

ATTESTATION ENGAGEMENT

Township of Beaver
Clarion County, Pennsylvania
16-202
Liquid Fuels Tax Fund
For the Period
January 1, 2022 to December 31, 2024

October 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Michael Carroll
Secretary
Department of Transportation
Harrisburg, PA 17120

We have examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Beaver, Clarion County, for the period January 1, 2022 to December 31, 2024. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As described in the Auditor Description Of Select Transactions section of this report, 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 the Findings And Recommendations section of this report, our examination disclosed:

- The municipality expended \$9,657.70 in 2022 and \$14,041.50 in 2023 for crack sealer with fiber, which are non-permissible expenditures (see Finding No. 1).
- The municipality expended \$1,963.60 in 2022, \$12,367.18 in 2023, and \$595.26 in 2024 for repairs of tools and machinery and minor equipment purchases which were related party transactions (see Finding No. 2).

In our opinion, except for the effects of the deviations from the criteria 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 Beaver, Clarion County, for the period January 1, 2022 to December 31, 2024, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

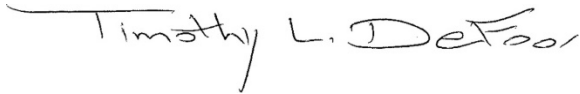
In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material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

- Non-Permissible Expenditures.
- Related Party Transactions.

Independent Auditor's Report (Continued)

The purpose of this report is to provide information related to the municipality's Liquid Fuels Tax Fund to assist the Pennsylvania Department of Transportation in fulfilling its regulatory authority as described in the laws and regulations identified in the Background section of this report and the Pennsylvania Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Beaver, Clarion County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

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

Timothy L. DeFoor
Auditor General
September 15, 2025

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TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Background

The Liquid Fuels Tax Municipal Allocation Law¹ provides municipalities other than counties (i.e., 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 upon: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage maintained by all political subdivisions making application in the county; and (2) 50 percent on the proportion of a municipality's population to the total population of all municipalities making application in the state.²

Section 9511 (relating to Allocation of proceeds) of the Pennsylvania Vehicle Code provides municipalities with annual maintenance payments to be received from the Motor License Fund.³

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

The Department of Transportation has been given the regulatory authority for the administration of these funds. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).

¹ 72 P.S. § 2615.1 *et seq.*, Act 655 of 1956, as amended.

² 75 Pa.C.S. § 9010(c)(1)-(2) as last amended by Act 89 of 2013.

³ 75 Pa.C.S. § 9511, as last amended by Act 89 of 2013 and Act 101 of 2016, *See also* 72 P.S. § 2615.4, as last amended by Act 42 of 2013.

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Background (Continued)

2. Make deposits and payments or expenditures in compliance with Act 655, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts that can be placed into the Liquid Fuels Tax Fund.
3. 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.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

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

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>\$11,500.00</u>	<u>\$11,800.00</u>	<u>\$12,200.00</u>	<u>\$12,600.00</u>

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs that are less than or equal to the amounts indicated below:

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>\$11,500.00</u>	<u>\$11,800.00</u>	<u>\$12,200.00</u>	<u>\$12,600.00</u>

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

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 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.

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Background (Continued)

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 Form MS-965 has been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity's financial activities.

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments is 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.

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.

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2022 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	27,192.73	-	27,192.73
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	10,955.40	-	10,955.40
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	782.76	782.76
Repairs of tools and machinery	31,609.51	(782.76)	30,826.75
Maintenance and repair of roads and bridges	54,926.77	(9,657.70)	45,269.07
Highway construction and rebuilding projects	57,617.46	-	57,617.46
Miscellaneous	-	9,657.70	9,657.70
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 182,301.87</u>	<u>\$ -</u>	<u>\$ 182,301.87</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2022 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, 2022	\$ 152,237.19	\$ -	\$ 152,237.19
Receipts:			
2. State allocation	191,385.11	-	191,385.11
2a. Turnback allocation	9,080.00	-	9,080.00
2b. Interest on investments	3,784.27	-	3,784.27
2c. Miscellaneous	-	-	-
3. Total receipts	204,249.38	-	204,249.38
4. Total funds available	356,486.57	-	356,486.57
5. Expenditures (Section 1)	182,301.87	-	182,301.87
6. Balance, December 31, 2022	<u>\$ 174,184.70</u>	<u>\$ -</u>	<u>\$ 174,184.70</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2022 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	\$ 152,237.19	\$ -	\$ 152,237.19
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	40,093.02	-	40,093.02
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	192,330.21	-	192,330.21
5. Less: Major equipment expenditures	<u>27,192.73</u>	<u>-</u>	<u>27,192.73</u>
6. Remainder	<u>165,137.48</u>	<u>-</u>	<u>165,137.48</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 165,137.48</u>	<u>\$ -</u>	<u>\$ 165,137.48</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2023 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 8,727.50	\$ 5,491.00	\$ 14,218.50
Computer/Computer related training	-	-	-
Major equipment purchases	57,452.47	-	57,452.47
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	5,704.17	-	5,704.17
Traffic control devices	438.68	-	438.68
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	28,919.19	(5,491.00)	23,428.19
Maintenance and repair of roads and bridges	61,567.91	(14,041.50)	47,526.41
Highway construction and rebuilding projects	53,588.00	-	53,588.00
Miscellaneous	-	14,041.50	14,041.50
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 216,397.92</u>	<u>\$ -</u>	<u>\$ 216,397.92</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2023 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, 2023	\$ 174,184.70	\$ -	\$ 174,184.70
Receipts:			
2. State allocation	197,231.80	-	197,231.80
2a. Turnback allocation	9,080.00	-	9,080.00
2b. Interest on investments	13,121.19	-	13,121.19
2c. Miscellaneous	50,893.08	-	50,893.08
3. Total receipts	270,326.07	-	270,326.07
4. Total funds available	444,510.77	-	444,510.77
5. Expenditures (Section 1)	216,397.92	-	216,397.92
6. Balance, December 31, 2023	<u>\$ 228,112.85</u>	<u>\$ -</u>	<u>\$ 228,112.85</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2023 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	\$ 165,137.48	\$ -	\$ 165,137.48
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	41,262.36	-	41,262.36
3. PENNDOT approved adjustments	<u>31,296.20</u>	<u>-</u>	<u>31,296.20</u>
4. Total funds available for equipment acquisition	237,696.04	-	237,696.04
5. Less: Major equipment expenditures	<u>57,452.47</u>	<u>-</u>	<u>57,452.47</u>
6. Remainder	<u>180,243.57</u>	<u>-</u>	<u>180,243.57</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 180,243.57</u>	<u>\$ -</u>	<u>\$ 180,243.57</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2024 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	26,745.80	-	26,745.80
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	6,778.81	-	6,778.81
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	31,963.41	-	31,963.41
Maintenance and repair of roads and bridges	117,952.08	-	117,952.08
Highway construction and rebuilding projects	8,960.00	-	8,960.00
Miscellaneous	-	-	-
Total (To Section 2, Line 5)	<u>\$ 192,400.10</u>	<u>\$ -</u>	<u>\$ 192,400.10</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2024 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, 2024	\$ 228,112.85	\$ -	\$ 228,112.85
Receipts:			
2. State allocation	195,839.14	-	195,839.14
2a. Turnback allocation	9,080.00	-	9,080.00
2b. Interest on investments	18,084.72	-	18,084.72
2c. Miscellaneous	14,041.50	-	14,041.50
3. Total receipts	237,045.36	-	237,045.36
4. Total funds available	465,158.21	-	465,158.21
5. Expenditures (Section 1)	192,400.10	-	192,400.10
6. Balance, December 31, 2024	<u>\$ 272,758.11</u>	<u>\$ -</u>	<u>\$ 272,758.11</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
2024 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	\$ 180,243.57	\$ -	\$ 180,243.57
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	40,983.83	-	40,983.83
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	221,227.40	-	221,227.40
5. Less: Major equipment expenditures	<u>26,745.80</u>	<u>-</u>	<u>26,745.80</u>
6. Remainder	<u>194,481.60</u>	<u>-</u>	<u>194,481.60</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 194,481.60</u>	<u>\$ -</u>	<u>\$ 194,481.60</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

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

Adjustments

2022 - Section 1

Adjustments were made to “Storm sewers and drains” and “Repairs of tools and machinery” because expenditures of \$782.76 were misclassified.

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$9,657.70 were misclassified.

2023 - Section 1

Adjustments were made to “Minor equipment purchases” and “Repairs of tools and machinery” because expenditures of \$5,491.00 were misclassified.

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$14,041.50 were misclassified.

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>2023</u>	<u>2024</u>
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	\$19,596.88	\$ -
Richland Township	Sale of equipment	31,296.20	-
General Fund	Reimbursement (Finding No. 1)	-	14,041.50
Totals		<u>\$50,893.08</u>	<u>\$14,041.50</u>

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Lease-Purchase Agreement

On July 31, 2020, the municipality entered into a lease-purchase agreement with NCL Government Capital to purchase a 2020 JCB Hydradig. The total cost of the equipment was \$235,550.15. The municipality paid down payments of \$50,000.00 and \$17,675.55, from the General Fund and Liquid Fuels Tax Fund, respectively, leaving \$167,874.60 to be financed. The agreement was for a term of seven years at an interest rate of 3.25 percent. Principal and interest payments of \$27,192.73 are due annually. Prior year's principal and interest payments from the Liquid Fuels Tax Fund were \$21,758.98 and \$5,433.75, respectively.

During the current examination period, the municipality paid principal of \$22,450.10 and interest of \$4,742.63 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2022 Form MS-965 - Section 1. During 2023, the municipality sold the equipment for a sales price of \$164,000.00. The proceeds of the sale were used to pay off the remaining principal balance of \$123,665.52, interest of \$4,013.94, and \$5,024.34 for the lease buyout. The additional balance of \$31,296.20 from the sale was deposited into the Liquid Fuels Tax Fund.

Lease-Purchase Agreement

On May 17, 2023, the municipality entered into a lease-purchase agreement with NCL Government Capital to purchase a 2023 JCB Hydradig. The total cost of the equipment was \$236,859.68. The total financed amount was \$237,566.35 due to an error by the leasing center during financing. The difference of \$706.67 was put in an escrow account. The agreement was for a term of eight years at an interest rate of 6.23 percent. Principal and interest payments of \$27,452.47 are due annually.

During the current examination period, the municipality paid principal of \$72,837.14 and interest of \$11,361.13 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2023 and 2024 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$30,000.00 from the General Fund and the leasing service center applied the \$706.67 held in escrow to the principal. The outstanding balance of the lease-purchase agreement as of December 31, 2024, was \$134,022.54, plus interest.

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 1 - Non-Permissible Expenditures

We tested 44 expenditures totaling \$428,750.11 and found that the municipality paid one expenditure for \$9,657.70 during 2022 and one expenditure for \$14,041.50 during 2023 from the Liquid Fuels Tax Fund for crack sealer with fiber, which is a non-permissible 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 crack sealer with fiber, are outside the scope of permissible expenditures.

The condition occurred because the municipality did not know they were using the wrong crack sealer.

On June 3, 2024, the municipality reimbursed \$14,041.50 to its Liquid Fuels Tax Fund for the 2023 expenditure.

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 the remaining \$9,657.70 for the 2022 expenditure to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$9,657.70 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 1 - Non-Permissible Expenditures (Continued)

Management's Response

The secretary/treasurer stated:

We were not aware that we were using the wrong crack sealer. We understand now since it was brought to our attention.

Auditor's Conclusion

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

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 2 - Related Party Transactions

We tested 44 expenditures totaling \$428,750.11 and found that the township had two expenditures totaling \$1,963.60 during 2022, seven expenditures totaling \$12,367.18 during 2023, and one expenditure of \$595.26 during 2024 from the Liquid Fuels Tax Fund for repairs of tools and machinery and minor equipment purchases. A Township Supervisor is the brother of the owner of the welding company, from whom the expenditures were made.

The Second Class Township Code states, in part:

No township official, either elected or appointed, or township employee who knows, or who by the exercise of reasonable diligence could know, shall be interested to any appreciable degree, either directly or indirectly, in any contract for the sale or furnishing of any supplies or materials for the use of the township or for any work to be done for such township involving the expenditure by the township of more than five hundred dollars (\$500.00) in any year unless the contract is awarded through the public bid process. This limitation does not apply if the officer or appointee of the township is an employee of the person, firm or corporations to which the money is to be paid in a capacity with no possible influence on the transaction and the officer cannot possibly be benefited thereby, either financially or otherwise. If a supervisor is within this exception, the supervisor shall so inform the board of supervisors and refrain from voting on the payments and shall in no manner participate in the contract. . . . 53 P.S. § 68102(i).

The Public Official and Employee Ethics Act (“Ethics Act”) states, in part:

No public official or public employee or his spouse or child or any business in which the person or his spouse or child is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official or public employee is associated or any subcontract valued at \$500 or more with any person who has been awarded a contract with the governmental body with which the public official or public employee is associated, unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the public official or public employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract. 65 P.S. § 1103(f).

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Finding No. 2 - Related Party Transactions (Continued)

Due to the Township Supervisor's direct relation to the owner of the company and the lack of an open and public award process, these purchases appear to violate The Second Class Township Code and The Public Official and Employee Ethics Act. Therefore, they should not have been entered into by the township.

The condition occurred because the secretary/treasurer did not know that there would be a problem using this vendor.

Because these contracts violate The Second Class Township Code and the Public Official and Employee Ethics Act, the township could be required by the Pennsylvania Department of Transportation to reimburse \$14,926.04 to its Liquid Fuels Tax Fund.

Copies of this finding will be forwarded to the Pennsylvania Department of Transportation and the State Ethics Commission for their review and whatever action they may deem appropriate.

Recommendations

We recommend that the township reimburse \$14,926.04 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the township comply with The Second Class Township Code and the Public Official and Employee Ethics Act.

Management's Response

The municipal officials offered no formal response.

Auditor's Conclusion

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

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

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 \$19,596.88 to its Liquid Fuels Tax Fund for failure to obtain project approval.

During our current examination, we reviewed a letter dated June 29, 2023, from the Department of Transportation directing the municipality to reimburse \$19,596.88 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on July 26, 2023.

In our prior report, we also recommended that before the municipality expends money on a project, it applies for and obtains prior approval for 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 recommendations.

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

An onsite closeout meeting was held June 11, 2025. Those participating were:

TOWNSHIP OF BEAVER

Mr. Hugh C. Slaughaupt, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Veronica McNutt, Auditor

TOWNSHIP OF BEAVER
CLARION COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Beaver
Clarion County
121 Tippecanoe Road
Knox, PA 16232

The Honorable Rodger K. Swartfager
Chairman of the Board of Supervisors

Mr. Hugh C. Slaughaupt
Secretary/Treasurer

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