



TOWNSHIP OF MARTIC
LANCASTER COUNTY
36-224

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
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 Martic, Lancaster County, for the period January 1, 2010 to December 31, 2012. The municipality's management is responsible for the Forms MS-965. 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. An examination includes examining, on a test basis, evidence supporting the Township of Martic, Lancaster County's Forms MS-965 for the period January 1, 2010 to December 31, 2012 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 Liquid Fuels Tax Fund 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 Finding No. 1, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

In our opinion, 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 Martic, Lancaster County, for the period January 1, 2010 to December 31, 2012, 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 Forms MS-965 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 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 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 Martic, Lancaster 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 Martic, Lancaster County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Martic, Lancaster County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- Failure To Properly Prepare Forms MS-965.

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 Forms MS-965 will not be prevented or detected by the Township of Martic, Lancaster County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

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

Independent Auditor's Report (Continued)

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

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

July 11, 2013

EUGENE A. DEPASQUALE
Auditor General

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TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (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: (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.

The Vehicle Code, Title 75 P.S. § 9511, 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 Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called 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 this 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. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	103,015.42	-	103,015.42
Highway construction and rebuilding projects	52,334.84	-	52,334.84
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 155,350.26</u>	<u>\$ -</u>	<u>\$ 155,350.26</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 572,247.13	\$ (1,020.35)	\$ 571,226.78
Receipts:			
2. State allocation	167,295.64	-	167,295.64
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	16,491.64	-	16,491.64
2c. Miscellaneous (Note 4)	-	5.21	5.21
3. Total receipts	<u>183,787.28</u>	<u>5.21</u>	<u>183,792.49</u>
4. Total funds available	<u>756,034.41</u>	<u>(1,015.14)</u>	<u>755,019.27</u>
5. Expenditures (Section 1)	<u>155,350.26</u>	<u>-</u>	<u>155,350.26</u>
6. Balance, December 31, 2010	<u><u>\$ 600,684.15</u></u>	<u><u>\$ (1,015.14)</u></u>	<u><u>\$ 599,669.01</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2010 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	\$ 193,115.45	\$ -	\$ 193,115.45
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	33,459.13	-	33,459.13
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	226,574.58	-	226,574.58
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>226,574.58</u>	<u>-</u>	<u>226,574.58</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 226,574.58</u>	<u>\$ -</u>	<u>\$ 226,574.58</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	66,883.53	(4,448.99)	62,434.54
Highway construction and rebuilding projects	106,562.55	-	106,562.55
Miscellaneous (Bank service charges)	-	91.14	91.14
	<u>-</u>	<u>91.14</u>	<u>91.14</u>
Total (To Section 2, Line 5)	<u>\$ 173,446.08</u>	<u>\$ (4,357.85)</u>	<u>\$ 169,088.23</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 599,663.94	\$ 5.07	\$ 599,669.01
Receipts:			
2. State allocation	171,229.80	-	171,229.80
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	17,161.86	-	17,161.86
2c. Miscellaneous	-	-	-
3. Total receipts	<u>188,391.66</u>	<u>-</u>	<u>188,391.66</u>
4. Total funds available	<u>788,055.60</u>	<u>5.07</u>	<u>788,060.67</u>
5. Expenditures (Section 1)	<u>173,446.08</u>	<u>(4,357.85)</u>	<u>169,088.23</u>
6. Balance, December 31, 2011	<u><u>\$ 614,609.52</u></u>	<u><u>\$ 4,362.92</u></u>	<u><u>\$ 618,972.44</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2011 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	\$ 226,574.58	\$ -	\$ 226,574.58
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	34,245.96	-	34,245.96
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	260,820.54	-	260,820.54
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>260,820.54</u>	<u>-</u>	<u>260,820.54</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 260,820.54</u>	<u>\$ -</u>	<u>\$ 260,820.54</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 45,485.00	\$ (38,408.57)	\$ 7,076.43
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	121,136.04	(121,136.04)	-
Highway construction and rebuilding projects	17,789.60	121,136.04	138,925.64
Miscellaneous (Bank service charges)	-	140.14	140.14
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 184,410.64</u>	<u>\$ (38,268.43)</u>	<u>\$ 146,142.21</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 614,609.52	\$ 4,362.92	\$ 618,972.44
Receipts:			
2. State allocation	177,182.26	-	177,182.26
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	15,480.98	1,338.83	16,819.81
2c. Miscellaneous (Note 4)	-	31,984.00	31,984.00
3. Total receipts	<u>192,663.24</u>	<u>33,322.83</u>	<u>225,986.07</u>
4. Total funds available	<u>807,272.76</u>	<u>37,685.75</u>	<u>844,958.51</u>
5. Expenditures (Section 1)	<u>184,410.64</u>	<u>(38,268.43)</u>	<u>146,142.21</u>
6. Balance, December 31, 2012	<u><u>\$ 622,862.12</u></u>	<u><u>\$ 75,954.18</u></u>	<u><u>\$ 698,816.30</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 260,820.54	\$ -	\$ 260,820.54
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	35,436.45	-	35,436.45
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	296,256.99	-	296,256.99
5. Less: Major equipment expenditures	45,485.00	(38,408.57)	7,076.43
6. Remainder	<u>250,771.99</u>	<u>38,408.57</u>	<u>289,180.56</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 250,771.99</u>	<u>\$ 38,408.57</u>	<u>\$ 289,180.56</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria

Section 1

This section 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 that cost in excess of \$4,000.00 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

This section of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- Expenditures include the total transferred from Section 1.

Section 3

This section 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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

Section 3 (Continued)

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.

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 Forms MS-965 have 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 Forms 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 are 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.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

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. Deposits And Investments

The Second Class Township Code, Title 53 P.S. § 68204, authorizes the township to deposit and invest its funds in the following:

- United States Treasury Bills.
- Short-term obligations of the United States government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for second class township funds.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

2. Deposits And Investments (Continued)

- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that the accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits

Deposits consist of receipts and deposits in financial institutions. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of «Endcurraudperwr». Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the township's name.

Investments

The township is authorized to invest Liquid Fuels Tax Fund money in legal investments permitted by *The Second Class Township Code* (see above).

As of December 31, 2012, the township's Liquid Fuels Tax Fund had the following investments:

<u>Investment Type</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Fair Value</u>
GNMA Security	06/20/33	\$101,005.00	\$111,473.00
GNMA Security	07/20/33	37,375.00	42,009.06
GNMA Security	03/16/34	24,245.00	27,955.92
GNMA Security	09/20/34	39,395.00	43,132.05
GNMA Security	08/20/35	96,965.00	109,140.48
GNMA Security	01/24/11	28,005.00	32,563.72
Total		\$326,990.00	\$366,274.23

There were no investments exposed to custodial credit risk as of December 31, 2012.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

2. Deposits And Investments (Continued)

Investments (Continued)

The township is required to provide information about the concentration of credit risk.

Interest Rate Risk. The township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fund Balance

The fund balance consists of the following:

Cash	\$371,826.30
Investments	<u>326,990.00</u>
Total	<u>\$698,816.30</u>

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing account and approved investments which earned \$16,491.64 during 2010, \$17,161.86 during 2011, and \$16,819.81 during 2012, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>2010</u>	<u>2012</u>
Financial institution	Refund for bank service charges	\$5.21	\$ -
General Fund	Grant	<u>-</u>	<u>31,984.00</u>
Total		<u>\$5.21</u>	<u>\$31,984.00</u>

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2010, 2011, and 2012 Forms MS-965. These adjustments, which are disclosed in Note 4, are as follows:

2010 - Section 2

An adjustment of \$(1,020.35) was made to "Balance, January 1, 2010" because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$5.21 was made to "Miscellaneous" because a reimbursement of a bank service charge was not reported.

2011 - Section 1

An adjustment of \$(4,448.99) was made to "Maintenance and repair of roads and bridges" because these expenditures were overstated.

An adjustment of \$91.14 was made to "Miscellaneous" expenditures because bank service charges were not reported.

2011 - Section 2

An adjustment of \$5.07 was made to "Balance, January 1, 2011" because an incorrect fund balance was reported.

2012 - Section 1

An adjustment of \$(38,408.57) was made to "Major equipment purchases" because these expenditures were overstated.

Adjustments were made to "Maintenance and repair of roads and bridges" and "Highway construction and rebuilding projects" because expenditures of \$121,136.04 were misclassified.

An adjustment of \$140.14 was made to "Miscellaneous" expenditures because bank service charges were not reported.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding - Failure To Properly Prepare Forms MS-965 (Continued)

2012 - Section 2

An adjustment of \$4,362.92 was made to “Balance, January 1, 2012” to reflect the adjustments made to the fund balance in 2011 - Section 2.

An adjustment of \$1,338.83 was made to “Interest on investments” because interest earnings were understated.

An adjustment of \$31,984.00 was made to “Miscellaneous” because a grant from the General Fund was not reported.

2012 - Section 3

An adjustment of \$(38,408.57) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2012 - Section 1.

Good internal controls ensure that the municipality complete its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

Management’s Response

The secretary stated:

The new MS-965 is better explained regarding bank charges.

Auditor’s Conclusion

The bank service charges were insignificant adjustments. The municipality should ensure that all receipts and expenditures are reported correctly. During our next examination the municipality should comply with our recommendation.

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

An exit conference was held July 11, 2013. Those participating were:

TOWNSHIP OF MARTIC

Ms. Karen Sellers, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Vernon J. Brennan, Auditor

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

TOWNSHIP OF MARTIC
LANCASTER COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

This report was initially distributed to:

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

Township of Martic
Lancaster County
370 Steinman Farm Road
Pequea, PA 17565

The Honorable Duane Sellers

Chairman of the Board of Supervisors

The Honorable Carl T. Drexel

Vice-Chairman of the Board of Supervisors

Ms. Karen Sellers

Secretary

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.