

***FRANKLIN TOWNSHIP
ERIE COUNTY, PENNSYLVANIA***

FINANCIAL STATEMENTS

Year Ended December 31, 1998

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Franklin Township, Erie County, Pennsylvania

We have audited the accompanying financial statements of Franklin Township, Erie County, Pennsylvania, as of December 31, 1998, and for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Franklin Township, Erie County, Pennsylvania prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Pennsylvania, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Franklin Township, Erie County, Pennsylvania, as of December 31, 1998, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 1999 on our consideration of Franklin Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Monahan & Monahan
Certified Public Accountants

February 3, 1999
Erie, Pennsylvania

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1998

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	General Fixed Assets	General Long-Term Debt	
ASSETS							
Cash - unrestricted	\$ 5,655	\$ 11,194	\$ 34,752	\$ 1,983	\$ —	\$ —	\$ 53,584
Cash - restricted (Note 2)	20,000	—	—	43,938	—	—	63,938
Due from other funds	—	—	—	3,618	—	—	3,618
Prepaid claims	—	—	—	12,518	—	—	12,518
Amount provided for retirement of general long-term debt	—	—	—	—	—	179,427	179,427
Property and equipment	—	—	—	—	530,883	—	530,883
Total assets	\$ 25,655	\$ 11,194	\$ 34,752	\$ 62,057	\$ 530,883	\$ 179,427	\$ 843,968
LIABILITIES AND FUND EQUITY							
Current liabilities							
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Payroll taxes payable	—	—	—	223	—	—	223
Due to other funds	3,618	—	—	—	—	—	3,618
Due to other governments	—	—	—	60,074	—	—	60,074
Construction bond payable	12,000	—	—	—	—	—	12,000
Current portion of long-term debt	—	—	—	—	—	41,632	41,632
Total current liabilities	15,618	—	—	60,297	—	41,632	117,547
Long-term debt, net of current portion	—	—	—	—	—	137,795	137,795
Total liabilities	15,618	—	—	60,297	—	179,427	255,342
Fund Equity							
Fund balance	10,037	11,194	34,752	1,760	—	—	57,743
Investment in general fixed assets	—	—	—	—	530,883	—	530,883
Total fund equity	10,037	11,194	34,752	1,760	530,883	—	588,626
Total liabilities and fund equity	\$ 25,655	\$ 11,194	\$ 34,752	\$ 62,057	\$ 530,883	\$ 179,427	\$ 843,968

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 CASH BASIS - GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
 Year Ended December 31, 1998

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Taxes				
Real estate taxes	\$ 41,858	\$ —	\$ 29,943	\$ 71,801
Real estate transfer taxes	7,415	—	—	7,415
Earned income taxes	<u>99,633</u>	<u>—</u>	<u>—</u>	<u>99,633</u>
Total Taxes	148,906	—	29,943	178,849
Licenses and permits	1,240	—	—	1,240
Fines and forfeits	3,789	—	—	3,789
Interest earnings	5,223	1,150	2,077	8,450
Intergovernmental revenue	19,013	69,073	—	88,086
Charges for services	54,400	—	—	54,400
Special assessment revenue	—	15,557	—	15,557
Miscellaneous revenues	<u>5,192</u>	<u>—</u>	<u>107</u>	<u>5,299</u>
Total Revenues	<u>237,763</u>	<u>85,780</u>	<u>32,127</u>	<u>355,670</u>
Expenditures:				
Current				
General government	82,144	238	—	82,382
Public safety	11,070	—	6,786	17,856
Public works - sanitation	3,947	—	—	3,947
- highways	108,617	70,126	—	178,743
- other	—	—	687	687
Debt service - principal	29,055	3,490	7,128	39,673
- interest	9,576	1,676	1,718	12,970
Miscellaneous expenses	<u>8,085</u>	<u>—</u>	<u>—</u>	<u>8,085</u>
Total Current Expenditures	252,494	75,530	16,319	344,343
Capital Outlay	<u>5,790</u>	<u>—</u>	<u>—</u>	<u>5,790</u>
Total Expenditures	<u>258,284</u>	<u>75,530</u>	<u>16,319</u>	<u>350,133</u>
Excess of Revenues over (under) Expenditures	<u>(20,521)</u>	<u>10,250</u>	<u>15,808</u>	<u>5,537</u>
Other Financing Sources (Uses):				
Proceeds of long-term debt	—	—	—	—
Interfund transfers	<u>8,520</u>	<u>—</u>	<u>(8,520)</u>	<u>—</u>
Total Other Financing Sources	<u>8,520</u>	<u>—</u>	<u>(8,520)</u>	<u>—</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(12,001)	10,250	7,288	5,537
Fund Balance - Beginning of year	<u>22,038</u>	<u>944</u>	<u>27,464</u>	<u>50,446</u>
Fund Balance - End of year	<u>\$ 10,037</u>	<u>\$ 11,194</u>	<u>\$ 34,752</u>	<u>\$ 55,983</u>

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS
 GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
 Year Ended December 31, 1998

	General Fund		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 146,675	\$ 148,906	\$ 2,231
Licenses and permits	1,800	1,240	(560)
Fines and forfeits	4,000	3,789	(211)
Interest	1,900	5,223	3,323
Intergovernmental revenue	23,349	19,013	(4,336)
Charges for services	41,976	54,400	12,424
Special assessment revenue	—	—	—
Miscellaneous revenues	88,945	5,192	(83,753)
Total Revenues	308,645	237,763	(70,882)
Expenditures:			
Current			
General government	103,490	82,144	21,346
Public safety	500	11,070	(10,570)
Public works - sanitation	3,500	3,947	(447)
- highways	97,994	108,617	(10,623)
- other	—	—	—
Debt service - principal	40,000	29,055	10,945
- interest	10,410	9,576	834
Miscellaneous expenses	47,858	8,085	39,773
Total Current Expenditures	303,752	252,494	51,258
Capital Outlay	—	5,790	(5,790)
Total Expenditures	303,752	258,284	45,468
Excess of Revenues over (under) Expenditures	4,893	(20,521)	(25,414)
Other Financing Sources (Uses)			
Proceeds of long-term debt	—	—	—
Interfund transfers	—	8,520	8,520
Total Other Financing Sources	—	8,520	8,520
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 4,893	(12,001)	\$ (16,894)
Fund Balance - Beginning of year		22,038	
Fund Balance - End of year		\$ 10,037	

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>			<u>Capital Projects Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
\$ —	\$ —	\$ —	\$ 30,375	\$ 29,943	\$ (432)
—	—	—	—	—	—
—	—	—	—	—	—
800	1,150	350	800	2,077	1,277
69,276	69,073	(203)	—	—	—
—	—	—	—	—	—
—	15,557	15,557	—	—	—
—	—	—	—	107	107
<u>70,076</u>	<u>85,780</u>	<u>15,704</u>	<u>31,175</u>	<u>32,127</u>	<u>952</u>
—	—	—	14,175	—	14,175
—	—	—	14,593	6,786	7,807
—	—	—	—	—	—
69,276	70,364	(1,088)	8,100	—	8,100
—	—	—	—	687	(687)
—	3,490	(3,490)	—	7,128	(7,128)
—	1,676	(1,676)	—	1,718	(1,718)
—	—	—	—	—	—
<u>69,276</u>	<u>75,530</u>	<u>(6,254)</u>	<u>36,868</u>	<u>16,319</u>	<u>20,549</u>
—	—	—	—	—	—
<u>69,276</u>	<u>75,530</u>	<u>(6,254)</u>	<u>36,868</u>	<u>16,319</u>	<u>20,549</u>
<u>800</u>	<u>10,250</u>	<u>9,450</u>	<u>(5,693)</u>	<u>15,808</u>	<u>21,501</u>
—	—	—	—	—	—
—	—	—	—	(8,520)	(8,520)
—	—	—	—	(8,520)	(8,520)
<u>\$ 800</u>	10,250	<u>\$ 9,450</u>	<u>\$ (5,693)</u>	7,288	<u>\$ 12,981</u>
	944			27,464	
	<u>\$ 11,194</u>			<u>\$ 34,752</u>	

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

In evaluating how to define Franklin Township for financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, no component units exist.

Fund Accounting

The accounts of the Township are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped, in the financial statements in this report, into four generic fund categories and two broad fund types as follows:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Fiduciary Fund Types

Agency Funds

Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

Account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

General Fixed Asset Account Group

The General Fixed Asset Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from governmental fund types.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All funds are accounted for using the cash basis of accounting. Consequently certain revenues and the related assets are recognized when received rather than when earned and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Data

Formal budgets are utilized as a management control for all funds of the Township. Annual operating budgets are adopted each year through passage of an annual budget ordinance and amended as required. The same basis of accounting used to prepare budgets is used to reflect actual revenues and expenditures recognized. All budget appropriations lapse at the end of each year. No amendments have been made to the Township's 1998 budgets.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied January 1 and become due and payable at that time. All unpaid taxes levied January 1 become delinquent February 15 of the following year.

Property tax revenues are recognized when paid to the Township. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data so it is not comparable to consolidation.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - Cash

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do not allow the pooling of governmental funds for investment purposes.

The deposit policy of the Township adheres to state statutes and prudent business practice. Deposits of the governmental funds are maintained in demand deposits or short term certificates of deposit. There were no deposit transactions during the year that were in violation of either the state statutes or the policy of the Township.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

Note 2 - Cash (Continued)

The Township maintains cash balances at several financial institutions located in Erie and Valley Forge, PA. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$ 100,000. During the year, the Township may have cash balances in these financial institutions in excess of these limits.

At year-end, the carrying amount of the Township's deposits (checking and savings accounts) was \$ 117,522 and the bank balance was \$ 121,035. These amounts include both restricted and unrestricted balances. There were no uninsured amounts in these institutions as of December 31, 1998.

The \$ 20,000 of restricted cash in the general fund relates to certificates of deposit held by the Township on behalf of developers. Upon completion of the projects to the specifications required by the Township, the funds will be returned to the developers. If the project does not meet Township specifications, the Township has the authority to use these funds to correct any substandard work.

The \$ 43,938 of restricted cash in the Agency Fund relates to nonresident earned income tax remittances which are owed to other municipalities and are awaiting claims by those municipalities.

Note 3 - Long-Term Debt

On February 27, 1992, the Township issued a general obligation note in the amount of \$ 225,797 which was purchased by PNC Bank. This note is subject to an interest rate of 6.5% fixed for a period of 5 years. At the end of the 5 year term, the Township has the option to select an interest rate of either 75% of PNC Bank Prime Rate, or a new 5 year fixed rate to be quoted by PNC Bank based on conditions at that time. The term of the note is 10 years. The monthly payment for the first five years is \$ 2,563.88. The proceeds of the debt were used to purchase equipment and to liquidate other notes. The amount outstanding at December 31, 1998 was \$ 89,413.

During 1996, the Township borrowed \$ 73,000 from PNC Bank. The loan is payable over seven years in equal monthly installments of \$ 1,046.94 including interest at 5.5%. The proceeds of the debt were used to purchase equipment. The amount outstanding at December 31, 1998 was \$ 48,332.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

Note 3 - Long-Term Debt (Continued)

During 1996, the Township also borrowed \$ 23,940 from the Pennsylvania Local Government Capital Project. The loan is payable over 10 years in equal quarterly installments of \$ 661.83 including interest at 2.0%. The proceeds were used to purchase equipment. The amount outstanding at December 31, 1998 was \$ 17,253.

The Township also borrowed \$ 80,000 from PNC Bank to complete the Silverthorn Road paving project. The loan was to be amortized in 10 equal annual payments of \$ 8,000 plus interest paid quarterly at 6.0%. The Township used all proceeds of the special assessment received to date to reduce the loan balance. The amount outstanding at December 31, 1998 was \$ 24,429.

The following is a schedule of the maturities of the long-term debt over the next five years ending December 31,:

1999	\$	41,632
2000		44,072
2001		46,601
2002		24,869
2003		10,147
Thereafter		<u>12,106</u>
	\$	<u>179,427</u>

Note 4 - Legal Representation

According to legal counsel for Franklin Township, no material lawsuits were either entered or were pending against the Township as of December 31, 1998.

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINING BALANCE SHEET - CASH BASIS
 SPECIAL REVENUE FUNDS
 December 31, 1998

	State Liquid Fuels Fund <u> </u>	Silverthorn Road Assessment Fund <u> </u>	Total (Memorandum Only) <u> </u>
 ASSETS			
Cash	\$ <u> 86</u>	\$ <u> 11,108</u>	\$ <u> 11,194</u>
Total Assets	\$ <u> 86</u>	\$ <u> 11,108</u>	\$ <u> 11,194</u>
 FUND EQUITY			
Fund Balance	\$ <u> 86</u>	\$ <u> 11,108</u>	\$ <u> 11,194</u>

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 December 31, 1998

	<u>State Liquid Fuels Fund</u>	<u>Silverthorn Road Assessment Fund</u>	<u>Total (Memorandum Only)</u>
REVENUES			
Interest earnings	\$ 1,082	\$ 68	\$ 1,150
Intergovernmental revenues	69,073	—	69,073
Special assessment revenues	<u>—</u>	<u>15,557</u>	<u>15,557</u>
 Total Revenues	 <u>70,155</u>	 <u>15,625</u>	 <u>85,780</u>
EXPENDITURES			
General government	—	238	238
Public Works - highways	70,126	—	70,126
Debt service - principal	—	3,490	3,490
- interest	<u>—</u>	<u>1,676</u>	<u>1,676</u>
 Total Expenditures	 <u>70,126</u>	 <u>5,404</u>	 <u>75,530</u>
Excess of Revenues over (under) Expenditures	 <u>29</u>	 <u>10,221</u>	 <u>10,250</u>
Other Financing Sources (Uses):			
Interfund transfers	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	29	10,221	10,250
Fund Balance - Beginning of year	<u>57</u>	<u>887</u>	<u>944</u>
Fund Balance - End of year	<u>\$ 86</u>	<u>\$ 11,108</u>	<u>\$ 11,194</u>

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINING BALANCE SHEET - CASH BASIS
 CAPITAL PROJECTS FUNDS
 December 31, 1998

	<u>Fire Department Fund</u>	<u>Municipal Building Fund</u>	<u>Road Equipment Fund</u>	<u>Capital Improvements Fund</u>	<u>Total (Memorandum only)</u>
ASSETS					
Cash - unrestricted	\$ 5,752	\$ 1,389	\$ 86	\$ 27,525	\$ 34,752
Total Assets	<u>\$ 5,752</u>	<u>\$ 1,389</u>	<u>\$ 86</u>	<u>\$ 27,525</u>	<u>\$ 34,752</u>
FUND EQUITY					
Fund Balance	<u>\$ 5,752</u>	<u>\$ 1,389</u>	<u>\$ 86</u>	<u>\$ 27,525</u>	<u>\$ 34,752</u>

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - CASH BASIS
 CAPITAL PROJECTS FUNDS
 Year Ended December 31, 1998

	Fire Department Fund	Municipal Building Fund	Road Equipment Fund	Permanent Improvements Fund	Total (Memorandum only)
REVENUES					
Real estate taxes	\$ 7,983	\$ 1,996	\$ 7,983	\$ 11,981	\$ 29,943
Interest	302	67	219	1,489	2,077
Miscellaneous	107	—	—	—	107
Total Revenues	8,392	2,063	8,202	13,470	32,127
EXPENDITURES					
Debt Service:					
Principal retirement	—	—	7,128	—	7,128
Interest	—	—	1,718	—	1,718
Public safety	6,786	—	—	—	6,786
Public works - highways	—	—	—	—	—
- other	—	687	—	—	687
Total Expenditures	6,786	687	8,846	—	16,319
Excess of Revenues over (under) Expenditures	1,606	1,376	(644)	13,470	15,808
Other Financing Sources (Uses):					
Interfund Transfers In (Out)	(420)	—	—	(8,100)	(8,520)
Total Other Financing Sources (Uses)	(420)	—	—	(8,100)	(8,520)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,186	1,376	(644)	5,370	7,288
Fund Balance - Beginning of year	4,566	13	730	22,155	27,464
Fund Balance - End of year	\$ 5,752	\$ 1,389	\$ 86	\$ 27,525	\$ 34,752

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 COMBINING BALANCE SHEET - CASH BASIS
 FIDUCIARY FUNDS
 December 31, 1998

	<u>Payroll Fund</u>	<u>Earned Income Tax Fund</u>	<u>Totals (Memorandum only)</u>
ASSETS			
Cash - unrestricted	\$ 1,983	\$ —	\$ 1,983
Cash - restricted	—	43,938	43,938
Due from other funds	—	3,618	3,618
Prepaid claims	<u>—</u>	<u>12,518</u>	<u>12,518</u>
 Total Assets	 <u>\$ 1,983</u>	 <u>\$ 60,074</u>	 <u>\$ 62,057</u>
 LIABILITIES AND FUND EQUITY			
Liabilities			
Payroll taxes payable	\$ 223	\$ —	\$ 223
Due to other governments	<u>—</u>	<u>60,074</u>	<u>60,074</u>
Total Liabilities	<u>223</u>	<u>60,074</u>	<u>60,297</u>
 Fund Equity			
Fund Balance	<u>1,760</u>	<u>—</u>	<u>1,760</u>
Total Fund Equity	<u>1,760</u>	<u>—</u>	<u>1,760</u>
 Total Liabilities and Fund Equity	 <u>\$ 1,983</u>	 <u>\$ 60,074</u>	 <u>\$ 62,057</u>

FRANKLIN TOWNSHIP, ERIE COUNTY, PENNSYLVANIA
 SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS AND
 GENERAL LONG-TERM DEBT
 Year Ended December 31, 1998

	Balance January 1, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>1998</u>
Changes in General Fixed Assets:				
Land	\$ 12,500	\$ —	\$ —	\$ 12,500
Buildings	75,290	—	—	75,290
Vehicles and equipment	428,820	5,790	—	434,610
Office equipment and furniture	<u>9,534</u>	<u>—</u>	<u>1,051</u>	<u>8,483</u>
Totals	<u>\$ 526,144</u>	<u>\$ 5,790</u>	<u>\$ 1,051</u>	<u>\$ 530,883</u>

Changes in General Long-Term Debt:

Long-term debt	\$ <u>219,100</u>	\$ <u>—</u>	\$ <u>39,673</u>	\$ <u>179,427</u>
Totals	<u>\$ 219,100</u>	<u>\$ —</u>	<u>\$ 39,673</u>	<u>179,427</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Franklin Township Supervisors
Franklin Township, Pennsylvania

We have audited the financial statements of the Franklin Township, Pennsylvania as of and for the year ended December 31, 1998, and have issued our report thereon dated February 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Franklin Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Franklin Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the supervisors of Franklin Township. However, this report is a matter of public record and its distribution is not limited.



Monahan & Monahan
Certified Public Accountants

February 3, 1999
Erie, Pennsylvania