

ATTESTATION ENGAGEMENT

Township of Farmington

Warren County, Pennsylvania

61-209

Liquid Fuels Tax Fund

For the Period

January 1, 2021 to December 31, 2023

June 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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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 examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Farmington, Warren County, for the period January 1, 2021 to December 31, 2023. 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 and Summary Of Prior Examination Recommendations sections of this report:

- On February 7, 2022, the municipality transferred \$53,105.72 from its Liquid Fuels Tax Fund to its General Fund for payroll expenditures incurred from January 6, 2021, to December 22, 2021, which are retroactive expenditures (see Finding No. 1).
- During 2023, the township expended \$32,351.14 from its Liquid Fuels Tax Fund for a loan payment on a John Deere grader without advertising for bids (see Finding No. 2).
- During 2021, the township expended \$7,280.59 from its Liquid Fuels Tax Fund on project No. 21-61209-001. However, Liquid Fuels Tax Fund money was not approved for the project (see Finding No. 3).
- During our prior examination period, we recommended that the municipality reimburse \$113,580.25 to its Liquid Fuels Tax Fund, which consists of \$111,654.00 for purchases of equipment without advertising for bids and \$1,956.25 for an over expenditure of its equipment purchase tally. We further noted that the municipality reimbursed \$1,926.25 to its Liquid Fuels Tax Fund on June 4, 2021. During our current examination period, the municipality reimbursed \$66,992.40 to its Liquid Fuels Tax Fund, and an additional \$22,330.80 on September 13, 2024, which was subsequent to our examination period, leaving \$22,330.80 due its Liquid Fuels Tax Fund as of the onsite closeout meeting date of this examination of April 25, 2025 (see Summary Of Prior Examination Recommendations).

In our opinion, except for the bulleted matters discussed above, 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 Farmington, Warren County, for the period January 1, 2021 to December 31, 2023, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

Independent Auditor's Report (Continued)

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 or regulations that have a material effect on the Forms MS-965; any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements; and abuse that has a material effect on the Forms MS-965. 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 reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

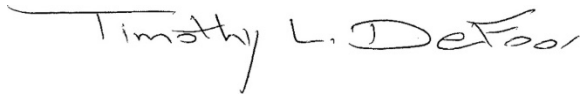
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Farmington, Warren County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Retroactive Expenditures.
- Noncompliance With Advertising And Bidding Requirements - Recurring.
- Liquid Fuels Money Improperly Expended On Project.

Independent Auditor's Report (Continued)

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Farmington, Warren 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, flowing style.

Timothy L. DeFoor
Auditor General
May 9, 2025

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TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., 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 in the state; and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code 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 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).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, 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 into the Liquid Fuels Tax Fund.

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Background (Continued)

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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>\$11,300.00</u>	<u>\$11,500.00</u>	<u>\$11,800.00</u>	<u>\$12,200.00</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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>\$11,300.00</u>	<u>\$11,500.00</u>	<u>\$11,800.00</u>	<u>\$12,200.00</u>

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

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

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 FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

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, 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 Form 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 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 FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
2021 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 2,280.55	\$ -	\$ 2,280.55
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	2,921.78	-	2,921.78
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	29,354.18	-	29,354.18
Maintenance and repair of roads and bridges	113,608.67	(9,250.00)	104,358.67
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	9,250.00	9,250.00
	<u>-</u>	<u>9,250.00</u>	<u>9,250.00</u>
Total (To Section 2, Line 5)	<u>\$ 148,165.18</u>	<u>\$ -</u>	<u>\$ 148,165.18</u>

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
2021 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, 2021	\$ 148,637.89	\$ -	\$ 148,637.89
Receipts:			
2. State allocation	158,439.17	-	158,439.17
2a. Turnback allocation	-	-	-
2b. Interest on investments	226.40	-	226.40
2c. Miscellaneous	58,825.82	-	58,825.82
3. Total receipts	217,491.39	-	217,491.39
4. Total funds available	366,129.28	-	366,129.28
5. Expenditures (Section 1)	148,165.18	-	148,165.18
6. Balance, December 31, 2021	<u>\$ 217,964.10</u>	<u>\$ -</u>	<u>\$ 217,964.10</u>

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
2021 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	\$ (1,926.25)	\$ 1,926.25	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	31,687.83	-	31,687.83
3. PENNDOT approved adjustments	<u>11,426.25</u>	<u>(1,926.25)</u>	<u>9,500.00</u>
4. Total funds available for equipment acquisition	41,187.83	-	41,187.83
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>41,187.83</u>	<u>-</u>	<u>41,187.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 41,187.83</u>	<u>\$ -</u>	<u>\$ 41,187.83</u>

TOWNSHIP OF FARMINGTON
WARREN 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	\$ 3,926.00	\$ -	\$ 3,926.00
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	65,874.28	-	65,874.28
Maintenance and repair of roads and bridges	276,604.90	-	276,604.90
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
Total (To Section 2, Line 5)	<u>\$ 346,405.18</u>	<u>\$ -</u>	<u>\$ 346,405.18</u>

TOWNSHIP OF FARMINGTON
WARREN 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	\$ 217,964.10	\$ -	\$ 217,964.10
Receipts:			
2. State allocation	158,752.62	-	158,752.62
2a. Turnback allocation	-	-	-
2b. Interest on investments	105.94	-	105.94
2c. Miscellaneous	52,199.46	-	52,199.46
3. Total receipts	211,058.02	-	211,058.02
4. Total funds available	429,022.12	-	429,022.12
5. Expenditures (Section 1)	346,405.18	-	346,405.18
6. Balance, December 31, 2022	<u>\$ 82,616.94</u>	<u>\$ -</u>	<u>\$ 82,616.94</u>

TOWNSHIP OF FARMINGTON
WARREN 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	\$ 41,187.83	\$ -	\$ 41,187.83
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	31,750.52	-	31,750.52
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	72,938.35	-	72,938.35
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>72,938.35</u>	<u>-</u>	<u>72,938.35</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 72,938.35</u>	<u>\$ -</u>	<u>\$ 72,938.35</u>

TOWNSHIP OF FARMINGTON
WARREN 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	32,351.14	-	32,351.14
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	2,016.55	-	2,016.55
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	35,920.28	-	35,920.28
Maintenance and repair of roads and bridges	225,355.40	(13,932.32)	211,423.08
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	13,932.32	13,932.32
	<u>-</u>	<u>13,932.32</u>	<u>13,932.32</u>
Total (To Section 2, Line 5)	<u>\$ 295,643.37</u>	<u>\$ -</u>	<u>\$ 295,643.37</u>

TOWNSHIP OF FARMINGTON
WARREN 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	\$ 82,616.94	\$ -	\$ 82,616.94
Receipts:			
2. State allocation	163,953.50	-	163,953.50
2a. Turnback allocation	-	-	-
2b. Interest on investments	65.38	-	65.38
2c. Miscellaneous	64,905.47	-	64,905.47
3. Total receipts	228,924.35	-	228,924.35
4. Total funds available	311,541.29	-	311,541.29
5. Expenditures (Section 1)	295,643.37	-	295,643.37
6. Balance, December 31, 2023	<u>\$ 15,897.92</u>	<u>\$ -</u>	<u>\$ 15,897.92</u>

TOWNSHIP OF FARMINGTON
WARREN 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	\$ 72,938.35	\$ -	\$ 72,938.35
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	32,790.70	-	32,790.70
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	105,729.05	-	105,729.05
5. Less: Major equipment expenditures	<u>32,351.14</u>	<u>-</u>	<u>32,351.14</u>
6. Remainder	<u>73,377.91</u>	<u>-</u>	<u>73,377.91</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 15,897.92</u>	<u>\$ -</u>	<u>\$ 15,897.92</u>

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

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

Adjustments

2021 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$9,250.00 were misclassified.

2021 - Section 3

An adjustment of \$1,926.25 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

An adjustment of \$(1,926.25) was made to “PENNDOT approved adjustments” because approved adjustments were overstated.

2023 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$13,932.32 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>2021</u>	<u>2022</u>	<u>2023</u>
General Fund	Sale of equipment	\$ 9,500.00	\$ -	\$ -
Residents	Sale of road oil	22,475.52	19,334.56	28,642.35
Residents	Sale of pipe	2,593.25	1,284.10	-
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	24,257.05	22,330.80	22,330.80
General Fund	Correction of payments in error	-	9,250.00	13,932.32
Totals		<u>\$58,825.82</u>	<u>\$52,199.46</u>	<u>\$64,905.47</u>

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Payments In Error

On October 19, 2021, the municipality expended \$9,250.00 from its Liquid Fuels Tax Fund for bridge repairs in error. On January 18, 2022, the municipality transferred \$9,250.00 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

On August 15, 2023, the municipality expended \$13,932.32 from its Liquid Fuels Tax Fund for road repairs in error. On October 24, 2023, the municipality transferred \$13,932.32 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

Lease-Purchase Agreement

On April 14, 2022, the municipality entered into a lease-purchase agreement to purchase a 2018 772G motor grader with 6WD for \$225,000.00. The municipality traded in a 2000 John Deere 672CH motor grader and received a trade in allowance of \$33,000.00. The municipality entered into a lease-purchase agreement for the remaining \$192,000.00, plus document fees of \$168.00, for a total of \$192,168.00 with John Deere Credit. The agreement was for a term of seven years at an interest rate of 4.20 percent. Principal and interest payments of \$32,351.14 are due annually.

During the current examination period, the municipality paid principal of \$24,122.91 and interest of \$8,228.23 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2023 Form MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2023, was \$168,045.09, plus interest. Liquid Fuels Tax Fund money should not have been used to repay the loan because the municipality did not advertise for bids for this purchase (see Finding No. 2).

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Finding No. 1 - Retroactive Expenditures

Our examination disclosed that the municipality transferred \$53,105.72 from its Liquid Fuels Tax Fund to its General Fund on February 7, 2022, for payroll expenditures incurred from January 6, 2021, to December 22, 2021, 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:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were paid from the General Fund throughout 2021 and were not reimbursed with Liquid Fuels Tax Fund money until February 7, 2022, the expenditures incurred were not reimbursed in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The secretary/treasurer stated that this condition occurred due to an error.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$53,105.72 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$53,105.72 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The secretary/treasurer stated:

The reimbursement of the road wages to the General Fund was forgotten about and was remembered and was done at that time.

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Finding No. 1 - Retroactive Expenditures (Continued)

Auditor's Conclusion

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

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Finding No. 2 - Noncompliance With Advertising And Bidding Requirements - Recurring

We cited the municipality for failing to advertise for bids in our prior report for the period January 1, 2019 to December 31, 2020. Our current examination disclosed that the township expended \$32,351.14 during 2023 from the Liquid Fuels Tax Fund for principal and interest on a lease-purchase agreement for the purchase of a 2018 John Deere 772G motor grader with 6WD without advertising for bids. The purchase price of the 2018 John Deere 772G motor grader with 6WD was \$225,000.00, plus document fees of \$168.00, and less a trade in allowance of \$33,000.00. The net purchase price of the grader was \$192,168.00. Because the municipality failed to advertise for bids for the grader, future payments should not be paid from the Liquid Fuels Tax Fund.

The above expenditure was not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$21,300.00 for 2021, \$21,900.00 for 2022, \$22,500.00 for 2023, \$23,200.00 for 2024, and \$23,800.00 for 2025. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

The secretary/treasurer stated that the condition occurred due to an oversight with the grader not being advertised.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$32,351.14 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$32,351.14 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* as noted in this finding.

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

**Finding No. 2 - Noncompliance With Advertising And Bidding Requirements - Recurring
(Continued)**

Management's Response

The secretary/treasurer stated:

All records indicate that an advertisement for bids was intended. The advertisement was inadvertently not placed.

Auditor's Conclusion

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

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Finding No. 3 - Liquid Fuels Money Improperly Expended On Project

Our examination disclosed that although Liquid Fuels Tax Fund money was not approved to be expended on construction project No. 21-61209-001, however, the municipality spent \$7,280.59 of Liquid Fuels Tax Fund money on the project. The expenditures related to this project should have been paid directly from the General Fund.

The Department of Transportation's *Publication 9* outlines the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states that nonpermissible expenditures include construction and reconstruction projects without prior approval from the Department of Transportation.

We were unable to determine the cause of this condition.

The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$7,280.59 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$7,280.59 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that no liquid fuels tax funds be expended for construction projects without the prior approval of the Department of Transportation.

Management's Response

The secretary/treasurer stated:

Funds should have been paid from the General Fund as they were County Aid monies for a project.

Auditor's Conclusion

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

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$113,580.25 to its Liquid Fuels Tax Fund. This amount consists of \$111,654.00 for failing to advertise for bids, and \$1,926.25 for an over expenditure of its equipment purchase tally.

We further noted that the municipality reimbursed \$1,926.25 to its Liquid Fuels Tax Fund on June 4, 2021, during the current examination period.

Additionally, during our current examination, we reviewed a letter dated December 8, 2021, from the Department of Transportation directing the municipality to reimburse \$111,654.00 to its Liquid Fuels Tax Fund. On December 9, 2021, the Department of Transportation approved the following payment plan to reimburse the municipality's Liquid Fuels Tax Fund:

<u>Date</u>	<u>Amount</u>	<u>Date Paid</u>
12/31/2021	\$ 22,330.80	12/30/2021
12/31/2022	22,330.80	12/16/2022
12/31/2023	22,330.80	11/16/2023
12/31/2024	22,330.80	09/13/2024*
12/31/2025	<u>22,330.80</u>	Unpaid
Total	<u>\$111,654.00</u>	

*The payment on September 13, 2024, was subsequent to our examination period, leaving a balance due the Liquid Fuels Tax Fund of \$22,330.80 as of the date of the onsite closeout meeting of this examination of April 25, 2025.

In our prior report, we also recommended that the municipality:

- Comply with *The Second Class Township Code* by advertising for bids for all purchases over bidding thresholds. The threshold for advertising for bids were for purchases over \$21,300.00 for 2021, \$21,900.00 for 2022, \$22,500.00 for 2023, \$23,200.00 for 2024, and \$23,800.00 for 2025.
- Only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation's *Publication 9*.

During our current examination, we noted that the municipality complied with our second bulleted recommendation but did not comply with our first bulleted recommendation (see Finding No. 2).

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

An onsite closeout meeting was held April 25, 2025. Those participating were:

TOWNSHIP OF FARMINGTON

Ms. Amanda Hitchcock, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Joe Soltis, Auditor

TOWNSHIP OF FARMINGTON
WARREN COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2023

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Farmington
Warren County
8155 Route 957
Sugar Grove, PA 16350

The Honorable Jared D. Bloomgren
Chairman of the Board of Supervisors

Ms. Amanda Hitchcock
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.