



Mary Taylor, CPA  
Auditor of State



FRANKLIN LOCAL COMMUNITY SCHOOL  
MUSKINGUM COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Assets.....	7
Statement of Revenues, Expenses, and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements.....	11
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i> .....	17

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Franklin Local Community School  
Muskingum County  
P.O. Box 428  
360 Cedar Street  
Duncan Falls, Ohio 43734-0428

To the Board of Directors:

We have audited the accompanying financial statements of the Franklin Local Community School, Muskingum County, Ohio (the Community School), a component unit of Franklin Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Community School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Community School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Local Community School, Muskingum County, Ohio, as of June 30, 2010, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, on our consideration of the Community School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 1, 2010

**Franklin Local Community School  
Muskingum County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

---

The discussion and analysis of the Franklin Local Community School's (FLCS) financial performance provides an overall review of the FLCS' financial activities for the period ended June 30, 2010. Readers should also review the basic financial statements and notes to enhance their understanding of the FLCS' financial performance.

**Highlights**

FLCS finished its seventh year of operation during fiscal year 2010 as a seventh through twelfth grade community school. FLCS was created on February 20, 2003, however, operations did not begin until October 2003. For the first four years, the school operated as an on-line digital academy. As the school grew and evolved, the Board of Directors determined that a regular instructional atmosphere was more academically effective than online based instruction. Prior to beginning fiscal year 2008, the school filed a new charter with the Ohio Department of Education and changed its name from the Franklin Local Digital Academy to the Franklin Local Community School. Enrollment varied during fiscal year 2010 but averaged 61 students.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how FLCS did financially during the period ended June 30, 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the period revenues and expenses regardless of when cash is received or paid.

These statements report FLCS' net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of FLCS has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

FLCS uses enterprise presentation for all of its activities.

**Franklin Local Community School  
Muskingum County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

Table 1 provides a summary of FLCS' net assets for 2010 compared to 2009:

Table 1 Net Assets			
	2010	2009	Change
<u>Assets:</u>			
Current Assets	\$152,914	\$246,951	(\$94,037)
Capital Assets	30,938	52,164	(21,226)
Total Assets	183,852	299,115	(115,263)
<u>Liabilities:</u>			
Current and Other Liabilities	123,431	138,418	(14,987)
<u>Net Assets:</u>			
Invested in Capital Assets	30,938	52,164	(21,226)
Unrestricted	29,483	108,533	(79,050)
Total Net Assets	\$60,421	\$160,697	(\$100,276)

FLCS had net assets of \$60,421 at fiscal year end, a decrease of \$100,276 from fiscal year 2009. Total assets of the FLCS decreased \$115,263 during fiscal year 2010. This decrease is directly attributable to the decrease in the cash fund balance due to a decrease in funding through the state foundation and a decrease in capital assets due to the current year depreciation and disposals exceeding the value of assets that were purchased in fiscal year 2010. State funding decreased in fiscal year 2010 due to a slight decrease in enrollment combined with a decrease in the number of special needs students which receive the highest pupil funding. In addition, in fiscal year 2010 there was a student enrollment adjustment for fiscal year 2009 in the amount of \$3,504. FLCS receives foundation payments from the State based on the number of full-time equivalency students.



**Franklin Local Community School  
Muskingum County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

Table 2 reflects the changes in net assets for the periods ended June 30, 2010 and June 30, 2009.

Table 2  
Change in Net Assets

	2010	2009	Change
<u>Operating Revenues:</u>			
Foundation	\$409,099	\$481,133	(\$72,034)
<u>Non-Operating Revenues (Expenses)</u>			
Grants	216,965	120,440	96,525
Interest	3,228	7,278	(4,050)
Loss on Disposal of Assets	(8,865)	0	(8,865)
Other Non-Operating Revenues	6,374	4,116	2,258
Total Revenues	<u>626,801</u>	<u>612,967</u>	<u>13,834</u>
<u>Operating Expenses:</u>			
Purchased Services	703,930	702,605	1,325
Materials and Supplies	5,396	13,583	(8,187)
Depreciation	15,359	15,817	(458)
Other Operating Expenses	2,392	934	1,458
Total Expenses	<u>727,077</u>	<u>732,939</u>	<u>(5,862)</u>
Total Decrease in Net Assets	<u>(\$100,276)</u>	<u>(\$119,972)</u>	<u>\$19,696</u>

Foundation revenue decreased by \$72,034 in fiscal year 2010 due to a slight decrease in enrollment and a decrease in the number of special needs pupils that were enrolled. Grant revenues increased \$96,525 mainly due to the new federal stimulus monies that were associated with the American Recovery and Reinvestment Act. The Education Stabilization Grant received through the State Foundation provided an additional \$28,177 in grant monies and the Special Education IDEA Part B and Title I School Improvement grants the FLCS received during fiscal year 2010 increased by \$19,058 and \$32,843, respectively.

**Budgeting**

FLCS is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**Franklin Local Community School  
Muskingum County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

---

**Capital Assets and Debt Administration**

Capital Assets

During fiscal year 2010, the FLCS had purchased a security camera and recorder system that was added to the capital asset listing. In addition, the FLCS also disposed of a number of computers that were considered obsolete. Accumulated depreciation at June 30, 2010, amounted to \$45,976; therefore, the capital assets figure net of accumulated depreciation was \$30,938.

Debt

FLCS did not incur any debt during fiscal year 2010.

**Current Issues**

As the Franklin Local Digital Academy grew and evolved, the Board of Directors determined that the students would achieve better in an atmosphere where regular instructional services were provided face-to-face rather than in an online environment. Prior to beginning fiscal year 2008, the school filed a new charter with the Ohio Department of Education and changed its name from the Franklin Local Digital Academy to the Franklin Local Community School, effective July 1, 2007. Student enrollment has increased in fiscal year 2011 and two new teachers were employed due to retirements. These changes should increase revenues and decrease expenses in fiscal year 2011 and result in a balanced budget. The Board of Directors and administration of the community school must maintain prudent financial management in order to preserve financial stability.

**Contacting the FLCS' Financial Management**

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the FLCS' finances and to show the FLCS' accountability for the money it receives. If you have any questions about this report or need additional financial information contact Christopher K. Miller, Treasurer, Franklin Local Community School, P. O. Box 428, 360 Cedar Street, Duncan Falls, Ohio 43734. Or E-Mail at [chris.miller@omeresanet.net](mailto:chris.miller@omeresanet.net).

**Franklin Local Community School  
Muskingum County, Ohio**

*Statement of Net Assets  
June 30, 2010*

---

---

<u>Assets:</u>	
Current Assets:	
Cash and Cash Equivalents	\$125,502
Intergovernmental Receivable	26,105
Accrued Interest Receivable	1,307
Total Current Assets	<u>152,914</u>
Noncurrent Assets:	
Depreciable Capital Assets, net	30,938
Total Assets	<u>183,852</u>
<u>Liabilities:</u>	
Current Liabilities:	
Accounts Payable	18,793
Intergovernmental Payable	10
Due to Primary Government	104,628
Total Liabilities	<u>123,431</u>
<u>Net Assets:</u>	
Invested in Capital Assets	30,938
Unrestricted	29,483
Total Net Assets	<u><u>\$60,421</u></u>

See accompanying notes to the basic financial statements

**Franklin Local Community School  
Muskingum County, Ohio**

*Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2010*

---

---

<u>Operating Revenues:</u>	
Foundation	<u>\$409,099</u>
 <u>Operating Expenses:</u>	
Purchased Services	703,930
Materials and Supplies	5,396
Depreciation	15,359
Other Operating Expenses	<u>2,392</u>
Total Operating Expenses	<u>727,077</u>
 Operating Loss	 <u>(317,978)</u>
 <u>Non-Operating Revenues (Expenses):</u>	
Grants	216,965
Interest	3,228
Loss on Disposal of Assets	(8,865)
Other Non-Operating Revenues	<u>6,374</u>
Total Non-Operating Revenues	<u>217,702</u>
 Change in Net Assets	 (100,276)
 Net Assets at Beginning of Year	 <u>160,697</u>
Net Assets at End of Year	<u>\$60,421</u>

See accompanying notes to the basic financial statements

**Franklin Local Community School  
Muskingum County, Ohio**

*Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2010*

---

---

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Foundation	\$409,099
Other Non-Operating Revenues	6,374
Cash Payments to Suppliers for Goods and Services	(724,313)
Other Operating Expenses	<u>(2,392)</u>
Net Cash Used for Operating Activities	<u>(311,232)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Grants Received	229,470
Interest	<u>1,921</u>
Net Cash Provided by Noncapital Financing Activities	<u>231,391</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	<u>(2,998)</u>
Net Decrease in Cash and Cash Equivalents	(82,839)
Cash and Cash Equivalents Beginning of Year	<u>208,341</u>
Cash and Cash Equivalents End of Year	<u><u>\$125,502</u></u>
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$317,978)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	15,359
Other Non-Operating Revenues	6,374
Changes in Liabilities:	
Increase (Decrease) in Liabilities:	
Accounts Payable	(24,712)
Intergovernmental Payable	(12)
Due to Primary Government	<u>9,737</u>
Net Cash Used for Operating Activities	<u><u>(\$311,232)</u></u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

---

---

**Note 1 - Description of the School**

The Franklin Local Community School (FLCS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. FLCS is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect FLCS' tax exempt status. FLCS' mission is to enhance and facilitate student learning by providing curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schoolers; children with special physical and mental needs; students removed from the regular classroom for discipline concerns; students who need an alternative to the traditional classroom for various reasons, including religious reasons; transient students; and students with the Franklin Local School District, sponsor School District, that desire a specific course not currently offered but is available through online instruction.

The Franklin Local Digital Academy was created on February 20, 2003. Due to the changing needs of students within the Franklin Local School District (the Sponsor), the name was changed to the FLCS on July 1, 2007. At this time a new five year contract was agreed upon with the Sponsor. The Sponsor is responsible for evaluating the performance of FLCS and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the FLCS with the Treasurer of the Sponsor completing the role of Treasurer for the FLCS.

FLCS operates under the direction of a five-member Board of Directors (Board) who are appointed from the public by the Sponsor. The members are public officials, public employees or community leaders demonstrating a professional interest in education or in other issues involving children and desires to further the objectives of the FLCS. FLCS is a component unit of the Sponsor. The Sponsor appoints a majority of the Board and is able to impose its will on the FLCS. The Sponsor can suspend the FLCS' operations for any of the following reasons: 1) The FLCS' failure to meet student performance requirements stated in its contract with the Sponsor; 2) The FLCS' failure to meet generally accepted standards of fiscal management; 3) The FLCS' violation of any provisions of the contract with the Sponsor or applicable state or federal law; or 4) Other good cause. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of FLCS and the children it serves. During the fiscal year ended June 30 2010, the FLCS used instructional, support and administrative services from the Sponsor. FLCS' classrooms are located in the Sponsor's facilities.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the FLCS have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. FLCS also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the FLCS' accounting policies are described below.

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

---

---

**A. Basis of Presentation**

The FLCS' basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

FLCS uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of FLCS are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how FLCS finances meet its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. FLCS' financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which FLCS receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted; matching requirements, in which FLCS must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to FLCS on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the FLCS' contract with its Sponsor. The contract between FLCS and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

**E. Cash and Cash Equivalents**

Cash received by FLCS is reflected as "Cash and Cash Equivalents" on the statement of net assets. During fiscal year 2010, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

**F. Capital Assets**

FLCS' capital assets during fiscal year 2010 consisted of computers, computer equipment, a phone system, a refrigerator, a copier, and furniture. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. FLCS maintains a capitalization threshold of five hundred dollars. All of FLCS' reported capital assets are depreciated using the straight-line method. Equipment is depreciated over six to ten years and furniture is depreciated over twenty years of useful life.



**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by FLCS or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. FLCS applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The statement of net assets reports no restricted net assets.

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of FLCS.

Operating expenses are necessary costs incurred to provide the service that is the primary activity of FLCS. All revenues and expenses not meeting this definition are reported as non-operating.

**I. Estimates**

The 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 may differ from those estimates.

**Note 3 - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, FLCS's deposits may not be returned. FLCS does not have a deposit policy for custodial credit risk. At June 30, 2010, the bank balance of FLCS's deposits was \$450,971. \$350,000 of the bank balance was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$100,971 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**Note 4 – Capital Asset Note**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Computer Equipment	\$96,165	\$0	(\$33,136)	\$63,029
Furniture and Fixtures	10,887	2,998	0	13,885
Less Accumulated Depreciation	(54,888)	(15,358)	24,270	(45,976)
Capital Assets, Net	<u>\$52,164</u>	<u>(\$12,360)</u>	<u>(\$8,866)</u>	<u>\$30,938</u>

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

---

---

**Note 5 – Risk Management**

FLCS is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2010, FLCS had liability insurance through the Franklin Local School District's policy.

**Note 6 – Purchased Services**

For the period July 1, 2009 through June 30, 2010, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$698,569
Audit Services	5,361
Total	<u>\$703,930</u>

**Note 7 - Related Party Transactions**

Franklin Local School District, the Sponsor, appoints each of FLCS' five board members from the general public. FLCS is presented as a component unit of the Sponsor. For fiscal year 2010, \$673,688 was provided by the Sponsor for administrative, fiscal, and student services provided to FLCS. FLCS paid all but \$104,628 of this amount as of June 30, 2010. This amount is reflected as a Due to Primary Government in the financial statements.

**Note 8 - Contingencies**

**A. Grants**

FLCS received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the FLCS. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the FLCS at June 30, 2010.

The School District was approved for \$39,342 of Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations became available in fiscal year 2010 and will continue to be used to fund programs during fiscal year 2011.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by FLCS. These reviews are conducted to ensure FLCS is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. During fiscal year 2010, FLCS paid \$3,503 to the State through their foundation revenues for an overpayment from fiscal year 2009. The fiscal year 2010 review has not been completed at this time.

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

---

---

**Note 9 – Subsequent Event**

**Federal Grants**

FLCS has been approved for \$24,233 of Federal Education Jobs Fund Program Dollars as part of Public Law No. 111-226, signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. The allocation will be available to fund fiscal year 2011.

FLCS has also been approved for \$148,932 over for the next four years of Race to the Top Program Dollars. This program provides the use of expenditures for a new program or an expansion of an existing, a proven program aligned to an approved scope of work in the areas of Standards and Assessments, Using Data to Improve Instruction, Great Teachers and Leaders, and Turning Around the Lowest-Achieving Schools.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Franklin Local Community School  
Muskingum County  
P.O. Box 428  
360 Cedar Street  
Duncan Falls, Ohio 43734-0428

To the Board of Directors:

We have audited the financial statements of the Franklin Local Community School, Muskingum County, Ohio (the Community School), a component unit of Franklin Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2010 and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Community School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Community School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Community School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when in performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Community School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Community School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Community School's sponsor, and others within the Community School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 1, 2010



**Mary Taylor, CPA**  
Auditor of State

**FRANKLIN LOCAL COMMUNITY SCHOOL**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 4, 2011**