funds available	<u>118,228.74</u>	<u>198.72</u>	<u>118,427.46</u>
5. Expenditures (Section 1)	<u>66,082.42</u>	-	<u>66,082.42</u>
6. Balance, December 31, 2008	<u><u>\$ 52,146.32</u></u>	<u><u>\$ 198.72</u></u>	<u><u>\$ 52,345.04</u></u>

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 21,967.80	\$ 218.16	\$ 22,185.96
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,971.81	-	17,971.81
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	39,939.61	218.16	40,157.77
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>39,939.61</u>	<u>218.16</u>	<u>40,157.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 39,939.61</u>	<u>\$ 218.16</u>	<u>\$ 40,157.77</u>

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

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	97,517.52	-	97,517.52
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 97,517.52</u>	 <u>\$ -</u>	 <u>\$ 97,517.52</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ 52,345.04	\$ -	\$ 52,345.04
Receipts:			
2. State allocation	50,818.43	-	50,818.43
2a. Turnback allocation	37,040.00	-	37,040.00
2b. Interest on investments (Note 3)	422.19	-	422.19
2c. Miscellaneous	-	-	-
3. Total receipts	<u>88,280.62</u>	<u>-</u>	<u>88,280.62</u>
4. Total funds available	<u>140,625.66</u>	<u>-</u>	<u>140,625.66</u>
5. Expenditures (Section 1)	<u>97,517.52</u>	<u>-</u>	<u>97,517.52</u>
6. Balance, December 31, 2009	<u><u>\$ 43,108.14</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 43,108.14</u></u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ 39,939.61	\$ 218.16	\$ 40,157.77
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,571.69	-	17,571.69
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	57,511.30	218.16	57,729.46
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>57,511.30</u>	<u>218.16</u>	<u>57,729.46</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 43,108.14</u>	<u>\$ -</u>	<u>\$ 43,108.14</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	61,402.88	-	61,402.88
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 61,402.88</u>	 <u>\$ -</u>	 <u>\$ 61,402.88</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ 43,108.14	\$ -	\$ 43,108.14
Receipts:			
2. State allocation	48,790.92	-	48,790.92
2a. Turnback allocation	37,040.00	-	37,040.00
2b. Interest on investments (Note 3)	57.58	-	57.58
2c. Miscellaneous	-	-	-
3. Total receipts	<u>85,888.50</u>	<u>-</u>	<u>85,888.50</u>
4. Total funds available	<u>128,996.64</u>	<u>-</u>	<u>128,996.64</u>
5. Expenditures (Section 1)	<u>61,402.88</u>	<u>-</u>	<u>61,402.88</u>
6. Balance, December 31, 2010	<u><u>\$ 67,593.76</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,593.76</u></u>

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2010 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	\$ 43,108.14	\$ -	\$ 43,108.14
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,166.18	-	17,166.18
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	60,274.32	-	60,274.32
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>60,274.32</u>	<u>-</u>	<u>60,274.32</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 60,274.32</u>	<u>\$ -</u>	<u>\$ 60,274.32</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	528.00	-	528.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	26,494.25	-	26,494.25
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	49,057.59	-	49,057.59
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 76,079.84</u>	<u>\$ -</u>	<u>\$ 76,079.84</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ 67,593.76	\$ -	\$ 67,593.76
Receipts:			
2. State allocation	49,421.83	-	49,421.83
2a. Turnback allocation	37,040.00	-	37,040.00
2b. Interest on investments (Note 3)	31.98	-	31.98
2c. Miscellaneous	-	-	-
3. Total receipts	<u>86,493.81</u>	<u>-</u>	<u>86,493.81</u>
4. Total funds available	<u>154,087.57</u>	<u>-</u>	<u>154,087.57</u>
5. Expenditures (Section 1)	<u>76,079.84</u>	<u>-</u>	<u>76,079.84</u>
6. Balance, December 31, 2011	<u><u>\$ 78,007.73</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 78,007.73</u></u>

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

TOWNSHIP OF WALKER
SCHUYLKILL 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	\$ 43,108.14	\$ 17,166.18	\$ 60,274.32
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,292.37	-	17,292.37
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	60,400.51	17,166.18	77,566.69
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>60,400.51</u>	<u>17,166.18</u>	<u>77,566.69</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 60,400.51</u>	<u>\$ 17,166.18</u>	<u>\$ 77,566.69</u>

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

1. Criteria

Section 1

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

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

Section 2

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

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

Section 3

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

1. Criteria (Continued)

Section 3 (Continued)

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

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

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

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

There were no deposits exposed to custodial credit risk as of December 31, 2011. 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 WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	<u>\$78,007.73</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$1,420.47 during 2008, \$422.19 during 2009, \$57.58 during 2010, and \$31.98 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 2

An adjustment of \$218.16 was made to "Balance, January 1, 2008" because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$(19.44) was made to "Interest on investments" because interest earnings were overstated.

2008 - Section 3

An adjustment of \$218.16 was made to "Prior year equipment balance" because of prior report adjustments that were not carried forward in the equipment balance.

2009 - Section 3

An adjustment of \$218.16 was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2008 - Section 3.

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

4. Adjustments (Continued)

2011 - Section 3

An adjustment of \$17,166.18 was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

5. Bank Loan

On August 8, 2003, the municipality borrowed \$349,009.31 from M&T Bank for the reconstruction of various roads in the municipality. The term of the loan was for seven years at an interest rate of 3.825 percent. Principal and interest payments of \$12,897.10 are due quarterly. Prior years' principal paid from the Liquid Fuels Tax Fund was \$15,000.00. Additionally, the municipality paid principal of \$125,811.54 and interest of \$41,827.37 from the General Fund.

During the current examination period the municipality paid principal of \$186,131.50, interest of \$21,677.71, and late charges of 3,453.20 from the General Fund. The outstanding balance of the loan as of December 31, 2011 was \$22,066.27 plus interest.



TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

Finding No. 1 - Township Improperly Bid For Seal Coat

Our examination disclosed that the township expended \$97,517.52 during 2009 from the Liquid Fuels Tax Fund for the purchase of seal coat. Although the township advertised for bids as required, the advertisement did not include the estimated quantities of the seal coat to be used. The township received three bids for the seal coat; however, the vendors submitted their bids using different quantities. Therefore it was impossible to compare the bids.

The Department of Transportation's *Publication 9*, Appendix D, Section 449.7, states:

449.7 Purchase of materials and equipment.

(a) Advertisement.

The advertisement for any purchase, whether to be picked up or delivered or, in the case of materials, to be applied in place, shall contain a reasonably complete description and estimated quantities of the major items or categories of items. The advertisement shall also indicate the requirement of a bid or performance bond or both.

(b) Proposal.

The proposal shall contain the approximate number of items or tons, gallons, square yards, the metric equivalent, or other standard unit of measure, required, and as reasonably estimated by the municipality.

(1) The bidder shall insert in the proposal:

(i) The unit price of each item.

(ii) The total price for each item (quantity X unit price).

(iii) The total price for any group of items which the proposal stipulates shall be supplied by a single bidder.

(2) Bids, without quantities, are not acceptable.

The failure to comply with the Department of Transportation's *Publication 9* could result in the township having to reimburse \$97,517.52 to its Liquid Fuels Tax Fund.

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

Finding No. 1 - Township Improperly Bid For Seal Coat (Continued)

Recommendations

We recommend that the township reimburse \$97,517.52 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The township officials offered no formal response at this time.

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

Finding No. 2 - Late Receipt Of Allocation

Our examination disclosed that the 2008 Liquid Fuels Tax Fund allocation of \$52,819.03, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until July 2, 2008, 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 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.

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

A similar finding was also written in our prior report. However, the municipality received its 2009, 2010, and 2011 allocations on time.

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

Finding No. 2 - Late Receipt Of Allocation (Continued)

Recommendation

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

Management's Response

The township officials offered no formal response at this time.

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

Finding No. 3 - Minutes Of The Township Supervisors' Meetings Were Not Bound And Sealed

Our examination disclosed that the township minutes for 2008, 2009, 2010, and 2011 were not bound and sealed.

As noted in *The Second Class Township Code, Section 605(b)*, which states:

- (c) All township records required to be recorded or transcribed are valid if typewritten, printed, photostated or microfilmed, and where recording in a specified book of record is required, including minutes of the proceedings of the board of supervisors, the records may be recorded or transcribed in a mechanical post binder book capable of being permanently sealed, with consecutively numbered pages with a security code printed thereon and a permanent locking device with the township seal being impressed upon each page, or bound book with pages being consecutively numbered by transcribing directly upon the pages of the book of record, or may be attached to the book of record by stapling or by glue or any other adhesive substance or material, and all records previously recorded or transcribed in any manner authorized by this section are validated. When any record is recorded or transcribed by attaching the record or copy of it to the book of record, the township seal shall be impressed upon each page to which the record is attached, each impression covering both a portion of the attached record and a portion of the page of the book of record to which the record is attached.

Because the township failed to bind and seal the minutes for 2008, 2009, 2010, and 2011, the minutes were not considered official.

Recommendations

We recommend that the municipality establish and implement an adequate system to bind and seal all minutes of the Township Supervisor's meetings as required by *The Second Township Code*.

Management's Response

The township officials offered no formal response at this time.

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

Comment - 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 \$34,285.21 to its Liquid Fuels Tax Fund for the failure to obtain project approval.

During our current examination we reviewed a letter dated December 6, 2010, from the Department of Transportation informing the municipality that the reimbursement of \$34,285.21 would not be required.

In our prior report, we also recommended that before the municipality spends money on a project, it applies for and obtains prior approval of the project, and when the project is completed it obtains approval of the completed work.

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

TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

An exit conference was held August 1, 2012. Those participating were:

TOWNSHIP OF WALKER

Ms. Dana Brubaker, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Georgeanne M. Walacavage, Auditor

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



TOWNSHIP OF WALKER
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE FOUR YEARS ENDED
DECEMBER 31, 2011

This report was initially distributed to:

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

Township of Walker
Schuylkill County
P. O. Box 210
9 Township Road
Tamaqua, PA 18252

The Honorable William McMullen

Chairman of the Board of Supervisors

Ms. Dana Brubaker

Secretary/Treasurer

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