



SOUTHERN OHIO ACADEMY

SCIOTO COUNTY

FINAL AUDIT

For the Fiscal Years Ended September 15, 2017 and June 30, 2017

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 Avenue
New Boston, OH 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, 2016 through September 15, 2017. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Ohio Rev. Code § 3314.08 mandates FTE reviews, which the Ohio Department of Education (ODE) performs to verify the accuracy of the enrollment and attendance data reported by community schools. The Southern Ohio Academy closed as of September 15, 2017. ODE performed an FTE review and per the fiscal year 2016-2017 final #2 reconciliation process, the School received more funds than the final student data supported resulting in a balance owed to the state of \$195,621.63. A letter dated January 18, 2018 was sent to Southern Ohio Academy by ODE informing them of the total amount owed, due within ten business days of the letter. As of August 24, 2018, Southern Ohio Academy has not paid ODE and the amount is still due.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Southern Ohio Academy in the amount of \$195,621 in favor of the Ohio Department of Education.

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

November 20, 2018

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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 years ended September 15, 2017 and June 30, 2017, 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*. However, because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management refused to provide any written representations, which constitutes a limitation on the scope of the audit. We were not able to satisfy ourselves by other auditing procedures. As a result of this matter, we were not able to determine whether any adjustments might have been found necessary that would require adjustment to or disclosure in the financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matters

As described in Note 9 of the financial statements for September 15, 2017, the Academy ceased operations on September 15, 2017. Our opinion is not modified with respect to this matter.

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 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 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 August 22, 2018, 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

August 22, 2018

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Period Ended September 15, 2017
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 period ended September 15, 2017. 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

- ❑ As of July 1, 2017, the Sponsor chose not to renew the sponsor agreement. After attempts to find a new sponsor were unsuccessful, at the September 15, 2017 Board meeting, the governing board of the Academy voted to proceed with the closure of the Academy.
- ❑ Total Net Position equaled (\$75,231), which is a decrease of \$274,367 compared to the prior fiscal year. This decrease is mostly related to funding the Ohio Department of Education indicates Southern Ohio Academy is expected to return to them due to overfunding the Academy in prior years.
- ❑ Due to the closure, the Academy received no Foundation payments from the State of Ohio during the fiscal period ended September 15, 2017.

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.

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 Period Ended September 15, 2017
Unaudited

Table 1 provides a summary of the Academy's net position as of September 15, 2017 and fiscal year 2017:

(Table 1)
Net Position

	As of September 15, 2017	2017	Change
Assets:			
Current Assets	\$167,468	\$196,508	(\$29,040)
Depreciable Capital Assets, Net	7,589	7,800	(211)
<i>Total Assets</i>	<u>175,057</u>	<u>204,308</u>	<u>(29,251)</u>
Liabilities:			
Current Liabilities	<u>250,288</u>	<u>5,172</u>	<u>245,116</u>
Net Position:			
Net Investment in Capital Assets	7,589	7,800	(211)
Restricted for Other Purposes	0	3,188	(3,188)
Unrestricted	(82,820)	188,148	(270,968)
<i>Total Net Position</i>	<u><u>(\$75,231)</u></u>	<u><u>\$199,136</u></u>	<u><u>(\$274,367)</u></u>

At the September 15, 2017 Board meeting, the governing board of the Academy voted to proceed with the closure of the Academy. Therefore, no Foundation funding was received from the State of Ohio. The increase in current liabilities is mostly related to funding the Ohio Department of Education indicates Southern Ohio Academy is expected to return due to overfunding the Academy in prior years.

Unrestricted Net Position decreased during the fiscal period mostly as a result of decrease in State funding and the amount owed to the Ohio Department of Education for overfunding the Academy in prior years.

Table 2 shows the changes in net position for the fiscal period ended September 15, 2017, and for fiscal year 2017, as well as a listing of revenues and expenses.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Period Ended September 15, 2017
Unaudited

(Table 2)
Change in Net Position

	As of September 15, 2017	2017	(Decrease)
Operating Revenues:			
Program Revenues:			
Foundation Payments	\$0	\$486,050	(\$486,050)
Charges for Services	0	5,478	(5,478)
Non-Operating Revenues:			
Other Federal and State Grants	1,376	56,897	(55,521)
Other	96	78	18
<i>Total Revenues</i>	<u>1,472</u>	<u>548,503</u>	<u>(547,031)</u>
Operating Expenses:			
Purchased Services	74,884	615,351	(540,467)
Materials and Supplies	695	9,864	(9,169)
Depreciation	211	1,094	(883)
Other Expenses	2,363	7,753	(5,390)
Non-Operating Expenses:			
Intergovernmental	197,686	0	197,686
<i>Total Expenses</i>	<u>275,839</u>	<u>634,062</u>	<u>(358,223)</u>
Change in Net Position	(274,367)	(85,559)	(188,808)
<i>Net Position at Beginning of Year</i>	<u>199,136</u>	<u>284,695</u>	<u>(85,559)</u>
<i>Net Position at End of Year</i>	<u>(\$75,231)</u>	<u>\$199,136</u>	<u>(\$274,367)</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 decreased mainly due to a decrease in the amount of federal grant monies received compared to the previous fiscal year.

Total operating expenses decreased during fiscal year 2017 due to the closure of the Academy.

Capital Assets

At the end of fiscal year 2018, the Academy had \$7,589 invested in equipment. For more information on capital assets see Note 4 to the basic financial statements.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Period Ended September 15, 2017
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

September 15, 2017

Assets:

Current Assets:

Cash and Cash Equivalents \$167,468

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net 7,589

Total Assets 175,057

Liabilities:

Current Liabilities:

Accounts Payable 18,119

Intergovernmental Payable 232,169

Total Liabilities 250,288

Net Position:

Net Investment in Capital Assets 7,589

Unrestricted (Deficit) (82,820)

Total Net Position (Deficit) (\$75,231)

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Period Ended September 15, 2017

Operating Revenues:	\$0
Operating Expenses:	
Purchased Services	74,884
Materials and Supplies	695
Depreciation	211
Other Expenses	2,363
<i>Total Operating Expenses</i>	<i>78,153</i>
<i>Operating Loss</i>	<i>(78,153)</i>
Non-Operating Revenues (Expenses):	
Other Federal and State Grants	1,376
Non-Operating Revenues	96
Non-Operating Expenses:	
Intergovernmental	(197,686)
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(196,214)</i>
<i>Change in Net Position</i>	<i>(274,367)</i>
<i>Net Position at Beginning of Year</i>	<i>199,136</i>
<i>Net Position (Deficit) at End of Year</i>	<i>(\$75,231)</i>

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Statement of Cash Flows
For the Fiscal Period Ended September 15, 2017

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Payments to Suppliers for Goods and Services	(\$28,149)
Cash Payments to Others	(2,363)
	<hr/>
<i>Net Cash Used for Operating Activities</i>	<i>(30,512)</i>
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Other Non-Operating Revenues	96
Federal and State Subsidies Received	13,748
	<hr/>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>13,844</i>
	<hr/>
<i>Net Decrease in Cash and Cash Equivalents</i>	<i>(16,668)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>184,136</i>
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$167,468</i>
	<hr/> <hr/>
 <i>Reconciliation of Operating Loss to Net</i>	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(78,153)
	<hr/>
<i>Adjustments to Reconcile Operating</i>	
<u>Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	211
Changes in Assets and Liabilities:	
Increase in Accounts Payable	12,947
Increase in Intergovernmental Payable	34,483
	<hr/>
Total Adjustments	47,641
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Net Cash Used for Operating Activities	(\$30,512)
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See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

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 had the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsorship agreement was in place for a five year term ending on June 30, 2017. As of July 1, 2017, the Sponsor chose not to renew the sponsorship agreement. After attempts to find a new sponsor were unsuccessful, at the September 15, 2017 Board meeting, the governing Board of the Academy voted to proceed with the closure of the Academy.

The Academy operated under the direction of a nine-member Board of Directors. The Board membership consisted of superintendents from the 10 participating school districts. Because ORC requires an odd number of members, the Board determined that Board membership would rotate annually with one school district not being represented each year. The Board of Directors was responsible for carrying out the provisions of the contract which included, but were not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. Work space for students was provided by the Sponsor as well as locations at each participating school district. The South Central Ohio Educational Service Center (the “ESC”) served as fiscal agent for the Academy. All individuals who worked with the Academy were employees of the ESC. Salaries, benefits and associated costs were paid by the ESC. The Academy reimbursed 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 included general operations and student related activities of the Academy.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

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. The Southern Ohio Academy had no component units.

The Southern Ohio Academy participated in one jointly governed organization, the South Central Ohio Computer Association Council of Governments (SCOCACoG). Information about this organization is presented in Note 7 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 reporting period, 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 used 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 Period Ended September 15, 2017

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 were 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 received 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 did 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 were 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 maintained a capitalization threshold of \$500 for all capital assets. The Academy did not possess any infrastructure. Improvements were 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 were not capitalized.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

All reported capital assets were depreciated. Improvements were depreciated over the remaining useful lives of the related capital assets. Depreciation was 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 applied restricted resources when an expense was incurred for purposes for which both restricted and unrestricted net assets were 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 participated in the State Foundation Program. Revenue received from this program was recognized as operating revenues in the accounting period in which all eligibility requirements have been met. As of July 1, 2017, the Academy received no revenues from the State Foundation Program.

The remaining grants and entitlements received by the Academy were recognized as non-operating revenues in the accounting period in which eligibility requirements had 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 Period Ended September 15, 2017

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 the end of the reporting period, all of the Academy's bank balance of \$167,465 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 had 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 - CAPITAL ASSETS

Capital assets activity for the fiscal period ended September 15, 2017, was as follows:

	Balance <u>6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/15/17</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$10,695	\$0	\$0	\$10,695
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	<u>(2,895)</u>	<u>(211)</u>	<u>0</u>	<u>(3,106)</u>
Capital Assets, Net	<u><u>\$7,800</u></u>	<u><u>(\$211)</u></u>	<u><u>\$0</u></u>	<u><u>\$7,589</u></u>

No decision has been made related to the disposition of the remaining capital assets.

NOTE 5 - RISK MANAGEMENT

The Academy was 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 the reporting period, the Academy contracted with Argonaut Insurance for property liability insurance.

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

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

NOTE 6 – PURCHASED SERVICES

For the period July 1, 2017 through September 15, 2017, purchased service expenses included the following:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$74,553
Equipment and Support Services	331
Total	<u>\$74,884</u>

NOTE 7 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Council of Governments (SCOCACoG)

The Academy participated in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG 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 SCOCARCoG consists of two representatives from each county in the SCOCARCoG 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 SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School district's degree of control is limited to its representation on the Board.

During fiscal year 2017, SCOCARCoG 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 SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The subcontract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The Academy paid SCOCARCoG \$0 for services provided during the fiscal period ended September 15, 2017. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

NOTE 8 - CONTINGENCIES

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims did not have a material adverse effect on the overall financial position of the Academy at September 15, 2017.

State Foundation

Community School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. 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 Community School, which can extend past the fiscal year-end. ODE performed a FTE Review subsequent to the fiscal year end that resulted in adjustments to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE had not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the Academy; therefore, any financial statement impact was not determinable at that time. However, as of January 18, 2018, ODE notified the Academy that they had completed their FTE review and that the Academy owed \$195,622 back to ODE for overpayments identified during the 2016-2017 reconciliation process. This liability was recorded on the Academy's financial statements.

Litigation

The Academy is not party to any legal proceedings.

NOTE 9 – CLOSURE OF THE SOUTHERN OHIO ACADEMY

As of July 1, 2017, the Southern Ohio Academy's Sponsor chose not to renew the sponsor agreement. After attempts to find a new sponsor were unsuccessful, at the September 15, 2017 Board meeting, the governing board of the Academy voted to proceed with the closure of the Academy due to the inability to find a sponsor. The Academy is reporting outstanding payables at September 15, 2017. These liabilities exceed the cash available by the Academy. The Academy has not yet disposed of remaining capital assets.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

A summary of principal items included as payables on the statement of net position is as follows:

	<u>Amounts</u>
Amounts owed to the Ohio Department of Education	\$195,622
Accounting and Consulting Services	34,483
Unused grant monies to be returned	2,064
Legal Fees	<u>18,119</u>
Total Liabilities	<u>\$250,288</u>

Also, the following items from the Ohio Department of Education Suspension and Closing Assurance Form have not been completed by the Academy:

- Provide a clear written timeline of the suspension/closing process.
- Review the financial records of the school.
- Establish check off list of assets including all inventory with proper USAS codes, state codes, and the price of each item and identify the source of funds; in the case of donated items follow the accounting guidance.
- Establish the fair market (initial and amortized) value following generally accepted business rules and in a transparent manner. The Uniform Commercial Code offers guidelines for liquidating assets in a commercially reasonable manner for all state purchased assets and federally purchased assets that have a value of less than \$5,000 (ORC 1309.627).
- Identify staff that will have legal authority for payment processes (e.g. checks, cash, credit cards, etc.).
- Establish disposition plan for any remaining items.
- Notify Office of Quality School Choice, then public media (print media, radio) of the date, time and location of any property disposition auction.
- Provide board resolutions and minutes of any assets transferred at no cost to another school.
- Identify any State Facilities Commission guarantees, if applicable.
- Prepare documentation for disposition of the school's fixed assets.
- For all federal program purchases that have a value of \$5,000 or greater, follow steps number 26 through 30 and 32 and EDGAR liquidation procedures in 34 CFR 80.32.
- In addition to establishing a fair market value, track sale of items and have supporting board resolutions for donation of items to another community or other public school or non-profit entity.
- Consistent with ORC Section 3314.051, offer **real property** acquired from a public school district to that school district's board first at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Period Ended September 15, 2017

- Private creditors or those entities that have secured a judgement against the school, including audit preparation and audit costs (prepared financials).
- Any remaining funds shall be paid to the department of education for redistribution to the school districts in which the students who were enrolled in the school at the time it ceased operation were entitled to attend school under ORC Section 3314.64 or 3313.65. The amount distributed to each school district shall be proportional to the district's share of the total enrollment in the community school.
- List of all payables and indicate when a check to pay the liability clears the bank.
- List of all unused checks (collect and void all unused checks).
- List of bank accounts, closing the accounts once all transactions are cleared.
- List of assets and their disposition.
- Receive any funds or adjustments credited to the account of the closed school.
- Determine if any portion of any funds or adjustments can be applied to satisfy any remaining debt; payables (any money owed to another).
- Send all or the remaining portion to the Ohio Department of Education, Office of Budget and School Funding, for final disposition.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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, 2017. 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 \$199,136, which is a decrease of \$85,559 compared to the prior fiscal year.
- Foundation payments received from the State of Ohio decreased during fiscal year 2017. This decrease resulted from a decrease in the number of students enrolled in the Academy compared to the prior fiscal year.
- Materials and Supplies decreased mostly due to a reduction in students and, in conjunction, a reduction in supplies.

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 2017?" 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, 2017
Unaudited

Table 1 provides a summary of the Academy's net position for fiscal years 2017 and 2016:

(Table 1)
Net Position

	2017	2016	Change
Assets:			
Current Assets	\$196,508	\$296,047	(\$99,539)
Depreciable Capital Assets, Net	7,800	4,985	2,815
<i>Total Assets</i>	<u>204,308</u>	<u>301,032</u>	<u>(96,724)</u>
Liabilities:			
Current Liabilities	5,172	16,337	(11,165)
Net Position:			
Net Investment in Capital Assets	7,800	4,985	2,815
Restricted for Other Purposes	3,188	43,990	(40,802)
Unrestricted	188,148	235,720	(47,572)
<i>Total Net Position</i>	<u><u>\$199,136</u></u>	<u><u>\$284,695</u></u>	<u><u>(\$85,559)</u></u>

For fiscal year 2017, current assets decreased \$99,539 mostly due to a reduction in State foundation monies received during fiscal year 2017 along with a reduction federal funding. 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 paid more in refunds for internet services than in the current fiscal year.

Restricted for Other Purposes decreased as a result of a reduction in federal grant funding along with the Academy spending more federal grant dollars than it received during fiscal year 2017 compared to fiscal year 2016.

Unrestricted Net Position decreased during the fiscal year mostly as a result of decrease in State funding.

Table 2 shows the changes in net position for fiscal years 2017 and 2016, as well as a listing of revenues and expenses.

SOUTHERN OHIO ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 2)
Change in Net Position

	2017	2016	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$486,050	\$508,898	(\$22,848)
Charges for Services	5,478	4,725	753
Non-Operating Revenues:			
Other Federal and State Grants	56,897	103,323	(46,426)
Other	78	0	78
<i>Total Revenues</i>	<u>548,503</u>	<u>616,946</u>	<u>(68,443)</u>
Operating Expenses:			
Purchased Services	615,351	606,517	8,834
Materials and Supplies	9,864	27,024	(17,160)
Depreciation	1,094	709	385
Other Expenses	7,753	7,339	414
<i>Total Expenses</i>	<u>634,062</u>	<u>641,589</u>	<u>(7,527)</u>
Change in Net Position	(85,559)	(24,643)	(60,916)
<i>Net Position at Beginning of Year</i>	<u>284,695</u>	<u>309,338</u>	<u>(24,643)</u>
<i>Net Position at End of Year</i>	<u>\$199,136</u>	<u>\$284,695</u>	<u>(\$85,559)</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 decreased mainly due to a decrease in the amount of federal grant monies received compared to the previous fiscal year.

Total operating expenses decreased during fiscal year 2017. Materials and supplies decreased mostly due to the reduction in students which required less supplies.

Capital Assets

At the end of fiscal year 2017, the Academy had \$7,800 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, 2017
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, 2017

Assets:

Current Assets:

Cash and Cash Equivalents	\$184,136
Intergovernmental Receivables	12,372

Total Current Assets 196,508

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	7,800
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Total Assets 204,308

Liabilities:

Current Liabilities:

Accounts Payable	5,172
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Net Position:

Net Investment in Capital Assets	7,800
Restricted for Other Purposes	3,188
Unrestricted	188,148

Total Net Position \$199,136

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, 2017

Operating Revenues:	
Foundation Payments	\$486,050
Charges for Services	5,478

<i>Total Operating Revenues</i>	<i>491,528</i>

Operating Expenses:	
Purchased Services	615,351
Materials and Supplies	9,864
Depreciation	1,094
Other Expenses	7,753

<i>Total Operating Expenses</i>	<i>634,062</i>

<i>Operating Loss</i>	<i>(142,534)</i>

Non-Operating Revenues:	
Other Federal and State Grants	56,897
Non-Operating Revenues	78

<i>Total Non-Operating Revenues</i>	<i>56,975</i>

<i>Change in Net Position</i>	<i>(85,559)</i>

<i>Net Position at Beginning of Year</i>	<i>284,695</i>

<i>Net Position at End of Year</i>	<i>\$199,136</i>

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$5,478
Cash Received from Foundation Payments	486,050
Cash Payments to Suppliers for Goods and Services	(636,380)
Cash Payments to Others	(7,753)
	(152,605)

Net Cash Used for Operating Activities (152,605)

Cash Flows from Noncapital Financing Activities:

Other Non-Operating Revenues	78
Federal and State Subsidies Received	91,496
	91,574

Net Cash Provided by Noncapital Financing Activities 91,574

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(3,909)
	(3,909)

Net Decrease in Cash and Cash Equivalents (64,940)

Cash and Cash Equivalents at Beginning of Year 249,076

Cash and Cash Equivalents at End of Year \$184,136

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$142,534)
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Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation	1,094
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(10,755)
Decrease in Intergovernmental Payable	(410)
	(11,071)

Total Adjustments (10,071)

Net Cash Used for Operating Activities (\$152,605)

See accompanying notes to the basic financial statements

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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, 2017

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. The 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, 2017

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, 2017

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, 2017

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 \$236,658 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, 2017, 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:

Governmental Activities:	Amounts
Title I	\$10,341
IDEA Special Education Part B	2,031
Total Intergovernmental Receivables	\$12,372

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$6,786	\$3,909	\$0	\$10,695
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(1,801)	(1,094)	0	(2,895)
Capital Assets, Net	\$4,985	\$2,815	\$0	\$7,800

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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 2017, 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, 2016 through June 30, 2017, purchased service expenses included the following:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$515,346
Equipment and Support Services	58,447
Internet and Cellular Services	6,799
Fiscal Agent and Sponsor Fees	28,352
School District Reimbursements	6,407
Total	<u>\$615,351</u>

NOTE 8 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Council of Governments (SCOCACoG)

The Academy is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG 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 SCOCARCoG consists of two representatives from each county in the SCOCARCoG 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 SCOCARCoG 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, 2017

During fiscal year 2017, SCOCARCoG 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 SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The subcontract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The Academy paid SCOCARCoG \$1,642 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

NOTE 9 - CONTINGENCIES

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2017.

State Foundation

Community School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. 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 Community School, which can extend past the fiscal year-end. In addition, ODE may perform a FTE Review subsequent to the fiscal year end that may result in additional adjustments to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the Academy; therefore, any 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 Academy.

Litigation

The Academy is not party to any legal proceedings.

SOUTHERN OHIO ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

NOTE 10 – SUBSEQUENT EVENT

In April, 2017, the Scioto County Career Technical Center (the “Sponsor”) voted to non-renew the sponsorship contract with the Academy to be the Academy’s Sponsor effective July 1, 2017. Subsequently, the Academy applied to the Ohio Department of Education for the assumption of sponsorship for fiscal year 2018, but was notified that approval could not be accomplished. During August 2017, the Academy was notified by the State of Ohio Director of the Office of Budget and Management that, due to a lack of an identified sponsor, the Academy’s fiscal year 2018 funding was being withheld until the question of sponsorship was resolved. With no sponsor, at the September 15, 2017 Board meeting, the governing board of the Academy voted to proceed with the closure of the Academy.

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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 years ended September 15, 2017 and June 30, 2017, and the related notes to the financial statements which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 22, 2018, wherein we disclaimed an opinion due to a scope limitation and also noted the Academy ceased operations effective September 15, 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

August 22, 2018



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
DECEMBER 4, 2018**