



SOUTHERN OHIO ACADEMY

SCIOTO COUNTY

REGULAR AUDIT

For the Fiscal Year Ended June 30, 2016

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Directors
Southern Ohio Academy
550 Glenwood Ave
New Boston, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Academy, Scioto County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Ohio Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 15, 2017

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**SOUTHERN OHIO ACADEMY
SCIOTO COUNTY**

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Independent Auditor's Report

Board of Directors
Southern Ohio Academy
550 Glenwood Avenue
New Boston, OH 45662

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern Ohio Academy (the Academy) Scioto County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy'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' *Governmental 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 Academy'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 Academy'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Ohio Academy, Scioto County, Ohio as of June 30, 2016, and the changes in financial position and its cash flows thereof 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 on pages 3-6, 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 inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2017, on our consideration of the Academy'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 10, 2017

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The discussion and analysis of the Southern Ohio Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Net Position equaled \$284,695, which is a decrease of \$24,643 compared to the prior fiscal year.
- Foundation payments received from the State of Ohio decreased during fiscal year 2016. This decrease resulted from a decrease in the number of students enrolled in the Academy compared to the prior fiscal year.
- Purchased Services decreased due to, in the prior fiscal year, the Academy returned monies to the participating school districts for the first time since operations began. Per the joint agreement for cooperative operation, the Academy may return a portion of monies to the participating school districts at fiscal year-end.

Using this Financial Report

This report consists of three parts, Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during fiscal year 2016?" These statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and liabilities are reported, both short and long-term. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the fiscal year, regardless of when the cash is received or paid.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1 provides a summary of the Academy's net position for fiscal years 2016 and 2015:

(Table 1)
Net Position

	2016	2015	Change
Assets:			
Current Assets	\$296,047	\$435,196	(\$139,149)
Depreciable Capital Assets, Net	4,985	2,904	2,081
<i>Total Assets</i>	<u>301,032</u>	<u>438,100</u>	<u>(137,068)</u>
Liabilities:			
Current Liabilities	<u>16,337</u>	<u>128,762</u>	<u>(112,425)</u>
Net Position:			
Net Investment in Capital Assets	4,985	2,904	2,081
Restricted for Other Purposes	43,990	62,469	(18,479)
Unrestricted	<u>235,720</u>	<u>243,965</u>	<u>(8,245)</u>
<i>Total Net Position</i>	<u><u>\$284,695</u></u>	<u><u>\$309,338</u></u>	<u><u>(\$24,643)</u></u>

For fiscal year 2016, current assets decreased \$139,149 due to a reduction in State foundation monies received during fiscal year 2016. This decrease primarily resulted from a decrease in the number of students enrolled in the Academy compared to the prior fiscal year. Current liabilities decreased mostly due to, in the prior fiscal year, the Academy returned monies to the participating school districts for the first time since operations began. Per the joint agreement for cooperative operation, the Academy may return a portion of monies to the participating school districts.

Restricted for Other Purposes decreased as a result of the Academy spending more of the federal grant dollars that it received during fiscal year 2016 compared to fiscal year 2015.

Unrestricted Net Position decreased slightly during the fiscal year.

Table 2 shows the changes in net position for fiscal years 2016 and 2015, as well as a listing of revenues and expenses.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

(Table 2)
Change in Net Position

	2016	2015	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$508,898	\$608,060	(\$99,162)
Charges for Services	4,725	12,735	(8,010)
Non-Operating Revenues:			
Other Federal and State Grants	103,323	75,497	27,826
Other	0	211	(211)
<i>Total Revenues</i>	<u>616,946</u>	<u>696,503</u>	<u>(79,557)</u>
Operating Expenses:			
Purchased Services	606,517	684,003	(77,486)
Materials and Supplies	27,024	4,615	22,409
Depreciation	709	499	210
Other Expenses	7,339	7,681	(342)
<i>Total Expenses</i>	<u>641,589</u>	<u>696,798</u>	<u>(55,209)</u>
Change in Net Position	(24,643)	(295)	(24,348)
<i>Net Position at Beginning of Year</i>	<u>309,338</u>	<u>309,633</u>	<u>(295)</u>
<i>Net Position at End of Year</i>	<u>\$284,695</u>	<u>\$309,338</u>	<u>(\$24,643)</u>

The Academy's business-type activities consist of enterprise activity. Community schools receive no support from taxes. Foundation payments decreased primarily from a decrease in the number of students enrolled in the Academy compared to the prior fiscal year. Other Federal and State Grants increased mainly due to an increase in the amount of federal grant monies received compared to the previous fiscal year.

Operating expenses decreased during fiscal year 2016. Purchased Services decreased due to, in the prior fiscal year, the Academy returned monies to the participating school districts for the first time since operations began, which created larger expenses in the prior fiscal year. Per the joint agreement for cooperative operation, the Academy may return a portion of monies to the participating school districts at fiscal year-end.

Capital Assets

At the end of fiscal year 2016, the Academy had \$4,985 invested in equipment. For more information on capital assets see Note 5 to the basic financial statements.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

SOUTHERN OHIO ACADEMY

Statement of Net Position

June 30, 2016

Assets:

Current Assets:

Cash and Cash Equivalents	\$249,076
Intergovernmental Receivables	46,971
	<hr/>

Total Current Assets 296,047

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	4,985
	<hr/>

Total Assets

301,032

Liabilities:

Current Liabilities:

Accounts Payable	15,927
Intergovernmental Payable	410
	<hr/>

Total Liabilities

16,337

Net Position:

Net Investment in Capital Assets	4,985
Restricted for Other Purposes	43,990
Unrestricted	235,720
	<hr/>

Total Net Position

\$284,695

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues:	
Foundation Payments	\$508,898
Charges for Services	4,725
	<u>513,623</u>
<i>Total Operating Revenues</i>	
	<u>513,623</u>
Operating Expenses:	
Purchased Services	606,517
Materials and Supplies	27,024
Depreciation	709
Other Expenses	7,339
	<u>641,589</u>
<i>Total Operating Expenses</i>	
	<u>641,589</u>
<i>Operating Loss</i>	
	(127,966)
Non-Operating Revenues:	
Other Federal and State Grants	103,323
	<u>103,323</u>
<i>Change in Net Position</i>	
	(24,643)
<i>Net Position at Beginning of Year</i>	
	<u>309,338</u>
<i>Net Position at End of Year</i>	
	<u>\$284,695</u>

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$4,725
Cash Received from Foundation Payments	508,329
Cash Payments to Suppliers for Goods and Services	(745,397)
Cash Payments to Others	(7,339)
	(7,339)

Net Cash Used for Operating Activities (239,682)

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received 118,601

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions (2,790)

Net Decrease in Cash and Cash Equivalents (123,871)

Cash and Cash Equivalents at Beginning of Year 372,947

Cash and Cash Equivalents at End of Year \$249,076

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$127,966)

Adjustments to Reconcile Operating

Loss to Net Cash Provided by Operating Activities:

Depreciation 709

Changes in Assets and Liabilities:

Increase in Accounts Payable 11,802

Decrease in Intergovernmental Payable (124,227)

Total Adjustments (111,716)

Net Cash Used for Operating Activities (\$239,682)

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Southern Ohio Academy (the “Academy”) is a non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Southern Ohio Academy qualifies as an exempt organization under Section 501c (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 the Academy’s tax exempt status.

On December 1, 2011, the Scioto County Career Technical Center (the “Sponsor”) entered into a contract with the Academy to be the Academy’s Sponsor effective July 1, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsorship agreement is in place for a five year term ending on June 30, 2017.

The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from the 10 participating school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. Work space for students is provided by the Sponsor as well as locations at each participating school district. The South Central Ohio Educational Service Center (the “ESC”) serves as fiscal agent for the Academy. All individuals working with the Academy are employees of the ESC. Salaries, benefits and associated costs are paid by the ESC. The Academy reimburses the ESC for these services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments, boards, and agencies that are not legally separate from the Academy. For the Southern Ohio Academy, this includes general operations and student related activities of the Academy.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization's governing board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization's resources; the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the issuance of debt. Southern Ohio Academy has no component units.

The Southern Ohio Academy participates in one jointly governed organization, the South Central Ohio Computer Association Council of Governments (SCOCACoG). Information about this organization is presented in Note 8 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. 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 Academy's accounting policies are described below.

Basis Of Presentation

The Academy's 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.

During the fiscal year, the Academy segregates transactions related to certain Academy functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the Academy uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The accounting and financial reporting treatment of the Academy's financial transactions is determined by the Academy's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities 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 provides information about how the Academy finances and meets its cash flow needs.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The Academy's 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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents

The Academy's fiscal agent accounts for all monies received by the Academy. The Academy maintains a depository account for all funds of the Academy. This account is presented on the Statement of Net Position as "Cash and Cash Equivalents".

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$500 for all capital assets. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 20 years

Net Position

Net Position represents the difference between all other elements on a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. These revenues consist of charges for services and foundation receipts. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

NOTE 3 - CASH DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the Academy's bank balance of \$264,699 was either covered by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described below.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one fiscal year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Title I	\$29,694
IDEA Special Education Part B	9,668
Title II-A, Improving Teacher Quality	7,609
Total Intergovernmental Receivables	\$46,971

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$3,996	\$2,790	\$0	\$6,786
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(1,092)	(709)	0	(1,801)
Capital Assets, Net	\$2,904	\$2,081	\$0	\$4,985

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the Academy contracted with Argonaut Insurance for property liability insurance.

Settled claims did not exceed this commercial coverage in the prior fiscal year. There has been no significant change in coverage from the prior fiscal year.

NOTE 7 – PURCHASED SERVICES

For the period July 1, 2015 through June 30, 2016, purchased service expenses included the following:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$300,138
Equipment and Support Services	227,560
Internet and Cellular Services	11,131
Fiscal Agent and Sponsor Fees	30,781
School District Reimbursements	36,907
Total	<u>\$606,517</u>

NOTE 8 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Council of Governments (SCOCACoG)

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCACoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCACoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

During fiscal year 2016, SCOCACoG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCACoG, and once these remaining liabilities are satisfied, SCOCACoG will be dissolved and the member districts will become members of META. SCOCACoG entered into a subcontract agreement with META to provide services to SCOCACoG, and on behalf of SCOCACoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCACoG is currently governed by a four person executive governing board. The Academy paid SCOCACoG \$7,117 for services provided during the fiscal year.

NOTE 9 - CONTINGENCIES

State Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Pension Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant changes is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District’s net pension liability is expected to be significant.

Litigation

The Academy is not party to any legal proceedings.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Directors
Southern Ohio Academy
522 Glenwood Avenue
New Boston, OH 45662

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the Southern Ohio Academy (the Academy), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 10, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Southern Ohio Academy
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance whether the Academy's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 10, 2017



Dave Yost • Auditor of State

SOUTHERN OHIO ACADEMY

SCIOTO 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 28, 2017**