



**BOROUGH OF YEADON
DELAWARE COUNTY
23-427**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2011**

Released September 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
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Harrisburg, PA 17120-0018
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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 Borough of Yeadon, Delaware County, for the period January 1, 2008 to 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 Borough of Yeadon, Delaware County's Forms MS-965 for the period January 1, 2008 to 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)

In our opinion, 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 Borough of Yeadon, Delaware County, for the period January 1, 2008 to 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 Borough of Yeadon, Delaware 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 Borough of Yeadon, Delaware County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Yeadon, Delaware County's internal control.

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 Borough of Yeadon, Delaware 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Retroactive Expenditures.
- Nonpermissible Expenditures.

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



EUGENE A. DEPASQUALE
Auditor General

August 31, 2012

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BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2008 TO 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.

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
2008 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	16,413.11	(1,244.81)	15,168.30
Street lighting	89,117.86	(6,170.64)	82,947.22
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	3,186.00	11,161.50	14,347.50
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	-	34,777.83	34,777.83
 Total (To Section 2, Line 5)	 <u>\$ 108,716.97</u>	 <u>\$ 38,523.88</u>	 <u>\$ 147,240.85</u>

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

BOROUGH OF YEADON
 DELAWARE 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	\$ 99,561.20	\$ -	\$ 99,561.20
Receipts:			
2. State allocation	203,793.46	-	203,793.46
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	3,911.36	782.45	4,693.81
2c. Miscellaneous (Note 5)	14,420.00	13,234.00	27,654.00
3. Total receipts	<u>222,124.82</u>	<u>14,016.45</u>	<u>236,141.27</u>
4. Total funds available	<u>321,686.02</u>	<u>14,016.45</u>	<u>335,702.47</u>
5. Expenditures (Section 1)	<u>108,716.97</u>	<u>38,523.88</u>	<u>147,240.85</u>
6. Balance, December 31, 2008	<u><u>\$ 212,969.05</u></u>	<u><u>\$ (24,507.43)</u></u>	<u><u>\$ 188,461.62</u></u>

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

BOROUGH OF YEADON
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2008 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	\$ 99,561.20	\$ -	\$ 99,561.20
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	40,758.69	-	40,758.69
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	140,319.89	-	140,319.89
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>140,319.89</u>	<u>-</u>	<u>140,319.89</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 140,319.89</u>	<u>\$ -</u>	<u>\$ 140,319.89</u>

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

BOROUGH OF YEADON
 DELAWARE 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	\$ 89,143.00	\$ -	\$ 89,143.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	12,827.86	-	12,827.86
Street lighting	80,835.24	222.00	81,057.24
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 182,806.10</u>	 <u>\$ 222.00</u>	 <u>\$ 183,028.10</u>

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

BOROUGH OF YEADON
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2009 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, 2009	\$ 212,969.05	\$ (24,507.43)	\$ 188,461.62
Receipts:			
2. State allocation	196,345.84	-	196,345.84
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,161.78	-	1,161.78
2c. Miscellaneous (Note 5)	13,016.15	-	13,016.15
3. Total receipts	<u>210,523.77</u>	<u>-</u>	<u>210,523.77</u>
4. Total funds available	<u>423,492.82</u>	<u>(24,507.43)</u>	<u>398,985.39</u>
5. Expenditures (Section 1)	<u>182,806.10</u>	<u>222.00</u>	<u>183,028.10</u>
6. Balance, December 31, 2009	<u><u>\$ 240,686.72</u></u>	<u><u>\$ (24,729.43)</u></u>	<u><u>\$ 215,957.29</u></u>

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

BOROUGH OF YEADON
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2009 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	\$ 140,319.89	\$ -	\$ 140,319.89
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	39,269.16	-	39,269.16
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	179,589.05	-	179,589.05
5. Less: Major equipment expenditures	89,143.00	-	89,143.00
6. Remainder	90,446.05	-	90,446.05
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ 90,446.05	\$ -	\$ 90,446.05

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

BOROUGH OF YEADON
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2010 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	14,313.40	-	14,313.40
Street lighting	86,441.93	1,059.10	87,501.03
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	7,297.50	-	7,297.50
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 108,052.83</u>	 <u>\$ 1,059.10</u>	 <u>\$ 109,111.93</u>

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

BOROUGH OF YEADON
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2010 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, 2010	\$ 240,686.95	\$ (24,729.66)	\$ 215,957.29
Receipts:			
2. State allocation	188,796.42	-	188,796.42
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,623.58	-	1,623.58
2c. Miscellaneous	-	-	-
3. Total receipts	<u>190,420.00</u>	<u>-</u>	<u>190,420.00</u>
4. Total funds available	<u>431,106.95</u>	<u>(24,729.66)</u>	<u>406,377.29</u>
5. Expenditures (Section 1)	<u>108,052.83</u>	<u>1,059.10</u>	<u>109,111.93</u>
6. Balance, December 31, 2010	<u><u>\$ 323,054.12</u></u>	<u><u>\$ (25,788.76)</u></u>	<u><u>\$ 297,265.36</u></u>

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

BOROUGH OF YEADON
 DELAWARE 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	\$ 90,448.09	\$ (2.04)	\$ 90,446.05
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	37,759.28	-	37,759.28
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	128,207.37	(2.04)	128,205.33
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>128,207.37</u>	<u>(2.04)</u>	<u>128,205.33</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 128,207.37</u>	<u>\$ (2.04)</u>	<u>\$ 128,205.33</u>

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

BOROUGH OF YEADON
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2011 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	11,428.16	-	11,428.16
Street lighting	93,447.99	-	93,447.99
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	4,275.00	2,850.00	7,125.00
Highway construction and rebuilding projects	86,396.04	-	86,396.04
Miscellaneous	2,850.00	(2,850.00)	-
 Total (To Section 2, Line 5)	 <u>\$ 198,397.19</u>	 <u>\$ -</u>	 <u>\$ 198,397.19</u>

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

BOROUGH OF YEADON
 DELAWARE 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	\$ 297,265.36	\$ -	\$ 297,265.36
Receipts:			
2. State allocation	193,311.19	-	193,311.19
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,654.39	-	1,654.39
2c. Miscellaneous	-	-	-
3. Total receipts	<u>194,965.58</u>	<u>-</u>	<u>194,965.58</u>
4. Total funds available	<u>492,230.94</u>	<u>-</u>	<u>492,230.94</u>
5. Expenditures (Section 1)	<u>198,397.19</u>	<u>-</u>	<u>198,397.19</u>
6. Balance, December 31, 2011	<u><u>\$ 293,833.75</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 293,833.75</u></u>

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

BOROUGH OF YEADON
 DELAWARE 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	\$ 128,207.37	\$ (2.04)	\$ 128,205.33
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	38,662.24	-	38,662.24
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	166,869.61	(2.04)	166,867.57
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>166,869.61</u>	<u>(2.04)</u>	<u>166,867.57</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 166,869.61</u>	<u>\$ (2.04)</u>	<u>\$ 166,867.57</u>

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

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO 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.

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO 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.

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO 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 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'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.

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

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

Cash	\$293,833.75
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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 \$4,693.81 during 2008, \$1,161.78 during 2009, \$1,623.58 during 2010, and \$1,654.39 during 2011 thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 1

An adjustment of \$(1,244.81) was made to "Traffic control devices" because these expenditures were overstated.

An adjustment of \$(6,170.64) was made to "Street lighting" because these expenditures were overstated.

An adjustment of \$11,161.50 was made to "Maintenance and repair of roads and bridges" because expenditures relating to check Nos. 3575 for \$3,361.50, 3578 for \$3,052.00, 3582 for \$1,812.50, 1004 for \$4,231.50, and 1007 for \$297.00 were not reported. Also check No. 13144 for \$1,593.00 was issued from the General Fund but was incorrectly reported as a Liquid Fuels Tax Fund expenditure.

An adjustment of \$34,777.83 was made to "Miscellaneous" because these expenditures were not reported.

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2011

4. Adjustments (Continued)

2008 - Section 2

An adjustment of \$782.45 was made to "Interest on investments" because interest earnings were understated.

An adjustment of \$13,234.00 was made to "Miscellaneous" because a reimbursement from the General Fund were not reported.

2009 - Section 1

An adjustment of \$222.00 was made to "Street lighting" because check No. 1015 was not reported.

2009 - Section 2

An adjustment of \$(24,507.43) was made to "Balance, January 1, 2009" to reflect the adjustment made to the fund balance in 2008 - Section 2.

2010 - Section 1

An adjustment of \$1,059.10 was made to "Street lighting" because check No. 1044 was not reported.

2010 - Section 2

An adjustment of \$(24,729.66) was made to "Balance, January 1, 2010" because an incorrect fund balance was reported.

2010 - Section 3

An adjustment of \$(2.04) was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

2011 - Section 1

Adjustments were made to "Maintenance and repair of roads and bridges" and "Miscellaneous" because expenditures of \$2,850.00 were misclassified.

BOROUGH OF YEADON
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 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
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4. Adjustments (Continued)

2011 - Section 3

An adjustment of \$(2.04) was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2010 - Section 3.

5. Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>2008</u>	<u>2009</u>
Insurance company	Reimbursement for damages	\$14,420.00	\$ -
General Fund	Reimbursement (Finding No. 1)	13,234.00	12,525.38
General Fund	Reimbursement (Finding No. 2)	-	490.77
	Totals	<u>\$27,654.00</u>	<u>\$13,016.15</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>2008</u>
General Fund	Reimbursement for prior years' expenditures (Finding No. 1)	\$25,706.17
General Fund	Reimbursement to correct transfer in error (Note 7)	9,061.66
Financial institution	Bank service charges	10.00
	Total	<u>\$34,777.83</u>

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7. Deposit In Error

On April 30, 2007, the municipality transferred \$9,061.66 from the General Fund to the Liquid Fuels Tax Fund. This amount was a duplicate reimbursement for a prior audit finding. On June 2, 2008, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the duplicate reimbursement.

BOROUGH OF YEADON
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FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Retroactive Expenditures

Our examination disclosed that on December 30, 2008, the municipality transferred \$25,706.17 from the Liquid Fuels Tax Fund to the General Fund for the reimbursement of expenditures that were originally paid during 2006 and 2007, which are retroactive expenditures.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

- 8. Repayments of prior year's expenditures.
- 17. Retroactive expenditures or repayment of other funds for prior period expenditures.

On December 30, 2008 and July 29, 2009, the municipality reimbursed \$13,234.00 and \$12,525.38, respectively, to its Liquid Fuels Tax Fund, which was \$53.21 more than the required amount.

Recommendation

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

Management's Response

The municipal officials offered no formal response at this time.

BOROUGH OF YEADON
DELAWARE COUNTY
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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$490.77 during 2008 and \$200.37 during 2009 for electricity to light a municipal parking lot and \$2,850.00 during 2011 to install a fence and purchase mulch from the Liquid Fuels Tax Fund, which are nonpermissible expenditures.

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 electricity for parking lots, installing fences, and the purchase of mulch, are outside the scope of permissible expenditures.

On July 29, 2009, the municipality reimbursed \$490.77 to the Liquid Fuels Tax Fund. Additionally, the municipality reimbursed \$2,850.00 to the Liquid Fuels Tax Fund on January 24, 2012, which was subsequent to our examination period.

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 \$200.37 to its Liquid Fuels Tax Fund.

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Finding No. 2 - Nonpermissible Expenditures (Continued)

Recommendations

We recommend that the municipality reimburse \$200.37 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We also recommend that, in the future, the municipality 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.

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
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Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended:

- That the municipality ensure that its Forms MS-965 are complete and accurate.
- That the municipality file all required documents and information timely to receive its allocation during the first week of April.

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

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
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An exit conference was held August 31, 2012. Those participating were:

BOROUGH OF YEADON

Mr. I. Hamid, Finance Director

Ms. Caren Andrews, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Stephen P. Stoppie, Auditor

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

BOROUGH OF YEADON
DELAWARE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2011

This report was initially distributed to:

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

Borough of Yeadon
Delaware County
600 Church Lane
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Yeadon, PA 19050

The Honorable Denise Stinson	President of Council
Mr. I. Hamid	Finance Director
Ms. Caren Andrews	Borough Manager

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