



Dave Yost • Auditor of State



**FRANKLIN LOCAL COMMUNITY SCHOOL  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Franklin Local Community School, Muskingum County, Ohio (the School), a component unit of Franklin Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin Local Community School, Muskingum County, Ohio, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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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, 2015. Readers should also review the basic financial statements and notes to enhance their understanding of the FLCS' financial performance.

**Highlights**

FLCS finished its twelfth year of operation during fiscal year 2015 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 the beginning of 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 2015, but averaged 77 students.

Key highlights for fiscal year 2015 are as follows:

- In total, net position was \$400,776 at June 30, 2015.
- FLCS had operating revenues of \$612,088, operating expenses of \$719,348, and non-operating revenues of \$73,389 for fiscal year 2015. The total change in net position for the fiscal year was a decrease of \$33,871.

**Using this Annual Financial Report**

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

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how FLCS did financially during the period ended June 30, 2015. 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 position and changes in net position. This change in net position 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, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

Table 1 provides a summary of FLCS' net position for 2015 compared to 2014:

Table 1 Net Position			
	2015	2014	Change
<u>Assets:</u>			
Current Assets	\$449,583	\$458,841	(\$9,258)
Capital Assets	45,106	67,119	(22,013)
Total Assets	494,689	525,960	(31,271)
<u>Liabilities:</u>			
Current and Other Liabilities	93,913	91,313	2,600
<u>Net Position:</u>			
Investment in Capital Assets	45,106	67,119	(22,013)
Unrestricted	355,670	367,528	(11,858)
Total Net Position	\$400,776	\$434,647	(\$33,871)

FLCS had net position of \$400,776 at fiscal year end, a decrease of \$33,871 from fiscal year 2014. Total assets decreased \$31,271 during fiscal year 2015. This decrease is primarily attributable to a decrease in cash and cash equivalents of \$41,997 and a decrease in capital assets of \$22,013 that resulted from the depreciation for fiscal year 2015. These decreases were offset by an increase in intergovernmental receivable of \$27,201 and an increase in accounts receivable of \$5,094.



**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

Table 2 reflects the changes in net position for the periods ended June 30, 2015, and June 30, 2014.

Table 2  
Change in Net Position

	2015	2014	Change
<u>Operating Revenues:</u>			
Foundation	\$612,088	\$575,415	\$36,673
<u>Non-Operating Revenues</u>			
Grants	53,985	76,162	(22,177)
Interest	9,134	14,002	(4,868)
Other Non-Operating Revenues	10,270	10,113	157
Total Non-Operating Revenues	<u>73,389</u>	<u>100,277</u>	<u>(26,888)</u>
Total Revenues	<u>685,477</u>	<u>675,692</u>	<u>9,785</u>
<u>Operating Expenses:</u>			
Purchased Services	687,584	645,122	42,462
Materials and Supplies	5,612	19,453	(13,841)
Depreciation	22,013	22,121	(108)
Other Operating Expenses	4,139	6,493	(2,354)
Total Expenses	<u>719,348</u>	<u>693,189</u>	<u>26,159</u>
Total Change in Net Position	<u>(\$33,871)</u>	<u>(\$17,497)</u>	<u>(\$16,374)</u>

During fiscal year 2015, operating revenues increased \$36,673. This increase is primarily due to a foundation revenue increase for special education funding as a result of an increase in the number of students in certain special education categories from fiscal year 2015 to fiscal year 2014. Total non-operating revenues decreased in the amount of \$26,888 as a result of the FLCS's receiving less grant monies in fiscal year 2015 compared to fiscal year 2014.

During fiscal year 2015, operating expenses increased \$26,159. The increase in operating expense is primarily due to increases in purchased services. The increase in purchased services is due to the increased costs of services provided by the FLCS's sponsor, the Franklin Local School District.

**Budgeting**

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

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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**Capital Assets and Debt Administration**

Capital Assets

Accumulated depreciation at June 30, 2015, amounted to \$161,411; therefore, the capital assets, net of accumulated depreciation, were \$45,106.

Debt

FLCS did not incur any debt during fiscal year 2015.

**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. Student enrollment slightly decreased in fiscal year 2015 compared to fiscal year 2014. With this slight change in enrollment, combined with a decrease in grant revenues being received in fiscal year 2015 compared to fiscal year 2014, FLCS has attempted to keep expenses consistent between the fiscal years, thus maintaining a healthy net position. 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 Scott M. Paul, Treasurer, Franklin Local Community School, P.O. Box 428, 360 Cedar Street, Duncan Falls, Ohio 43734. Or E-Mail at [scott.paul@franklinlocalschools.org](mailto:scott.paul@franklinlocalschools.org).

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Statement of Net Position*  
*June 30, 2015*

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Assets:

Current Assets:

Cash and Cash Equivalents	\$402,466
Accounts Receivable	5,094
Intergovernmental Receivable	38,740
Prepaid Items	<u>3,283</u>
Total Current Assets	449,583

Noncurrent Assets:

Depreciable Capital Assets	<u>45,106</u>
Total Assets	<u>494,689</u>

Liabilities:

Current Liabilities:

Due to Primary Government	<u>93,913</u>
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Net Position:

Investment in Capital Assets	45,106
Unrestricted	<u>355,670</u>
Total Net Position	<u>\$400,776</u>

See accompanying notes to the basic financial statements

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2015*

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<u>Operating Revenues:</u>	
Foundation	<u>\$612,088</u>
 <u>Operating Expenses:</u>	
Purchased Services	687,584
Materials and Supplies	5,612
Depreciation	22,013
Other Operating Expenses	<u>4,139</u>
Total Operating Expenses	<u>719,348</u>
 Operating Loss	 <u>(107,260)</u>
 <u>Non-Operating Revenues:</u>	
Grants	53,985
Interest	9,134
Other Non-Operating Revenues	<u>10,270</u>
Total Non-Operating Revenues	<u>73,389</u>
 Change in Net Position	 (33,871)
 Net Position at Beginning of Year	 <u>434,647</u>
Net Position at End of Year	<u><u>\$400,776</u></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, 2015

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Foundation	\$611,303
Other Non-Operating Revenues	5,176
Cash Payments to Suppliers for Goods and Services	(691,040)
Other Operating Expenses	<u>(4,139)</u>

Net Cash Used for Operating Activities (78,700)

Cash Flows from Noncapital Financing Activities:

Grants Received	27,569
Interest	<u>9,134</u>

Net Cash Provided by Noncapital Financing Activities 36,703

Net Decrease in Cash and Cash Equivalents (41,997)

Cash and Cash Equivalents Beginning of Year 444,463

Cash and Cash Equivalents End of Year \$402,466

Reconciliation of Operating Loss to

Net Cash Used for Operating Activities:

Operating Loss (\$107,260)

Adjustments to Reconcile Operating Loss  
to Net Cash Used for Operating Activities:

Depreciation	22,013
Other Non-Operating Revenues	5,176

Changes in Assets and Liabilities:

Increase in Assets:

Intergovernmental Receivable	(785)
Prepaid Items	(444)

Increase (Decrease) in Liabilities:

Accounts Payable	(3,990)
Intergovernmental Payable	(369)
Due to Primary Government	<u>6,959</u>

Net Cash Used for Operating Activities (\$78,700)

See accompanying notes to the basic financial statements

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**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**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 that time, a new five year contract was agreed upon with the Sponsor. FLCS entered into a new five year contract with the Sponsor on May 12, 2012 with the contract commencing on July 1, 2012. 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 and 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, 2015, 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. 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, 2015*

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**A. Basis of Presentation**

The FLCS' basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; 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 position, 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 position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. 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 position.

**F. Capital Assets**

FLCS' capital assets during fiscal year 2015 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, 2015*

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**G. Net Position**

Net position represents the difference between assets and liabilities. Net position is 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 position is available.

**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, 2015, the bank balance of FLCS's deposits was \$800,332. \$250,000 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", \$550,332 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Equipment	\$192,632	\$0	\$0	\$192,632
Furniture and Fixtures	13,885	0	0	13,885
Less Accumulated Depreciation	(139,398)	(22,013)	0	(161,411)
Capital Assets, Net	<u>\$67,119</u>	<u>(\$22,013)</u>	<u>\$0</u>	<u>\$45,106</u>

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 5 - Risk Management**

FLCS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2015, FLCS contracted with Schools for Ohio Risk Sharing Authority for the insurance shown as follows.

Educational General Liability:	
General Annual Aggregate Limit	\$17,000,000
Bodily Injury and Property Damage	15,000,000
Products – Completed Operations Limit	15,000,000
Educators' Legal Liability:	
Wrongful Acts Coverage Per Occurrence (deductible \$4,000)	15,000,000
Wrongful Acts Coverage Aggregate (deductible \$4,000)	15,000,000
Crime Coverage:	
Employee Dishonesty (deductible \$500)	100,000
Forgery or Alteration (deductible \$500)	100,000
Computer Fraud (deductible \$500)	100,000
Theft, Disappearance and Destruction (deductible \$500)	100,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2014.

**Note 6 - Purchased Services**

For the period July 1, 2014, through June 30, 2015, purchased service expenses were for the following services:

Type	Amount
Professional and Technical Services	\$682,764
Audit Services	4,820
Total	<u>\$687,584</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 2015, \$751,327 was provided by the Sponsor for administrative, fiscal, and student services provided to FLCS. FLCS paid all but \$93,913 of this amount as of June 30, 2015. This amount is reflected as a Due to Primary Government in the financial statements.

**Franklin Local Community School**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**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, 2015.

**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. In August 2015, FLCS received \$785 from the State through their foundation for underpayment from fiscal year 2015. This underpayment was the first fiscal year 2015 adjustment and was shown as an intergovernmental receivable as of June 30, 2015. The second fiscal year 2015 foundation adjustment is not known at this time.

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# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Franklin Local Community School, Muskingum County, Ohio (the School), a component unit of Franklin Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2016.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when 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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016



# Dave Yost • 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  
MARCH 22, 2016