

ATTESTATION ENGAGEMENT

Township of Cherry
Sullivan County, Pennsylvania
56-201
Liquid Fuels Tax Fund
For the Period
January 1, 2022 to December 31, 2024

March 2026



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
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

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 Cherry, Sullivan 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, the municipality expended \$12,764.80 during 2023 and \$18,607.95 during 2024 from the Liquid Fuels Tax Fund for black cinders, which are non-permissible expenditures (see Finding No. 1).

In our opinion, except for the effects of the deviation 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 Cherry, Sullivan 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 finding that is required to be reported under *Government Auditing Standards*:

- Non-Permissible Expenditures - Recurring.

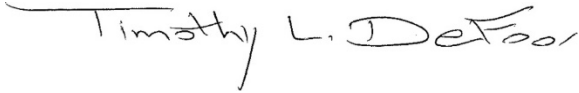
We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Late Receipt Of Allocation And Turnback Allocation - Recurring.

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.

Independent Auditor's Report (Continued)

We appreciate the courtesy extended by the Township of Cherry, Sullivan 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 above the first few letters.

Timothy L. DeFoor
Auditor General
January 28, 2026

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2022 Form MS-965 With Adjustments	5
2023 Form MS-965 With Adjustments	8
2024 Form MS-965 With Adjustments	11
Auditor Description Of Select Transactions.....	14
Findings And Recommendations:	
Finding No. 1 - Non-Permissible Expenditures - Recurring	17
Finding No. 2 - Late Receipt Of Allocation And Turnback Allocation - Recurring.....	19
Summary Of Prior Examinations' Recommendations.....	21
Summary Of Onsite Closeout Meeting.....	22
Report Distribution	23

TOWNSHIP OF CHERRY
SULLIVAN 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 CHERRY
 SULLIVAN 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:

2021	2022	2023	2024
\$11,500.00	\$11,800.00	\$12,200.00	\$12,600.00

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

2021	2022	2023	2024
\$11,500.00	\$11,800.00	\$12,200.00	\$12,600.00

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

TOWNSHIP OF CHERRY
SULLIVAN 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 CHERRY
SULLIVAN 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 CHERRY
SULLIVAN 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	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	1,612.05	(1,612.05)	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 1,612.05</u>	 <u>\$ (1,612.05)</u>	 <u>\$ -</u>

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ 4,256.83	\$ -	\$ 4,256.83
Receipts:			
2. State allocation	277,992.19	(277,992.19)	-
2a. Turnback allocation	37,200.00	(37,200.00)	-
2b. Interest on investments	3.62	-	3.62
2c. Miscellaneous	-	-	-
3. Total receipts	<u>315,195.81</u>	<u>(315,192.19)</u>	<u>3.62</u>
4. Total funds available	<u>319,452.64</u>	<u>(315,192.19)</u>	<u>4,260.45</u>
5. Expenditures (Section 1)	<u>1,612.05</u>	<u>(1,612.05)</u>	<u>-</u>
6. Balance, December 31, 2022	<u><u>\$ 317,840.59</u></u>	<u><u>\$ (313,580.14)</u></u>	<u><u>\$ 4,260.45</u></u>

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ 4,256.83	\$ -	\$ 4,256.83
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	63,038.44	(63,038.44)	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	67,295.27	(63,038.44)	4,256.83
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>67,295.27</u>	<u>(63,038.44)</u>	<u>4,256.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 67,295.27</u>	<u>\$ (63,038.44)</u>	<u>\$ 4,256.83</u>

-

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	15,882.70	-	15,882.70
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	3,713.65	8,442.53	12,156.18
Maintenance and repair of roads and bridges	308,064.98	3,055.51	311,120.49
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 327,661.33</u>	 <u>\$ 11,498.04</u>	 <u>\$ 339,159.37</u>

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ 317,840.59	\$ (313,580.14)	\$ 4,260.45
Receipts:			
2. State allocation	447,545.13	222,102.27	669,647.40
2a. Turnback allocation	37,200.00	37,200.00	74,400.00
2b. Interest on investments	974.97	-	974.97
2c. Miscellaneous	16,282.71	-	16,282.71
3. Total receipts	<u>502,002.81</u>	<u>259,302.27</u>	<u>761,305.08</u>
4. Total funds available	<u>819,843.40</u>	<u>(54,277.87)</u>	<u>765,565.53</u>
5. Expenditures (Section 1)	<u>327,661.33</u>	<u>11,498.04</u>	<u>339,159.37</u>
6. Balance, December 31, 2023	<u><u>\$ 492,182.07</u></u>	<u><u>\$ (65,775.91)</u></u>	<u><u>\$ 426,406.16</u></u>

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ 67,295.27	\$ (63,038.44)	\$ 4,256.83
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	96,949.03	51,860.45	148,809.48
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	164,244.30	(11,177.99)	153,066.31
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>164,244.30</u>	<u>(11,177.99)</u>	<u>153,066.31</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 164,244.30</u>	<u>\$ (11,177.99)</u>	<u>\$ 153,066.31</u>

TOWNSHIP OF CHERRY
SULLIVAN 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	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	18,607.95	-	18,607.95
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	373,049.88	12,254.01	385,303.89
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 391,657.83</u>	 <u>\$ 12,254.01</u>	 <u>\$ 403,911.84</u>

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ 492,182.07	\$ (65,775.91)	\$ 426,406.16
Receipts:			
2. State allocation	227,358.73	-	227,358.73
2a. Turnback allocation	37,200.00	-	37,200.00
2b. Interest on investments	895.16	-	895.16
2c. Miscellaneous	-	1,000.00	1,000.00
3. Total receipts	<u>265,453.89</u>	<u>1,000.00</u>	<u>266,453.89</u>
4. Total funds available	<u>757,635.96</u>	<u>(64,775.91)</u>	<u>692,860.05</u>
5. Expenditures (Section 1)	<u>391,657.83</u>	<u>12,254.01</u>	<u>403,911.84</u>
6. Balance, December 31, 2024	<u>\$ 365,978.13</u>	<u>\$ (77,029.92)</u>	<u>\$ 288,948.21</u>

TOWNSHIP OF CHERRY
SULLIVAN 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	\$ 164,244.30	\$ (11,177.99)	\$ 153,066.31
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	52,911.75	-	52,911.75
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	217,156.05	(11,177.99)	205,978.06
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>217,156.05</u>	<u>(11,177.99)</u>	<u>205,978.06</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 217,156.05</u>	<u>\$ (11,177.99)</u>	<u>\$ 205,978.06</u>

TOWNSHIP OF CHERRY
SULLIVAN 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

An adjustment of \$(1,612.05) was made to “Repairs of tools and machinery” because check No. 1005 was issued on December 7, 2021, but was incorrectly reported as an expenditure in 2022.

2022 - Section 2

An adjustment of \$(277,992.19) was made to “State allocation” because the 2022 allocation of \$221,426.70 was not received until 2023, and the reported amount was overstated by \$56,565.49.

An adjustment of \$(37,200.00) was made to “Turnback allocation” because the 2022 allocation was not received until 2023.

2022 - Section 3

An adjustment of \$(63,038.44) was made to “Current year equipment allocation” because the reported state allocation of \$277,992.19 and reported turnback allocation of \$37,200.00 from 2022 - Section 2, which are used to calculate this figure, were not received in 2022.

2023 - Section 1

An adjustment of \$8,442.53 was made to “Repairs of tools and machinery” because check No. 1025 was not reported.

An adjustment of \$3,055.51 was made to “Maintenance and repair of roads and bridges” because check Nos. 1014, 1027 and 1047, totaling \$3,627.80 were not reported, and General Fund check No. 2010 for \$572.29 was reported as a Liquid Fuels Tax Fund expenditure.

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

Adjustments (continued)

2023 - Section 2

An adjustment of \$(313,580.14) was made to “Balance, January 1, 2023” to reflect the adjustment made to the fund balance in 2022 - Section 2.

An adjustment of \$222,102.27 was made to “State allocation” because the 2021 allocation was received in 2023 but was not reported.

An adjustment of \$37,200.00 was made to “Turnback allocation” because the 2022 turnback allocation was received in 2023 but was not reported.

2023 - Section 3

An adjustment of \$(63,038.44) was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2022 - Section 3.

An adjustment of \$51,860.45 was made to “Current year equipment allocation” because the state and turnback allocations, which are used to calculate this figure, did not include the 2021 state allocation of \$222,102.27 and 2022 turnback allocation of \$37,200.00 which were received in 2023.

2024 - Section 1

An adjustment of \$12,254.01 was made to “Maintenance and repair of roads and bridges” because expenditures included in check No. 1062 for \$1,269.64, No. 1064 for \$590.77, and No. 1070 for \$10,393.60 were not reported.

2024 - Section 2

An adjustment of \$(65,775.91) was made to “Balance, January 1, 2024” to reflect the adjustment made to the fund balance in 2023 - Section 2.

An adjustment of \$1,000.00 was made to “Miscellaneous” because a grant from the General Fund was not reported.

2024 - Section 3

An adjustment of \$(11,177.99) was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2023 - Section 3.

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

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 Examinations' Recommendations)	\$16,282.71	\$ -
General Fund	Grant	-	1,000.00
Totals		<u>\$16,282.71</u>	<u>\$1,000.00</u>

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

Finding No. 1 - Non-Permissible Expenditures - Recurring

We cited the municipality in for non-permissible expenditures in our prior report two reports with the most recent being for the period January 1, 2021 to December 31, 2021. Our current examination disclosed that the municipality made one expenditure of \$12,764.80 during 2023 and one expenditure of \$18,607.95 during 2024 from the Liquid Fuels Tax Fund for black cinders, which are non-permissible 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 black cinders, are outside the scope of permissible expenditures.

We were unable to determine the cause of this condition.

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 \$31,372.75 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$31,372.75 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again recommend that 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.

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

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

Auditor's Conclusion

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

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

Finding No. 2 - Late Receipt Of Allocation And Turnback Allocation - Recurring

We cited the municipality for Late Receipt of Allocation in our prior report for the period January 1, 2021 to December 31, 2021. Our current examination disclosed that the 2022 Liquid Fuels Tax Fund allocation of \$221,426.70 and the 2022 Turnback allocation of \$37,200.00, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, were not received until February 28, 2023 and February 14, 2023, respectively, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

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

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 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.
- 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.

Because the municipality failed to file its Form MS-965 timely, the municipality did not have use of its 2022 Liquid Fuels Tax Fund allocation and its 2022 Turnback allocation for more than 11 months. Furthermore, had the allocations 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.

We noted the township received its 2023 and 2024 Liquid Fuels Tax Fund and Turnback allocations timely.

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

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

Recommendation

We recommend that 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 March as outlined above.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

During our next examination we will determine if the municipality continued to comply with our recommendation.

TOWNSHIP OF CHERRY
SULLIVAN COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2024

Summary Of 2019-2020 Examination Recommendation

In our 2019-2020 report, we recommended that the Department of Transportation review our finding to determine if the municipality should reimburse \$2,320.13 to its Liquid Fuels Tax Fund for a non-permissible expenditure.

During our current examination, we reviewed a letter dated March 14, 2023, from the Department of Transportation directing the municipality to reimburse \$2,320.13 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on March 14, 2023.

Summary Of 2021 Examination Recommendations

In our 2021 report, we recommended that the Department of Transportation review our finding to determine if the municipality should reimburse \$13,962.58 to its Liquid Fuels Tax Fund. This amount consists of \$11,642.46 for failing to maintain documentation for price quotations and \$2,320.12 for a non-permissible expenditure.

During our current examination we reviewed a letter dated August 28, 2023, from the Department of Transportation directing the municipality to reimburse \$13,962.58 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 28, 2023.

In our 2021 report we also recommended:

- The municipality comply with *The Second-Class Township Code* in regard to maintaining documentation for price quotations.
- The municipality comply with the Liquid Fuels Tax Fund Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.
- The municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March.

During our current examination we noted that the municipality complied with our first bulleted recommendation but did not comply with our second and third bulleted recommendations (see Finding Nos. 1 and 2).

TOWNSHIP OF CHERRY
SULLIVAN 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 September 15, 2025. Those participating were:

TOWNSHIP OF CHERRY

Ms. Billiejo Higley, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Eileen Rosen, Auditor

TOWNSHIP OF CHERRY
SULLIVAN 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 Cherry
Sullivan County
11961 Route 87
Dushore, PA 18614

The Honorable Donald Evans
Chairman of the Board of Supervisors

Ms. Billiejo Higley
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.