ZENITH ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

ZENITH ACADEMY
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Zenith Academy
Franklin County
4606 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Zenith Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2015, 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' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 such 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 overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding 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*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 19, 2016

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ZENITH ACADEMY
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The discussion and analysis of Zenith Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key highlights for 2015 are as follows:

Net position increased $57,115 or 2.69%.

Total assets decreased by $20,472 or 1%, due primarily to a $100,059 increase in Deferred outflows of pension resources related to GASB 68.

Total liabilities decreased $77,587 or 1.88% percent due recording of a $672,845 deferred inflow of pension resources related to GASB 68.

The Academy had operating revenues of $3,616,690, operating expenses of $4,447,005 and non-operating revenues, consisting of federal and state grants, of $887,430.

Using this Annual Financial Report

This annual report consist a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial position. The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially?" The Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's Net Position and change in total position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on Pages 9 and 10 of this report.

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on Page 11 of this report.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity; therefore, the entity-wide and the fund presentations information is the same.

Table 1 provides a summary of The Academy's net position for 2015 compared to 2014.

Table 1
Net Position

	2015	2014 As Restated
Assets:		
Current and Other Assets	$ 208,383	$ 788,663
Capital Assets, Net of Depreciation	1,451,237	991,488
Deferred Outflows of Resources		
Pension	332,706	232,647
Total Assets	$ 1,992,326	$ 2,012,798
Liabilities:		
Current Liabilities	$ 281,680	$ 341,613
Net Pension Liabilities	3,105,713	3,796,212
Deferred Inflows of Resources		
Pension	672,845	-
Total Liabilities	4,060,238	4,137,825
Net Position:		
Invested in Capital Assets	$ 1,451,237	$ 991,488
Unrestricted	(3,519,149)	(3,116,515)
Total Net Position	(2,067,912)	(2,125,027)
Total Liabilities and Net Position	$ 1,992,326	$ 2,012,798

GASB 68 Net Position Restatement

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $1,438,538 to $(2,125,027).

Cash and capital assets represented 74% of total assets. Capital assets are used to provide services to students and are not available for future spending.

Table 2 below shows the changes in net position for fiscal years 2015 and 2014:

ZENITH ACADEMY
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Table 2
Change in Net Position

	2015	2014
Operating Revenues		
Foundation	$ 3,563,507	$ 3,161,384
Miscellaneous	53,183	16,756
Total Operating Revenues	3,616,690	3,178,140
Operating Expenses		
Salaries	1,892,907	1,656,875
Fringe Benefits	395,349	381,211
Purchased Services	1,862,323	1,625,154
Materials and Supplies	170,312	119,733
Depreciation	106,254	61,134
Other	19,860	3,576
Total Operating Expenses	4,447,005	3,847,683
Operating (Loss)	(830,315)	(669,543)
Non-Operating Revenues and (Expenses):		
State and Federal Grants	867,026	1,026,849
Other	20,404	19,729
Total Non-Operating Revenues	887,430	1,046,578
Change in Net Position	57,115	377,035
Net Position at Beginning of Year As Restated (See Note 3)	(2,125,027)	(2,502,062)
Net Position at end of Year	$(2,067,912)	$ (2,125,027)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of $232,647 computed under GASB 27. GASB

27 requires recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $179,937. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$4,447,005
Pension expense under GASB 68	(179,937)
2015 contractually required contribution	279,650
Adjusted 2015 expenses	4,546,718
Total 2014 program expenses under GASB 27	3,847,683
Increase in expenses not related to pension	$ 699,035

Fiscal year 2015 was the Academy's tenth full year in operation. Federal programs decreased due to the elimination of the Race to the Top program. Foundation revenues increased due to increased enrollment. This led to the increase in expenditures for employee salaries, benefits, and purchased services.

Operating foundation revenues and non-operating federal and state grants represent over 98% of the total revenues of the Academy.

Employee salaries and benefits, and purchased service expenditures represent 93% of the total expenses.

Budgeting

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

Capital Asset Administration

Capital Assets

At the end of fiscal year 2015, the Academy had $1,451,237 invested in leasehold improvements, furniture and equipment, and vehicles. Table 3 shows fiscal year 2015 balances compared to 2014:

Table 3
Capital Assets (Net of Depreciation)

	2015	**2014**
Nondepreciable Capital Assets		
Construction in Progress	$ -	$ 75,000
Depreciable Capital Assets		
Leasehold Improvements	1,247,684	763,747
Furniture and Equipment	203,553	152,741
Totals	$1,451,237	$991,488

For more information, see Note 6 to the basic financial statements.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ashfaq Tashfeen, Executive Director, Zenith Academy, 4606 Heaton Road, Columbus, Ohio, 43229, by calling (614) 888-9997 or e-mail aatashfeen@yahoo.com.

ZENITH ACADEMY
FRANKLIN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

Assets	
Current Assets:	
Cash	$ 31,281
Intergovermental Receivable	143,272
Prepaid Items	33,830
Total Current Assets	208,383
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	1,451,237
Deferred Outflows of Resources	
Pension	332,706
Total Assets	$ 1,992,326
Liabilities	
Current Liabilities:	
Accounts Payable	11,899
Accrued Wages and Benefits	266,798
Intergovernmental Payable	2,983
Total Current Liabilities	281,680
Noncurrent Liabilities:	
Net Pension Liability	3,105,713
Deferred Inflows of Resources	
Pension	672,845
Total Liabilities	4,060,238
Net Position	
Invested in Capital Assets	1,451,237
Unrestricted	(3,519,149)
Total Net Position	(2,067,912)
Total Liabilities and Net Position	$ 1,992,326

See notes to financial statements.

ZENITH ACADEMY
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenues:	
Foundation	$ 3,563,507
Miscellaneous	53,183
Total Operating Revenues	3,616,690
Operating Expenses:	
Salaries	1,892,907
Fringe Benefits	395,349
Purchased Services	1,862,323
Materials and Supplies	170,313
Depreciation	106,254
Other	19,859
Total Operating Expenses	4,447,005
Operating Loss	(830,315)
Non-Operating Revenues and (Expenses):	
State and Federal Grants	867,026
Other Non-Operating	20,404
Total Non-Operating Revenues	887,430
Change in Net Position	57,115
Net Position Beginning of Year (as restated)	(2,125,027)
Net Position at End of the Year	$ (2,067,912)

See notes to financial statements.

ZENITH ACADEMY
FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

ZENITH ACADEMY
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Cash Received from Foundation	$ 3,591,594
Other Cash Receipts	53,183
Cash Payments to Employees for Services	(1,880,665)
Cash Payments for Employee Benefits	(548,453)
Cash Payments for Supplies or Services	(2,055,569)
Other Cash Payments	(19,859)
Net Cash Used for Operating Activities	(859,769)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	1,055,783
Other Non-Operating	20,404
Net Cash Provided by Noncapital Financing Activities	1,076,187
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(566,003)
Net Cash Used in Capital and Related Financing Activities	(566,003)
Net Decrease in Cash	(349,585)
Cash at Beginning of Year	380,866
Cash at End of Year	$ 31,281
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating Loss	(830,315)
Noncash adjustments:	
Depreciation	106,254
(Increase)/Decrease in Assets & Deferred Outflows	
Intergovernmental Receivable	8,223
Prepaids	33,715
Pension	(100,059)
Increase/(Decrease) in Liabilities & Deferred Inflows	
Accounts Payable	(22,933)
Accrued Wages and Benefits	12,242
Intergovernmental Payable	(49,242)
Pension	672,845
Net Pension Liability	(690,499)
Total Adjustments	(29,454)
Net Cash Used by Operating Activities	$ (859,769)

ZENITH ACADEMY
FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

1. ORGANIZATION

Zenith Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy is to provide an educational environment wherein students at the Academy will build a foundation of knowledge, will master core skills, and will develop a life-long love of learning that will empower them to fulfill their roles as citizens. The Academy will accomplish this mission by focusing on knowledge, civic values, and service. The Academy is part of the State's education program, is nonsectarian in ts programs, admission policies, employment practices, and all other operations.

The Academy began operations on April 1, 2006 and entered into a 5 year contract with The Educational Resource Consultants of Ohio (the Sponsor) which was renewed for an additional year in 2011 and 2012. The contract was renewed for three years beginning July 1, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the sponsor 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Academy's accounting policies.

ZENITH ACADEMY
FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Change in Net Position; and a Statement of Cash Flows.

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

B. Measurement Focus

The financial statements are prepared using a flow of economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the Academy are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Change in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The Statement of Cash Flows reflects how the Academy finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. 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. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which 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.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow the budgetary provisions set forth in the 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 prescribes an annual budget requirement in addition to preparing a five-year forecast, which is updated on an annual basis.

E. Cash

Cash received by the Academy is reflected as "Cash" on the Statement of Net Position. The Academy did not have any investments as of June 30, 2015.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 dollars. 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. Improvements are capitalized. The Academy does not capitalize interest.

All 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:

Leasehold Improvements	27 Years
Furniture and Equipment	5 Years
Vehicles	3-5 Years

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources revenue until that time. For the Academy, deferred inflows of resources include pension. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are explained in Note 9.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

I. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets consist 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Academy did not have any restricted net position at June 30, 2015.

J. Operating Revenues and Expenses

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

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Academy implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	Amount
Net Position, June 30, 2014 As Previously Reported	$ 1,438,538
Net Pension Liability	(3,796,212)
Deferred Outflow-Payment Subsequent to Measurement Date, June 30, 2014	232,647
Net Position, June 30, 2014 As Restated	$ (2,125,027)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

ZENITH ACADEMY
FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

4. NEW PRONOUNCEMENTS

The GASB issued *Statement No. 68*, Accounting and Financial Report for Pensionsin June 2012. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures. Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

The GASB issued *Statement No. 69*, Government Combinations and Disposals of Government Operations in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 31, 2013, and should be applied on a prospective basis. Earlier application being encouraged.

The GASB issued *Statement 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. Only GASB 67,68, and 71 had an affect on the Academy’s financial statements.

5. RECEIVABLES

At June 30, 2015, receivables consisted of intergovernmental receivables of $143,272 from the Ohio Department of Education for grants and entitlements.

ZENITH ACADEMY
FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

6. CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Nondepreciable Capital Assets:				
Construction in Progress	$ 75,000	$ -	$ (75,000)	$ -
Total Nondepreciable Capital Assets	75,000	-	(75,000)	-
Depreciable Capital Assets:				
Leasehold Improvements	993,308	535,791	-	1,529,099
Furniture and Equipment	331,460	105,212	-	436,672
Vehicles	38,801	-	-	38,801
Total Depreciable Capital Assets	1,363,569	641,003	-	2,004,572
Total Capital Assets	1,438,569	641,003	(75,000)	2,004,572
Less Depreciation:				
Leasehold Improvements	(229,562)	(51,855)	-	(281,417)
Furniture and Equipment	(178,718)	(54,399)	-	(233,117)
Vehicles	(38,801)	-	-	(38,801)
Total Depreciation	(447,081)	(106,254)	-	(553,335)
Capital Assets, Net of Depreciation	$ 991,488	$ 534,749	$ (75,000)	$ 1,451,237

7. RISK MANAGEMENT

Property and Liability Insurance

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 2015, the Academy contracted with Morgan, Trevathan, & Gunn, Inc. for property and general liability insurance, respectively, with a $1,000,000 single occurrence limit, $2,000,000 annual aggregate, and $1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Workers’ Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. The Academy owed approximately $11,478 for this premium on January through June 2015 wages. This liability is reflected in the Statement of Net Position at June 30, 2015.

8. EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through United Healthcare. The Academy pays 75% of the monthly premium and employees pay the remaining 25%. The Academy does not provide life insurance and accidental death and dismemberment insurance to employees.

9. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions--between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1)they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on the accrual basis of accounting.

School Employees Retirement System

Plan Description – The Academy's non-teaching employees participate in SERS, a cost-sharing multipleemployer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension and death benefits was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds.

The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2015, 2014, and 2013 were $85,436, $52,397, and $95,412 respectively; 100% percent has been contributed for fiscal years 2015, 2014, and 2013.

State Teachers Retirement System

Plan Description – The Academy's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888)227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy’s required contributions for pension obligations STRS Ohio for the DB Plan for the fiscal years ended June 30, 2015, 2014 and 2013 were $212,214, $214,935, and $175,142, respectively. 100% percent has been contributed for fiscal years 2015, 2014, and 2013.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 651,849	$ 2,453,864	$ 3,105,713
Proportion of the Net Pension Liability	0.0128800%	0.0126013%	
Pension Expense	$ 38,334	$ 141,603	$ 179,937

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Difference between expected and actual experience	$ 5,548	$ 29,508	$ 35,056
Academy contributions subsequent to the measurement date, June 30, 2014	85,436	212,214	297,650
Total Deferred Outflows of Resources	$ 90,984	$ 241,722	$ 332,706
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 105,797	$ 567,048	$ 672,845
Total Deferred Inflows of Resources	$ 105,797	$ 567,048	$ 672,845

$297,650 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to as a reduction of the net pension liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$ 25,048	$134,385	$159,433
2017	25,048	$134,385	159,433
2018	25,048	$134,385	159,433
2019	25,105	$134,385	159,490
Total	$100,249	$537,540	$637,789

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results arecompared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Academy's proportionate share of net pension liability	$ 929,988	$ 651,849	$ 417,974

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Academy's proportionate share of net pension liability	$4,387,967	$2,453,864	$1,946,325

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. At June 30, 2015, all Board Members contributed to Social Security.

10. POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e).

For 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2015, this amount was $20,450. During fiscal year 2015, the Academy paid $6,649 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were $3,697, $15,596, and $13,129 respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2015, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013, were $3,336, $2,807, and $4,740, respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

State Teachers Retirement System

Plan Description - The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which may be obtained by visiting www.strsoh.org, or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were $0, $15,395, and $12,510 respectively; 100 percent for fiscal years 2014 and 2013. There was no unpaid contribution for fiscal year 2015.

11. BUILDING LEASE

The Academy leases its facilities from W Ltd. under two five-year lease agreements entered into on September 1, 2010; and was combined into one lease agreement for five years beginning September 1, 2012. The total amount paid during fiscal year 2015 was $378,542.

The following minimum lease payments will be made for fiscal years ending June 30:

	2016	$378,542
	2017	378,542
	2018	63,090
Total Minimum Lease Payments		$820,174

On June 24, 2014, the Academy entered into a lease agreement with FS Holdings, LLC, for five years to lease additional space for expanded enrollment.

The following minimum lease payments will be made for fiscal years ending June 30:

	2016	$216,000
	2017	216,000
	2018	216,000
	2019	216,000
Total Minimum Lease Payments		$864,000

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12. TAX EXEMPT STATUS

The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy was approved on July, 28, 2006 for tax exempt status under 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's nonprofit status.

13. PURCHASED SERVICES

For the period of July 1, 2014 through June 30, 2015 purchased service expenses were as follows:

Technical Services	$ 101,963
Legal, Accounting, Professional	136,617
Professional Development	20,969
Transportation	269,902
Rent and Property Services	882,740
Catering	344,261
Sponsor Fees	105,871
TOTAL	$ 1,862,323

14. LONG-TERM OBLIGATIONS

The changes in the Academy's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding June 30,2014	Additions	Reductions	Principal Outstanding June 30, 2015	Amount Due Within One Year
Net Pension Liability	$ 3,796,212	$ -	$690,499	$ 3,105,713	$ -

Obligations related to employee compensation will be paid from the program benefitting from their service.

15. SPONSOR CONTRACT

The Academy entered into a three year contract commencing on July 1, 2013 and continuing through June 30, 2015 with The Educational Resource Consultants of Ohio (the sponsor) for it's establishment. Under the contract, the following terms were agreed upon:

The Academy shall operate in substantial compliance with its "Educational Program", which contains the Academy's mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, the Academy calendar, the academic goals and the method of measurement that will be used to determine progress toward those goals, graduation requirements, and the focus of the curriculum.

The Academy shall operate in substantial compliance with a "Financial Plan", which establishes an estimated school budget for each year and a total estimated per pupil expenditure amount for each such year. The Academy shall secure the services of a Chief Executive Officer, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Academy, and a liaison between the Academy and Sponsor.

As part of the agreement, the Academy agreed to compensate the Sponsor three percent of all funds received by the Academy from funding provided by ODE, including state start-up grants, for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy. Total contract payments of $105,871 were paid related to the provision of this contract as of June 30, 2015.

16. RELATED PARTY TRANSACTION

The Academy employs Asheer Tashfeen, the son of the Executive Director, as EMIS Coordinator. The Academy paid $33,000 in 2015 for services related to the position.

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17. RELATED PARTY LOAN

Jamal Naiyer, an Academy Board Member, personally loaned $200,000 to cover construction costs for the facility located at 3385 South Boulevard, Columbus, Ohio 43204. There is no specific repayment schedule and no requirement to pay interest on the proceeds. The Academy repaid the entire balance of the loan as of June 30, 2015.

18. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of, any such disallowance claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. Full Time Equivalency

As of the date of this report, ODE has not finalized the impact of enrollment to the June 30, 2015 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believes this could result in either a receivable to or liability of the Academy.

19. SUBSEQUENT EVENTS

The Academy invested $504,216 in a new school improvements for use by Zenith Academy West, which incorporated as a charter school at the beginning of fiscal year 2016. The Academy currently owns the leasehold improvements to the property and has no current plans to transfer or sell the improvements to the new charter school at this time.

Zenith Academy
Schedule of the Academy's Proportionate Share of Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Academy's Proportion of Net Pension Liability	0.0128800%	0.0128800%
Academy's Proportionate Share of the Net Pension Liability	$ 651,849	$ 765,926
Academy's Covered-Employee Payroll	$ 374,264	$ 681,514
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	174.17%	112.39%
Plan Fiduciary Net Position as Percentage of the Total Pension liability	71.70%	65.52%

Note 1: Information prior to 2013 is not available

Source: School Employees Retirement System and school records

See notes to financial statements.

Zenith Academy
Schedule of the Academy's Proportionate Share of Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Academy's Proportion of Net Pension Liability	0.0126013%	0.0126013%
Academy's Proportionate Share of the Net Pension Liability	$ 2,453,864	$ 3,030,286
Academy's Covered-Employee Payroll	$ 1,287,500	$ 1,251,014
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	190.59%	242.23%
Plan Fiduciary Net Position as Percentage of the Total Pension liability	74.70%	69.30%

Note 1: Information prior to 2013 is not available

Source: School Employees Retirement System and school records

Zenith Academy
Schedule of Academy Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 85,436	$ 52,397	$ 95,412	$109,740	$ 80,451	$ 90,659	$ 92,125	$ 64,916	$ 32,013	$ 34,814
Contributions in Relation to the Contractually Required Contribution	(85,436)	(52,397)	(95,412)	(109,740)	(80,451)	(90,659)	(92,125)	(64,916)	(32,013)	(34,814)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered -Employee Payroll	$610,257	$374,264	$681,514	$783,857	$574,650	$647,564	$658,036	$463,686	$228,664	$248,671
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Source: School Employees Retirement System

See notes to financial statements.

Zenith Academy
Schedule of Academy Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 212,214	$ 180,250	$ 175,142	$ 137,070	$ 139,640	$ 127,957	$ 137,599	$ 132,659	$ 71,771	$ 18,462
Contributions in Relation to the Contractually Required Contribution	(212,214)	(180,250)	(175,142)	(137,070)	(139,640)	(127,957)	(137,599)	(132,659)	(71,771)	(18,462)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered -Employee Payroll	$ 1,515,814	$ 1,287,500	$ 1,251,014	$ 979,071	$ 997,429	$ 913,979	$ 982,850	$ 947,564	$ 512,650	$ 131,871
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Source: State Teachers Retirement System

See notes to financial statements.

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ZENITH ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Grant Award Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	2015	10.553	$ 137,970	$ 137,970
National School Lunch Program	2015	10.555	256,264	256,264
Total Child Nutrition Cluster			394,234	394,234
Total U.S. Department of Agriculture			**394,234**	**394,234**
U.S. DEPARTMENT OF EDUCATION:				
Passed Through Ohio Department of Education:				
Title I Grants to Local Educational Agencies Program	2014	84.010	101,826	34,411
	2015		282,332	305,874
Total Title I Grants to Local Educational Agencies Program			384,158	340,285
Special Education_Grants to States Program	2014	84.027	11,245	5,489
	2015		55,066	65,160
Total Special Education_Grants to States Program			66,311	70,649
English Language Acquisition Grants Program	2014	84.365	17,304	9,231
	2015		61,606	60,958
Total English Language Acquisition Grants Program			78,910	70,189
Improving Teacher Quality State Grants Program	2015	84.367	3,353	3,453
ARRA - Race to the Top Program	2014	84.395	117,445	18,428
Total U.S. Department of Education			**650,177**	**503,004**
Totals			**$ 1,044,411**	**$ 897,238**

The accompanying notes to this schedule are an integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Zenith Academy's (the Academy) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

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

Zenith Academy
Franklin County
4606 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Zenith Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 19, 2016, wherein we noted during 2015 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Academy's Responses to Findings

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 19, 2016

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Zenith Academy
Franklin County
4606 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

Report on Compliance for* Each *Major Federal Program

We have audited Zenith Academy's (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Zenith Academy's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Zenith Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

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www.ohioauditor.gov

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 19, 2016

ZENITH ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster (CFDA 10.553 / 10.555); and Title 1 Grants to Local Educational Agencies Program (CFDA 84.010)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2015-001

Financial Statement Adjustments - Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is an essential control to help ensure the information provided to the readers of the financial statements is complete and accurate.

In the Cash Flows Statement, Cash Flows from Operating Activities were overstated $188,757 while Cash Flows from Noncapital Financing Activities were understated by the same amount. The Academy's financial statements and, where applicable, accounting records have been adjusted to accurately reflect these adjustments.

In addition to the above, the following errors were also noted and did not require modifications to be made to the financial statements at June 30, 2015:

- Accounts Payable was understated approximately $43,025,
- Accrued Wages & Benefits were understated $18,440 as employee health insurance for August was not recorded, and
- Intergovernmental Receivable was understated $27,597 due to Ohio Department of Education full time equivalency (FTE) adjustments.

The existence of audit adjustments suggests controls over the financial statement review process are non-existent or not operating as intended; which could lead to undetected errors or omissions in the financial statements and the notes to the financial statements.

We recommend the Academy's Treasurer take steps to help ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted accounting principles (GAAP). By exercising caution in recording financial activity, the Academy can help reduce posting errors and increase the reliability of the financial data throughout the year and at year-end.

The Treasurer should review the audit adjustments identified above to help ensure that similar errors are not reported in subsequent years. In addition, the Academy should adopt policies and procedures over financial reporting, including a final review of the financial statements.

Official's Response: The Treasurer will review the audit adjustments with the outside CPA firm that has been retained to prepare the GAAP Report to prevent misstatement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

ZENITH ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2014-001	Financial statement adjustments	No	Repeated as Finding 2015-001
2014-002	Cash reconciliation	Yes	
2014-003	Finding for recovery for overcompensation of wages - ORC 117.38	Yes	
2014-004	2 CFR 225, Appendix B subsection 8.h. - for failure to maintain semi-annual certifications.	Yes	
2014-005	34 CFR 299.2(b)(3) - expending funds for unallowable purposes.	No	Repeated in report letter to management.

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ZENITH ACADEMY

FRANKLIN 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
JUNE 28, 2016