

ATTESTATION ENGAGEMENT

Township of Toby
Clarion County, Pennsylvania
16-221
Liquid Fuels Tax Fund
For the Period
January 1, 2019 to December 31, 2023

November 2024



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 Toby, Clarion County, for the period January 1, 2019 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.

As discussed in the Finding No. 2, the municipality transferred \$33,264.26 of Liquid Fuels Tax Fund money to the General Fund on November 4, 2019, which is in noncompliance with Liquid Fuels Tax Municipal Allocation Law.

Independent Auditor's Report (Continued)

In our opinion, except for the matter 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 Toby, Clarion County, for the period January 1, 2019 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; and 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 the 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 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the finding listed below, that we consider to be a significant deficiency in internal control:

- Duplicate Payment Of Invoice.

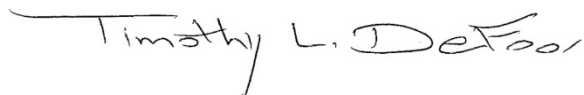
Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Toby, Clarion 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Liquid Fuels Money Transferred Into The General Fund.

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 Toby, Clarion County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
September 11, 2024

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TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 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 TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2019 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:

2019	2020	2021	2022	2023
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00	\$12,200.00

- 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:

2019	2020	2021	2022	2023
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00	\$12,200.00

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

TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 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 TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 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 TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2019 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	16,280.49	-	16,280.49
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	5,950.16	-	5,950.16
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	4,672.00	-	4,672.00
Repairs of tools and machinery	9,372.79	-	9,372.79
Maintenance and repair of roads and bridges	212,655.88	(104,586.66)	108,069.22
Highway construction and rebuilding projects	-	67,335.40	67,335.40
Miscellaneous	-	32,264.26	32,264.26
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Total (To Section 2, Line 5)	<u>\$ 248,931.32</u>	<u>\$ (4,987.00)</u>	<u>\$ 243,944.32</u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2019 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, 2019	\$ 27,973.84	\$ -	\$ 27,973.84
Receipts:			
2. State allocation	191,999.60	-	191,999.60
2a. Turnback allocation	6,280.00	-	6,280.00
2b. Interest on investments	1,284.76	-	1,284.76
2c. Miscellaneous	45,539.66	(4,987.00)	40,552.66
3. Total receipts	<u>245,104.02</u>	<u>(4,987.00)</u>	<u>240,117.02</u>
4. Total funds available	<u>273,077.86</u>	<u>(4,987.00)</u>	<u>268,090.86</u>
5. Expenditures (Section 1)	<u>248,931.32</u>	<u>(4,987.00)</u>	<u>243,944.32</u>
6. Balance, December 31, 2019	<u><u>\$ 24,146.54</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,146.54</u></u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2019 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	\$ 27,973.84	\$ -	\$ 27,973.84
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	39,655.92	-	39,655.92
3. PENNDOT approved adjustments	<u>-</u>	<u>6,652.85</u>	<u>6,652.85</u>
4. Total funds available for equipment acquisition	67,629.76	6,652.85	74,282.61
5. Less: Major equipment expenditures	<u>16,280.49</u>	<u>-</u>	<u>16,280.49</u>
6. Remainder	<u>51,349.27</u>	<u>6,652.85</u>	<u>58,002.12</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 24,146.54</u>	<u>\$ -</u>	<u>\$ 24,146.54</u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2020 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	16,305.49	-	16,305.49
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	2,975.64	5,775.20	8,750.84
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	5,158.58	-	5,158.58
Maintenance and repair of roads and bridges	110,019.08	(5,775.20)	104,243.88
Highway construction and rebuilding projects	-	-	-
Miscellaneous	6,658.29	-	6,658.29
 Total (To Section 2, Line 5)	 <u>\$ 141,117.08</u>	 <u>\$ -</u>	 <u>\$ 141,117.08</u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2020 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, 2020	\$ 24,146.54	\$ -	\$ 24,146.54
Receipts:			
2. State allocation	186,805.96	-	186,805.96
2a. Turnback allocation	6,520.00	-	6,520.00
2b. Interest on investments	278.43	-	278.43
2c. Miscellaneous	6,658.29	-	6,658.29
3. Total receipts	<u>200,262.68</u>	<u>-</u>	<u>200,262.68</u>
4. Total funds available	<u>224,409.22</u>	<u>-</u>	<u>224,409.22</u>
5. Expenditures (Section 1)	<u>141,117.08</u>	<u>-</u>	<u>141,117.08</u>
6. Balance, December 31, 2020	<u><u>\$ 83,292.14</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 83,292.14</u></u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2020 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	\$ 24,146.54	\$ -	\$ 24,146.54
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	38,665.19	-	38,665.19
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	62,811.73	-	62,811.73
5. Less: Major equipment expenditures	16,305.49	-	16,305.49
6. Remainder	<u>46,506.24</u>	<u>-</u>	<u>46,506.24</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 46,506.24</u>	<u>\$ -</u>	<u>\$ 46,506.24</u>

TOWNSHIP OF TOBY
 CLARION 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	16,280.49	-	16,280.49
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	22,090.84	-	22,090.84
Traffic control devices	92.22	-	92.22
Street lighting	-	-	-
Storm sewers and drains	5,760.90	-	5,760.90
Repairs of tools and machinery	13,464.11	-	13,464.11
Maintenance and repair of roads and bridges	111,503.75	-	111,503.75
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 169,192.31</u>	 <u>\$ -</u>	 <u>\$ 169,192.31</u>

TOWNSHIP OF TOBY
 CLARION 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	\$ 83,292.14	\$ -	\$ 83,292.14
Receipts:			
2. State allocation	173,365.63	-	173,365.63
2a. Turnback allocation	6,520.00	-	6,520.00
2b. Interest on investments	153.02	-	153.02
2c. Miscellaneous	3,913.50	-	3,913.50
3. Total receipts	<u>183,952.15</u>	<u>-</u>	<u>183,952.15</u>
4. Total funds available	<u>267,244.29</u>	<u>-</u>	<u>267,244.29</u>
5. Expenditures (Section 1)	<u>169,192.31</u>	<u>-</u>	<u>169,192.31</u>
6. Balance, December 31, 2021	<u><u>\$ 98,051.98</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,051.98</u></u>

TOWNSHIP OF TOBY
 CLARION 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	\$ 46,506.24	\$ -	\$ 46,506.24
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	35,977.13	-	35,977.13
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	82,483.37	-	82,483.37
5. Less: Major equipment expenditures	<u>16,280.49</u>	<u>-</u>	<u>16,280.49</u>
6. Remainder	<u>66,202.88</u>	<u>-</u>	<u>66,202.88</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 66,202.88</u>	<u>\$ -</u>	<u>\$ 66,202.88</u>

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	16,338.26	-	16,338.26
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	15,885.90	-	15,885.90
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	7,956.62	-	7,956.62
Repairs of tools and machinery	8,943.09	-	8,943.09
Maintenance and repair of roads and bridges	74,690.90	-	74,690.90
Highway construction and rebuilding projects	-	-	-
Miscellaneous	300.00	-	300.00
 Total (To Section 2, Line 5)	 <u>\$ 124,114.77</u>	 <u>\$ -</u>	 <u>\$ 124,114.77</u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2022 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2022	\$ 98,051.98	\$ -	\$ 98,051.98
Receipts:			
2. State allocation	172,820.46	-	172,820.46
2a. Turnback allocation	6,520.00	-	6,520.00
2b. Interest on investments	155.76	-	155.76
2c. Miscellaneous	300.00	-	300.00
3. Total receipts	<u>179,796.22</u>	<u>-</u>	<u>179,796.22</u>
4. Total funds available	<u>277,848.20</u>	<u>-</u>	<u>277,848.20</u>
5. Expenditures (Section 1)	<u>124,114.77</u>	<u>-</u>	<u>124,114.77</u>
6. Balance, December 31, 2022	<u><u>\$ 153,733.43</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 153,733.43</u></u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2022 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 66,202.88	\$ -	\$ 66,202.88
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	35,868.09	-	35,868.09
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	102,070.97	-	102,070.97
5. Less: Major equipment expenditures	16,338.26	-	16,338.26
6. Remainder	<u>85,732.71</u>	<u>-</u>	<u>85,732.71</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 85,732.71</u>	<u>\$ -</u>	<u>\$ 85,732.71</u>

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	14,500.00	-	14,500.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	6,478.13	-	6,478.13
Traffic control devices	444.54	-	444.54
Street lighting	-	-	-
Storm sewers and drains	5,443.70	-	5,443.70
Repairs of tools and machinery	13,070.32	-	13,070.32
Maintenance and repair of roads and bridges	172,646.52	-	172,646.52
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 212,583.21</u>	 <u>\$ -</u>	 <u>\$ 212,583.21</u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2023 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2023	\$ 153,733.43	\$ -	\$ 153,733.43
Receipts:			
2. State allocation	178,087.86	-	178,087.86
2a. Turnback allocation	6,520.00	-	6,520.00
2b. Interest on investments	226.45	-	226.45
2c. Miscellaneous	-	-	-
3. Total receipts	<u>184,834.31</u>	<u>-</u>	<u>184,834.31</u>
4. Total funds available	<u>338,567.74</u>	<u>-</u>	<u>338,567.74</u>
5. Expenditures (Section 1)	<u>212,583.21</u>	<u>-</u>	<u>212,583.21</u>
6. Balance, December 31, 2023	<u><u>\$ 125,984.53</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 125,984.53</u></u>

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2023 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 85,732.71	\$ -	\$ 85,732.71
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	36,921.57	-	36,921.57
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	122,654.28	-	122,654.28
5. Less: Major equipment expenditures	14,500.00	-	14,500.00
6. Remainder	<u>108,154.28</u>	<u>-</u>	<u>108,154.28</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 108,154.28</u>	<u>\$ -</u>	<u>\$ 108,154.28</u>

TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 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

2019 - Section 1

An adjustment of \$(104,586.66) was made to “Maintenance and repair of roads and bridges” because expenditures of \$67,335.40 for highway construction and rebuilding projects and expenditures of \$32,264.26 for miscellaneous were misclassified and check No.3805 for \$4,987.00 was voided but was included as an expenditure.

An adjustment of \$67,335.40 was made to “Highway construction and rebuilding projects” because these expenditures were misclassified as maintenance and repair of roads and bridges.

An adjustment of \$32,264.26 was made to “Miscellaneous” because these expenditures were misclassified as maintenance and repair of roads and bridges.

2019 - Section 2

An adjustment of \$4,987.00 was made to “Miscellaneous” because these receipts were overstated.

2019 - Section 3

An adjustment of \$6,652.85 was made to “PENNDOT approved adjustments” because 20 percent of the unexpended balance of a Turnback grant of \$33,264.26 was not reported as an approved adjustment.

2020 - Section 1

Adjustments were made to “Winter maintenance services” and “Maintenance and repair of roads and bridges” because expenditures of \$5,775.20 were misclassified.

TOWNSHIP OF TOBY
CLARION COUNTY
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AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
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Miscellaneous Receipts

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

Source	Description	2019	2020	2021	2022
Turnback Fund	Reimbursement for paving	\$ 7,288.40	\$ -	\$ -	\$ -
Turnback Fund	Unexpended balance	33,264.26	-	-	-
General Fund	Correction of payment in error	-	1,950.70	-	-
Commonwealth of Pennsylvania General Fund	Deposits in error	-	4,707.59	-	300.00
	Reimbursement (Summary Of Prior Examination Recommendations)	-	-	3,913.50	-
Totals		<u>\$40,552.66</u>	<u>\$6,658.29</u>	<u>\$3,913.50</u>	<u>\$300.00</u>

Miscellaneous Expenditures

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

Payee	Description	2019	2020	2022
General Fund	Transfer (Finding No. 2)	\$32,264.26	\$ -	\$ -
General Fund	Payment in error	-	1,950.70	-
General Fund	Correction of deposits in error	-	4,707.59	300.00
Totals		<u>\$32,264.26</u>	<u>\$6,658.29</u>	<u>\$300.00</u>

Payment In Error

On March 11, 2020, the municipality expended \$1,950.70 from its Liquid Fuels Tax Fund for payroll. On December 17, 2020, the municipality transferred \$1,950.70 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

Deposits In Error

On September 2, 2020, September 22, 2020 and March 10, 2022, \$300.00, \$4,407.59 and \$300.00, respectively, of state funds were electronically deposited into the Liquid Fuels Tax Fund in error. On October 14, 2020 and September 21, 2022, the municipality transferred \$4,707.59 and \$300.00, respectively, from its Liquid Fuels Tax Fund into its General Fund to correct the deposits in error.

TOWNSHIP OF TOBY
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Bank Loan

On May 5, 2015, the municipality borrowed \$65,000.00 from Northwest Savings Bank to purchase a 2017 Peterbilt truck for \$63,500.00 and plow for \$1,500.00. The term of the loan was for four years at an interest rate of 3.40 percent. Principal and interest payments of \$17,725.79 were due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$58,259.44 and \$4,917.93, respectively.

During the current examination period, the municipality paid principal of \$6,740.56 and interest of \$235.54 from the General Fund. The loan was paid-in-full on June 10, 2019.

Bank Loan

On April 3, 2017, the municipality borrowed \$74,577.70 from First United National Bank to purchase a 2017 Dodge Ram truck. The term of the loan was for five years at an interest rate of 2.99 percent. Principal and interest payments of \$16,280.49 were due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$14,050.62 and \$2,229.87, respectively.

During the current examination period, the municipality paid principal of \$60,527.08 and interest of \$4,652.65 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2019, 2020, 2021 and 2022 Forms MS-965 - Section 1. The loan was paid-in-full on April 4, 2022,

Bank Loan

On May 11, 2023, the municipality purchased a 2009 John Deere 6430 tractor with diamond boom mower for \$89,500.00, plus a delivery charge of \$1,400.00 and document fees of \$384.00. The municipality made a down payment of \$14,500.00 from the Liquid Fuels Tax Fund and paid the delivery charge of \$1,400.00 from the General Fund. The down payment from the Liquid Fuels Tax Fund is reflected in major equipment purchases on the 2023 Form MS-965 - Section 1. The municipality borrowed the remaining \$75,384.00 from First United National Bank for a term of five years at an interest rate of 4.99 percent. Principal and interest payments of \$17,704.40 are due annually.

TOWNSHIP OF TOBY
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
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Finding No. 1 - Duplicate Payment Of Invoice

Our examination disclosed that the municipality paid the following invoice twice:

<u>Invoice Number</u>	<u>First Check No.</u>	<u>First Date Paid</u>	<u>Second Check No.</u>	<u>Second Date Paid</u>	<u>Invoice Amount</u>
1301848	1007	05/18/20	1008	07/21/20	<u>\$2,149.05</u>

Although this money was reimbursed to the Liquid Fuels Tax Fund on July 14, 2021, the primary concern is the inadequate internal controls which enabled the duplicate payment of \$2,149.05 to remain undetected for approximately twelve months.

A sufficient system of internal controls includes procedures to avoid duplicate payments. The failure to implement such procedures increases the risk of duplicate payments on vendor invoices occurring and remaining undetected.

The municipality did not have sufficient internal controls to prevent and/or timely detect and correct duplicate payments.

On July 14, 2021, the vendor issued a credit in the amount of \$ 2,149.05 to the Liquid Fuels Tax Fund.

Recommendation

We recommend that the municipality establish and implement internal controls to ensure vendor invoices are reviewed timely to avoid duplicate payments.

Management’s Response

The municipal officials offered no formal response at this time.

Auditor’s Conclusion

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

TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 2 - Liquid Fuels Money Transferred Into The General Fund

Our examination disclosed that the municipality transferred \$33,264.26 from its Liquid Fuels Tax Fund money to the General Fund on November 4, 2019, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . .each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

We were unable to determine the cause of this condition.

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$33,264.26 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$33,264.26 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality discontinue the practice of transferring Liquid Fuels Tax Fund money to other funds unless it is for the reimbursement of permissible Liquid Fuels Tax Fund expenditures.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$3,913.50 to its Liquid Fuels Tax Fund for failing to advertise for bids.

During our current examination, we reviewed a letter dated June 24, 2020, from the Department of Transportation directing the municipality to reimburse \$3,913.50 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$1,304.50 to its Liquid Fuels Tax Fund on January 14, 2021, February 11, 2021 and March 11, 2021.

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 \$20,100.00. The threshold for advertising for bids increased to purchases over \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900.00 for 2022, \$22,500.00 for 2023 and \$23,200.00 for 2024.

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

TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

An onsite closeout meeting was held August 30, 2024. Those participating were:

TOWNSHIP OF TOBY

Ms. Lisa Moore, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Cynthia Stebick, Auditor

TOWNSHIP OF TOBY
CLARION COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Township of Toby
Clarion County
25 Elder Road
Rimersburg, PA 16248

The Honorable Darrell Homer
Chairman of the Board of Supervisors

Ms. Lisa Moore
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.