TOWNSHIP OF GRANVILLE
MIFFLIN COUNTY
44-206

HIGHWAY TRANSFER PROGRAM
AGREEMENT NO. 3900034690
TURNBACK ACCOUNT
EXAMINATION REPORT

FOR THE PERIOD
JULY 28, 2008 TO DECEMBER 22, 2009

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TOWNSHIP OF GRANVILLE
MIFFLIN COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
BACKGROUND
FOR THE PERIOD
JULY 28, 2008 TO DECEMBER 22, 2009

Background

The Highway Transfer Program (more commonly known as the Highway Turnback Program) is outlined in Title 75 P.S. § 9511. It is designed to reduce the amount of state road mileage by transferring "functionally-local" roads on a cooperative, voluntary basis to local governments. When a municipality takes over a road through this program, the Department of Transportation and the municipality jointly determine the necessity and extent of any restoration or rehabilitative work required to put a state highway in satisfactory condition before it is transferred. The rehabilitative work may be done by the Department of Transportation, municipal forces, or be contracted out by either party.

If the restoration or rehabilitation is to be done by the municipality or a contractor hired by the municipality, the municipality receives funds for the work from the State Highway Transfer Restoration Restricted Receipt Account. These funds must be deposited into a separate interest-bearing Highway Transfer Account. Any funds not used for the restoration or rehabilitation of the road that was transferred to the municipality must be transferred to the township's Liquid Fuels Tax Fund.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Highway Transfer Program money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

JACK WAGNER

AUDITOR GENERAL

Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018

JACK WAGNER
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We have examined the accompanying Form MS-999 With Adjustments of the Highway Transfer Program – Turnback Account of the Township of Granville, Mifflin County, for the period July 28, 2008 to December 22, 2009. The municipality's management is responsible for the Form MS-999. Our responsibility is to express an opinion on the Form MS-999 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. An examination includes examining, on a test basis, evidence supporting the Township of Granville, Mifflin County's Form MS-999 for the period July 28, 2008 to December 22, 2009 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Highway Transfer Program – Turnback Account to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Form MS-999 With Adjustments are made by the Department of the Auditor General.

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In our opinion, the Form MS-999 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Highway Transfer Program – Turnback Account of the Township of Granville, Mifflin County, for the period July 28, 2008 to December 22, 2009, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Form MS-999 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Form MS-999 is 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 Form MS-999 or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Granville, Mifflin County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Granville, Mifflin County's Form MS-999 that is more than inconsequential will not be prevented or detected by the Township of Granville, Mifflin County's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Form MS-999 will not be prevented or detected by the Township of Granville, Mifflin County's internal control.

Our consideration of internal control over reporting on the Form MS-999 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Form MS-999.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Our examination period reflects from the date the turnback funds were received by the Township of Granville, Mifflin County, to the date the funds were either exhausted or the remaining funds were transferred to the township's Liquid Fuels Tax Fund. Upon the completion of the program the township filed a Final Completion Report Form MS-999 with the Department of Transportation. Our examination began shortly after we received the approved Final Completion Report Form MS-999 from the Department of Transportation.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Granville, Mifflin County, and is not intended to be and should not be used by anyone other than these specified parties.

January 13, 2012

JACK WAGNER
Auditor General

JACK WAGNER

AUDITOR GENERAL

TOWNSHIP OF GRANVILLE
MIFFLIN COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
JULY 28, 2008 TO DECEMBER 22, 2009

	Reported	Adjustments (Note 4)	Adjusted Amount
Cash Receipts			
Turnback grant	$ 180,000.00	$ -	$ 180,000.00
Interest (Note 2)	370.52	-	370.52
Miscellaneous	-	-	-
Total receipts	$ 180,370.52	$ -	$ 180,370.52
Cash Disbursements			
Highway construction and rebuilding	$ 90,076.76	$ (16.25)	$ 90,060.51
Unexpended balance transfer (Note 3)	90,217.07	76.69	90,293.76
Miscellaneous (Bank service charges)	-	16.25	16.25
Total disbursements	$ 180,293.83	$ 76.69	$ 180,370.52

Notes to Form MS-999 With Adjustments are an integral part of this report.

TOWNSHIP OF GRANVILLE
MIFFLIN COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
NOTES TO FORM MS-999 WITH ADJUSTMENTS
FOR THE PERIOD
JULY 28, 2008 TO DECEMBER 22, 2009

1. Criteria

Form MS-999 With Adjustments provides a summary of Highway Transfer Program receipts and expenditures by category. Categories requiring explanation include:

- The Turnback Grant is the grant received from the Commonwealth of Pennsylvania to be used for the restoration or rehabilitation of the road or roads transferred from the state to the municipality.

- The Unexpended balance transfer is money that was not used for the restoration or rehabilitation of the road or roads transferred from the state to the municipality that was transferred to the municipality's Liquid Fuels Tax Fund upon completion of the project.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Highway Transfer Program, Act 32 of 1983 (also referred to as Road Turnback by the Department of Transportation), provides state funds to municipal governments for the costs of restoring state highways for which ownership is turned back to the municipal government. The turnback revenues are deposited in a separate turnback account. After the highway restoration work is completed, any unexpended funds are to be transferred to the Liquid Fuels Tax Fund.

The Form MS-999 has been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of Act 32 of 1983, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance.

Basis Of Accounting

The accompanying Form MS-999 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.

1. Criteria (Continued)

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.

2. Interest On Investments

Our examination disclosed that the municipality deposited idle turnback money in an interest-bearing account which earned $370.52 during the examination period, thus providing additional funds for road maintenance.

3. Unexpended Balance

During our examination, we noted that the municipality transferred the unexpended balance of $90,293.76 in the turnback account to its Liquid Fuels Tax Fund account on December 22, 2009 in accordance with Act 32 of 1983.

4. Adjustments

Adjustments were made to "Highway construction and rebuilding" and "Miscellaneous" because expenditures of $16.25 were misclassified.

An adjustment of $76.69 was made to "Unexpended balance transfer" because the unexpended transfer was understated.

TOWNSHIP OF GRANVILLE
MIFFLIN COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JULY 28, 2008 TO DECEMBER 22, 2009

An exit conference was held January 13, 2012. Those participating were:

TOWNSHIP OF GRANVILLE

Ms. Lisa J. Swisher, Township Manager/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Auditor

The results of the examination were presented and discussed in their entirety.

TOWNSHIP OF GRANVILLE
MIFFLIN COUNTY
HIGHWAY TRANSFER PROGRAM – TURNBACK ACCOUNT
REPORT DISTRIBUTION
FOR THE PERIOD
JULY 28, 2008 TO DECEMBER 22, 2009

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation

Township of Granville
Mifflin County
100 Helen Street
Lewistown, PA 17044

The Honorable Mark M. Ellinger	Chairman of the Board of Supervisors
Ms. Lisa J. Swisher	Township Manager/Secretary/Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.