

ATTESTATION ENGAGEMENT

Township of Springhill

Fayette County, Pennsylvania

26-220

Liquid Fuels Tax Fund

For the Period

January 1, 2022 to December 31, 2023

October 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 Springhill, Fayette County, for the period January 1, 2022 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 Examinations' Recommendations section of this report:

- The municipality expended \$36,081.49 during 2022 and \$30,334.60 during 2023 from the Liquid Fuels Tax Fund for the purchase and hauling of stone without advertising for bids (see Finding No. 2).
- The municipality expended \$543.64 during 2022 and \$27,412.09 during 2023 from the Liquid Fuels Tax Fund for loan payments for a garbage truck, garbage dumpster rental, dish soap, garbage bags, water, cookies, and soda pop which are nonpermissible expenditures (see Finding No. 3).
- In our 2020-2021 report, we noted that the municipality expended \$980.44 from its Liquid Fuels Tax Fund for retroactive expenditures and \$540.00 for a non-permissible expenditure. The municipality reimbursed \$1,520.44 to its Liquid Fuels Tax Fund on April 4, 2024, which was subsequent to our examination period (Summary Of 2020-2021 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 Springhill, Fayette County, for the period January 1, 2022 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*.

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.

Independent Auditor's Report (Continued)

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 Springhill, Fayette 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*:

- Liquid Fuels Money Loaned To General Fund.
- Noncompliance With Advertising And Bidding Requirements.
- Non-Permissible Expenditures - Recurring.

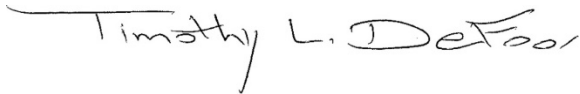
We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Late Receipt Of Allocations - Recurring.

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 Springhill, Fayette 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 name.

Timothy L. DeFoor
Auditor General
September 8, 2025

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TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2022 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 SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
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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 SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
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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 SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
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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 SPRINGHILL
FAYETTE 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	\$ 21,450.50	\$ -	\$ 21,450.50
Computer/Computer related training	-	-	-
Major equipment purchases	52,401.00	-	52,401.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	2,339.25	-	2,339.25
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	3,297.06	.09	3,297.15
Repairs of tools and machinery	37,861.53	151.90	38,013.43
Maintenance and repair of roads and bridges	53,346.61	-	53,346.61
Highway construction and rebuilding projects	-	-	-
Miscellaneous	543.64	100,038.45	100,582.09
Total (To Section 2, Line 5)	<u>\$ 171,239.59</u>	<u>\$ 100,190.44</u>	<u>\$ 271,430.03</u>

TOWNSHIP OF SPRINGHILL
FAYETTE 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	\$ 1,028,172.37	\$ (187,079.98)	\$ 841,092.39
Receipts:			
2. State allocation	160,318.21	162,895.98	323,214.19
2a. Turnback allocation	23,480.00	23,480.00	46,960.00
2b. Interest on investments	5,070.26	-	5,070.26
2c. Miscellaneous	39,043.51	100,894.44	139,937.95
3. Total receipts	227,911.98	287,270.42	515,182.40
4. Total funds available	1,256,084.35	100,190.44	1,356,274.79
5. Expenditures (Section 1)	171,239.59	100,190.44	271,430.03
6. Balance, December 31, 2022	<u>\$ 1,084,844.76</u>	<u>\$ -</u>	<u>\$ 1,084,844.76</u>

TOWNSHIP OF SPRINGHILL
FAYETTE 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	\$ 155,303.42	\$ (37,275.20)	\$ 118,028.22
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	36,759.64	37,275.20	74,034.84
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	192,063.06	-	192,063.06
5. Less: Major equipment expenditures	<u>52,401.00</u>	<u>-</u>	<u>52,401.00</u>
6. Remainder	<u>139,662.06</u>	<u>-</u>	<u>139,662.06</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 139,662.06</u>	<u>\$ -</u>	<u>\$ 139,662.06</u>

TOWNSHIP OF SPRINGHILL
FAYETTE 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	\$ 9,894.82	\$ (9,894.82)	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	29,894.82	3,281.62	33,176.44
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	1,251.13	-	1,251.13
Traffic control devices	1,972.88	-	1,972.88
Street lighting	-	-	-
Storm sewers and drains	995.68	-	995.68
Repairs of tools and machinery	68,794.96	(664.42)	68,130.54
Maintenance and repair of roads and bridges	430,096.74	(182.83)	429,913.91
Highway construction and rebuilding projects	-	-	-
Miscellaneous	20,633.16	6,786.93	27,420.09
Total (To Section 2, Line 5)	<u>\$ 563,534.19</u>	<u>\$ (673.52)</u>	<u>\$ 562,860.67</u>

TOWNSHIP OF SPRINGHILL
FAYETTE 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	\$ 1,084,844.76	\$ -	\$ 1,084,844.76
Receipts:			
2. State allocation	164,451.07	-	164,451.07
2a. Turnback allocation	23,480.00	-	23,480.00
2b. Interest on investments	29,454.00	-	29,454.00
2c. Miscellaneous	673.52	(673.52)	-
3. Total receipts	218,058.59	(673.52)	217,385.07
4. Total funds available	1,302,903.35	(673.52)	1,302,229.83
5. Expenditures (Section 1)	563,534.19	(673.52)	562,860.67
6. Balance, December 31, 2023	<u>\$ 739,369.16</u>	<u>\$ -</u>	<u>\$ 739,369.16</u>

TOWNSHIP OF SPRINGHILL
FAYETTE 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	\$ 102,386.86	\$ 37,275.20	\$ 139,662.06
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	37,586.21	-	37,586.21
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	139,973.07	37,275.20	177,248.27
5. Less: Major equipment expenditures	<u>29,894.82</u>	<u>3,281.62</u>	<u>33,176.44</u>
6. Remainder	<u>110,078.25</u>	<u>33,993.58</u>	<u>144,071.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 110,078.25</u>	<u>\$ 33,993.58</u>	<u>\$ 144,071.83</u>

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
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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 \$.09 was made to “Storm sewers and drains” because check No. 920 was reported as \$2,619.00 but was issued for \$2,619.09.

An adjustment of \$151.90 was made to “Repairs of tools and machinery” because check No. 855 was reported as \$152.00 but was issued for \$304.00 and check No. 843 was reported as \$1,136.61 but issued for \$1,136.51.

An adjustment of \$100,038.45 was made to “Miscellaneous” expenditures because these expenditures were understated.

2022 - Section 2

An adjustment was made to reduce “Balance, January 1, 2022” by \$187,079.98 because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$162,895.98 was made to “State allocation” because the 2021 Liquid Fuels Tax Fund allocation, which was deposited into the Liquid Fuels Tax Fund on February 22, 2022, was not reported.

An adjustment of \$23,480.00 was made to “Turnback allocation” because the 2021 turnback allocation, which was deposited into the Liquid Fuels Tax Fund on February 24, 2022, was not reported.

An adjustment of \$100,894.44 was made to “Miscellaneous” because these receipts were understated.

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
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Adjustments (Continued)

2022 - Section 3

An adjustment of \$(37,275.20) was made to “Prior year equipment balance” because of prior report adjustments that were not carried forward in the equipment balance.

An adjustment of \$37,275.20 was made to “Current year equipment allocation” because the 2021 state allocation of \$162,895.98 and the 2021 turnback allocation of \$23,480.00 from 2022 - Section 2, which are used to calculate this figure, were received in 2022 but not reported.

2023 - Section 1

An adjustment of \$(9,894.82) was made to reduce “Minor equipment purchases” because \$3,306.60 of miscellaneous expenditures and \$6,588.22 of major equipment purchases were misclassified as minor equipment purchases.

An adjustment of \$3,281.62 was made to “Major equipment purchases” because \$3,306.60 of miscellaneous expenditures were misclassified as major equipment purchases. Additionally, \$6,588.22 of major equipment purchases were misclassified as minor equipment purchases.

An adjustment of \$(664.42) was made to reduce “Repairs of tools and machinery” because check No. 1000 for \$665.07 was voided but was included as an expenditure, check No. 1020 was reported as \$6,285.00 but was issued for \$6,285.66, and check No. 1031 was reported as \$390.56 but was issued for \$390.55.

An adjustment of \$(182.83) was made to reduce “Maintenance and repair of roads and bridges” because check No. 972 was reported as \$861.83 but was issued for \$851.83, check No. 1005 was reported as \$345.50 but was issued for \$345.40, and check No. 1018 was reported as \$1,075.86 but was issued for \$1,076.86. Additionally, \$165.73 of miscellaneous expenditures were misclassified as maintenance and repair of roads and bridges expenditures. Furthermore, payroll transfers for 2023 were reported as \$225,076.05, but were actually \$225,068.05.

An adjustment of \$6,786.93 was made to “Miscellaneous” because \$3,306.60 of miscellaneous expenditures were misclassified as minor equipment purchases, \$3,306.60 of miscellaneous expenditures were misclassified as major equipment purchases, and \$165.73 of miscellaneous expenditures were misclassified as maintenance and repair of roads and bridges. Additionally, a bank service charge of \$8.00 was not reported.

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
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Adjustments (Continued)

2023 - Section 2

An adjustment of \$(673.52) was made to "Miscellaneous" because there were no miscellaneous receipts.

2023 - Section 3

An adjustment of \$37,275.20 was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

An adjustment of \$3,281.62 was made to "Major equipment expenditures" to reflect the adjustment made to major equipment purchases in 2023 - Section 1.

Miscellaneous Receipts

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

Source	Description	2022
General Fund	Repayment of loan (Finding No. 1)	\$100,000.00
General Fund	Reimbursement (Summary Of 2019 Examination Recommendation)	39,900.00
Financial Institution	Refund for bank service charges	<u>37.95</u>
Total		<u><u>\$139,937.95</u></u>

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
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Miscellaneous Expenditures

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

<u>Payee</u>	<u>Description</u>	<u>2022</u>	<u>2023</u>
General Fund	Loan (Finding No. 1)	\$100,000.00	\$ -
Financial Institution	Non-permissible expenditures (Finding No. 3)	-	27,246.36
Vendor	Non-permissible expenditures (Finding No. 3)	543.64	165.73
Financial Institution	Bank service charges	38.45	8.00
Totals		<u>\$100,582.09</u>	<u>\$27,420.09</u>

Bank Loan

On February 8, 2023, the municipality borrowed \$173,188.00 from First National Bank of Pennsylvania for a 2023 Ford F-750 Garbage Truck which is a non-permissible expenditure. The term of the loan was for five years at an interest rate of 5.41 percent. Principal and interest payments of \$3,306.60 are due monthly.

During the current examination period, the municipality paid principal of \$20,553.55, interest of \$5,899.25, and late fees of \$793.56 from the Liquid Fuels Tax Fund. These amounts are reflected in miscellaneous on the 2023 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$5,149.37 and interest of \$1,463.83 from the General Fund. The outstanding balance of the loan as of December 31, 2023, was \$147,485.08, plus interest. Because the truck is a non-permissible expenditure, no additional payments should be made from the Liquid Fuels Tax Fund (see Finding No. 3).

TOWNSHIP OF SPRINGHILL
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LIQUID FUELS TAX FUND
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Lease-Purchase Agreement

During 2023, the municipality purchased a 2023 Caterpillar hydraulic excavator for \$83,000.00 and a 2023 Caterpillar skid steer loader for \$74,000.00. The municipality made a down payment of \$20,000.00 from the Liquid Fuels Tax Fund. After a trade-in allowance of \$27,000.00 and documentation fees of \$400.00, the remaining balance of \$110,400.00 was financed through Caterpillar Financial Services Corporation. The agreement was for a term of five years at an interest rate of 6.99 percent. Principal and interest payments of \$6,588.22 are due quarterly.

During the current examination period, the municipality paid principal of \$9,543.94 and interest of \$3,632.50 from the Liquid Fuels Tax Fund. These amounts, and the down payment from the Liquid Fuels Tax Fund, 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 \$100,856.06.

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Finding No. 1 - Liquid Fuels Money Loaned To General Fund

Our examination disclosed that on May 20, 2022, the municipality loaned \$100,000.00 from the Liquid Fuels Tax Fund to the General Fund. Further examination revealed that \$100,000.00 was reimbursed to the Liquid Fuels Tax Fund on December 29, 2022.

Liquid Fuels Tax Fund money appropriated to the municipality in accordance with 72 P.S. § 2615.4 of the Liquid Fuels Tax Municipal Allocation Law can only be expended for purposes authorized by 72 P.S. § 2615.4. The authorized purposes described by 72 P.S. § 2615.4 do not include loaning money from the municipality's Liquid Fuels Tax Fund to the General Fund or any other fund.

If the liquid fuels tax money was maintained in the Liquid Fuels Tax Fund during the entire examination period, money may have been available for investment purposes, potentially earning additional interest which could have been used for road maintenance and repairs. Additionally, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

Because the current secretary was not employed by the township during the examination period, we were unable to determine the cause of this condition.

Recommendation

We recommend that the municipality discontinue the practice of loaning Liquid Fuels Tax Fund money to other funds.

Management's Response

The township secretary stated:

I was not employed by the township during the audit period. My employment began in March 2025.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Finding No. 2 - Noncompliance With Advertising And Bidding Requirements

We tested 28 expenditures totaling \$265,581.22 that were required to be bid and found that the township expended \$36,081.49 during 2022 and \$30,334.60 during 2023 from the Liquid Fuels Tax Fund for the purchase and hauling of stone without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
208881	01/10/22	842	01/24/22	\$ 461.15	
209103	01/17/22	848	02/04/22	260.91	
None	02/28/22	851	03/22/22	509.58	
Various	Various	853	03/04/22	2,109.09	
Various	Various	857	05/02/22	2,493.45	
Various	Various	862	05/02/22	6,105.45	
None	03/31/22	864	05/02/22	1,186.96	
212391	04/25/22	865	05/03/22	1,308.46	
Various	Various	873	05/17/22	2,162.91	
None	05/15/22	878	06/06/22	1,452.20	
None	06/30/22	891	07/14/22	4,858.90	
None	08/29/22	916	10/09/22	13,172.43	
2022 Total					\$36,081.49
Various	Various	934	01/31/23	872.55	
None	02/24/23	942	02/28/23	915.06	
Various	Various	959	05/18/23	2,973.54	
None	06/07/23	961	06/09/23	13,234.48	
Various	Various	963	07/11/23	1,160.80	
None	06/02/23	972	07/11/23	861.83	
Various	Various	984	08/10/23	404.60	
Various	Various	1003	09/28/23	8,310.71	
None	08/29/23	1005	10/05/23	345.40	
Various	Various	1015	10/29/23	513.79	
ORV1049109	10/27/23	1022	11/15/23	368.39	
Various	Various	1029	12/01/23	373.45	
2023 Total					30,334.60
Two Year Total					\$66,416.09

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

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

The above expenditures were 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 \$21,900.00 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 failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$66,416.09 to its Liquid Fuels Tax Fund.

Because the current secretary was not employed by the township during the examination period, we were unable to determine the cause of this condition.

Recommendations

We recommend that the township reimburse \$66,416.09 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.

Management's Response

The township secretary stated:

I was not employed by the township during the audit period. My employment began in March 2025.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Finding No. 3 - Non-Permissible Expenditures - Recurring

We cited the municipality for non-permissible expenditures in our prior report for the period January 1, 2020 to December 31, 2021. During our current examination, we tested 73 expenditures totaling \$430,320.53 and found that the municipality made nine expenditures totaling \$543.64 during 2022 and \$27,412.09 during 2023 from the Liquid Fuels Tax Fund for the following non-permissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Rental of Garbage Dumpster	<u>\$ 543.64</u>	
2022 Total		\$ 543.64
Loan payments for 2023 Ford F-750 Garbage Truck	27,246.36	
Purchase of dish soap, garbage bags, and water	61.60	
Purchase of cookies and soda pop	<u>104.13</u>	
2023 Total		<u>27,412.09</u>
Two Year Total		<u><u>\$27,955.73</u></u>

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 the expenditures in the chart above, are outside the scope of permissible expenditures.

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 \$27,955.73 to its Liquid Fuels Tax Fund.

Because the current secretary was not employed by the township during the examination period, we were unable to determine the cause of this condition.

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Finding No. 3 - Non-Permissible Expenditures - Recurring (Continued)

Recommendations

We recommend that the municipality reimburse \$27,955.73 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.

Management's Response

The township secretary stated:

I was not employed by the township during the audit period. My employment began in March 2025.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Finding No. 4 - Late Receipt Of Allocations - Recurring

We cited the municipality for late receipt of allocations in our prior examination for the period January 1, 2020 to December 31, 2021. Our current examination disclosed that the 2022 and 2023 Liquid Fuels Tax Fund allocations of \$160,318.21 and \$164,451.07, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until September 8, 2022, and November 21, 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 documents and information timely, the municipality did not have use of the 2022 allocation for more than six months and the 2023 allocation for more than eight 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.

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Finding No. 4 - Late Receipt Of Allocations - Recurring (Continued)

Recommendation

We recommend that the municipality 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 township secretary stated:

I was not employed by the township during the audit period. My employment began in March 2025.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

Summary Of 2019 Examination Recommendation

In our 2019 report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$118,124.13 to its Liquid Fuels Tax Fund for failing to maintain documentation supporting expenditures, of which \$39,900.00 was also in noncompliance with advertising and bidding requirements.

During our 2020-2021 examination, we reviewed a letter dated November 24, 2021, from the Department of Transportation directing the municipality to reimburse \$39,900.00 of the \$118,124.13 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on May 27, 2022.

Summary Of 2020-2021 Examination Recommendations

In our 2020-2021 report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$1,520.44 to its Liquid Fuels Tax Fund. This amount consists of \$980.44 for retroactive expenditures and \$540.00 for a non-permissible expenditure.

During our current examination, we reviewed a letter dated December 1, 2023, from the Department of Transportation directing the municipality to reimburse \$1,520.44 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on April 4, 2024, which was subsequent to our examination period.

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

- File all required documents and information timely to receive its allocation during the first week in March.
- Comply with the Department of Transportation's *Publication 9* regarding retroactive expenditures.
- Comply with the Liquid Fuels Tax Municipal Allocation Law regarding permissible expenditures.
- Remit payroll taxes timely as prescribed by law.
- Ensure transcribed minutes for council meetings are available for public review within a reasonable period of time after each meeting.

During our current examination, we noted that the municipality complied with our second, fourth, and fifth bulleted recommendations but did not comply with our first and third bulleted recommendations (see Finding Nos. 3 and 4).

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

An onsite closeout meeting was held May 9, 2025. Those participating were:

TOWNSHIP OF SPRINGHILL

Ms. Rebecca Willard-Jones, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Penelope Fjellanger, Auditor

TOWNSHIP OF SPRINGHILL
FAYETTE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2022 TO DECEMBER 31, 2023

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Springhill
Fayette County
198 Lake Lynn Road
Lake Lynn, PA 15451

The Honorable Robert Gene Grimm
Chairman of the Board of Supervisors

Ms. Rebecca Willard-Jones
Secretary

Ms. Judy Sanders
Township Clerk

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.