



Dave Yost • Auditor of State



ZENITH ACADEMY EAST  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Zenith Academy East  
Franklin County  
2261 South Hamilton Road  
Columbus, Ohio 43232

To the Board of Directors:

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

We have audited the accompanying financial statements of Zenith Academy East, 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 East, 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 31, 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.

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

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

May 31, 2016

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

The discussion and analysis of Zenith Academy East'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 \$164,620 or 8%.

Total assets increased \$170,854 or 26%, due primarily to a \$107,738 increase in Deferred outflows of pension resources related to GASB 68.

Total liabilities increased \$6,234 or .2% percent offset by the decrease in net pension liability of \$426,021.

The Academy had operating revenues of \$2,307,558, operating expenses of \$2,971,568 and non-operating revenues, consisting of federal and state grants, of \$828,630.

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

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

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.

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

**Table 1  
Net Position**

	2015	2014 As Restated
<b>Assets:</b>		
Current and Other Assets	\$ 334,674	\$ 288,443
Capital Assets, Net of Depreciation	238,788	221,903
<b>Deferred Outflows of Resources</b>		
Pension	253,402	145,664
Total Assets	<u>\$ 826,864</u>	<u>\$ 656,010</u>
<b>Liabilities:</b>		
Current Liabilities	\$ 213,131	\$ 195,150
Net Pension Liabilities	2,160,414	2,586,435
<b>Deferred Inflows of Resources</b>		
Pension	414,274	-
Total Liabilities	2,787,819	2,781,585
<b>Net Position:</b>		
Invested in Capital Assets	\$ 238,788	\$ 221,903
Unrestricted	(2,199,743)	(2,347,478)
Total Net Position	(1,960,955)	(2,125,575)
Total Liabilities and Net Position	<u>\$ 826,864</u>	<u>\$ 656,010</u>

**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

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FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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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,

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

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 \$315,196 to \$(2,125,575).

Cash and capital assets represented 84% 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 EAST  
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	\$ 2,255,854	\$ 2,063,862
Miscellaneous	51,704	19,681
Total Operating Revenues	<u>2,307,558</u>	<u>2,083,543</u>
Operating Expenses		
Salaries	1,348,998	1,052,354
Fringe Benefits	247,544	310,466
Purchased Services	1,260,131	1,045,626
Materials and Supplies	79,330	43,405
Depreciation	35,565	28,132
Total Operating Expenses	<u>2,971,568</u>	<u>2,479,983</u>
Operating (Loss)	(664,010)	(396,440)
Non-Operating Revenues and (Expenses):		
Grants	828,630	456,536
Other Grants	-	12,926
Total Non-Operating Revenues	<u>828,630</u>	<u>469,462</u>
Change in Net Position	164,620	73,022
Net Position at Beginning of Year		
As Restated (See Note 3)	<u>(2,125,575)</u>	<u>(2,198,597)</u>
Net Position at end of Year	<u><u>\$(1,960,955)</u></u>	<u><u>\$(2,125,575)</u></u>

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 \$145,664 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

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

inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$112,325. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	\$ 2,971,568
Pension expense under GASB 68	(112,325)
2015 contractually required contribution	231,812
Adjusted 2015 expenses	3,091,055
Total 2014 program expenses under GASB 27	2,479,983
Increase in expenses not related to pension	\$ 611,072

Fiscal year 2015 was the Academy's fifth 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 96% 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 \$238,788 invested in leasehold improvements and furniture and equipment. Table 3 shows fiscal year 2015 balances compared to 2014:

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

**Table 3  
Capital Assets (Net of Depreciation)**

	2015	2014
Leasehold Improvements	\$ 166,327	\$161,874
Furniture and Equipment	72,461	60,029
Totals	\$ 238,788	\$221,903

For more information, see Note 7 to the basic financial statements.

**Current Financial Issues**

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the Academy in future fiscal years due to the State's current economic environment. The Academy is expected to continue to grow in both the number of students to 300, as well as the number of instructional staff, as it enters into its sixth year of operations, which will impact the Academy's funding since the Academy receives the majority of its finances from state aid. The Academy began to receive state transportation funding in 2014, which was and will continue to be an additional revenue source.

**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 East, 4606 Heaton Road, Columbus, Ohio, 43229, by calling (614) 888-9997 or e-mail [aatashfeen@yahoo.com](mailto:aatashfeen@yahoo.com).



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

**Assets**

*Current Assets:*

Cash	\$	244,245
Intergovernmental Receivable		68,953
Prepaid Items		21,476
Total Current Assets		334,674

*Noncurrent Assets:*

Capital Assets, Net of Accumulated Depreciation		238,788
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*Deferred Outflows of Resources*

Pension		253,402
		253,402

Total Assets	\$	826,864
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**Liabilities**

*Current Liabilities:*

Accounts Payable		5,658
Accrued Wages and Benefits		204,589
Intergovernmental Payable		2,884
Total Current Liabilities		213,131

*Noncurrent Liabilities:*

Net Pension Liability		2,160,414
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*Deferred Inflows of Resources*

Pension		414,274
		414,274

Total Liabilities		2,787,819
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**Net Position**

Invested in Capital Assets		238,788
Unrestricted		(2,199,743)
Total Net Position		(1,960,955)

Total Liabilities and Net Position	\$	826,864
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See notes to financial statements.

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

**Operating Revenues:**

Foundation	\$ 2,255,854
Miscellaneous	51,704
Total Operating Revenues	2,307,558

**Operating Expenses:**

Salaries	1,348,998
Fringe Benefits	247,544
Purchased Services	1,260,131
Materials and Supplies	79,330
Depreciation	35,565
Total Operating Expenses	2,971,568

Operating Loss (664,010)

**Non-Operating Revenues and (Expenses):**

State and Federal Grants	828,630
Total Non-Operating Revenues	828,630

Change in Net Position 164,620

Net Position at Beginning of Year  
(as Restated) (2,125,575)

Net Position at End of the Year \$ (1,960,955)

See notes to financial statements.

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

<b>Cash Flows from Operating Activities:</b>	
Cash Received from Foundation	\$2,258,636
Other Cash Receipts	51,704
Cash Payments to Employees for Services	(1,313,567)
Cash Payments for Employee Benefits	(367,031)
Cash Payments for Supplies or Services	(1,343,692)
Net Cash Used for Operating Activities	<u>(713,950)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Federal and State Grants Received	<u>828,632</u>
Net Cash Provided by Noncapital Financing Activities	828,632
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of capital assets	<u>(52,450)</u>
Net Cash Used in Capital and Related Financing Activities	(52,450)
Net Increase in Cash	62,232
Cash at Beginning of Year	<u>182,013</u>
Cash at End of Year	<u><u>\$ 244,245</u></u>
<b>Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:</b>	
Operating Loss	(664,010)
Noncash adjustments:	
Depreciation	35,565
(Increase)/Decrease in Assets & Deferred Outflows	
Intergovernmental Receivable	2,780
Prepays	13,219
Pension	(107,738)
Increase/(Decrease) in Liabilities & Deferred Inflows	
Accounts Payable	870
Accrued Wages and Benefits	35,431
Intergovernmental Payable	(18,320)
Pension	414,274
Net Pension Liability	(426,021)
Total Adjustments	<u>(49,940)</u>
Net Cash Used by Operating Activities	<u><u>\$ (713,950)</u></u>

See notes to financial statements.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. ORGANIZATION

Zenith Academy East (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 its programs, admission policies, employment practices, and all other operations.

In April 2010, the Board of Directors (the Board) entered into a contract with St. Aloysius Orphanage of Ohio (the Sponsor). 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 EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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. For The Academy, deferred outflows of resources are reported on the Statement of Net Position for pension. The deferred outflows of resources related to pension are explained

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 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 reported on the Statement of Net Position (See 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 position 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.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 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 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.

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	\$ 315,196
Net Pension Liability	(2,586,435)
Deferred Outflow-Payment Subsequent to Measurement Date, June 30, 2014	145,664
Net Position, June 30, 2014 As Restated	\$ (2,125,575)

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.



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4. DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2015, the bank balance of the Academy's deposits were \$266,108. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit of funds by the Academy.

5. NEW PRONOUNCEMENTS

The GASB issued *Statement No. 68*, Accounting and Financial Report for Pensions in 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.

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6. RECEIVABLES

At June 30, 2015, receivables consisted of intergovernmental receivables of \$68,953 from the Ohio Department of Education for grants and entitlements.

7. 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
Capital Assets:				
Leasehold Improvements	\$ 181,648	\$ 11,500	\$ -	\$ 193,148
Furniture and Equipment	112,914	40,950	-	153,864
Total Capital Assets	<u>294,562</u>	<u>52,450</u>	<u>-</u>	<u>347,012</u>
Less Depreciation:				
Leasehold Improvements	(19,773)	(7,047)	-	(26,820)
Furniture and Equipment	(52,886)	(28,518)	-	(81,404)
Total Depreciation	<u>(72,659)</u>	<u>(35,565)</u>	<u>-</u>	<u>(108,224)</u>
Capital Assets, Net of Depreciation	<u>\$ 221,903</u>	<u>\$ 16,885</u>	<u>\$ -</u>	<u>\$ 238,788</u>

8. 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.

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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.

9. 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.

10. 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.

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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 multiple-employer 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](http://www.ohsers.org) under Employers/Audit Resources, or visiting 300 East Broad Street, Suite 100, Columbus, Ohio, 43215-3746.

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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 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 was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$61,316, \$39,022, and \$28,382 respectively; 100% percent has been contributed for fiscal years 2015, 2014, and 2013.

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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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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 or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal, 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

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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 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

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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 \$170,496, \$106,642, and \$98,743, respectively. 100% percent has been contributed for fiscal years 2015, 2014, and 2013.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 347,017	\$ 1,813,397	\$ 2,160,414
Proportion of the Net Pension Liability	0.00959200%	0.00745534%	
Pension Expense	\$ 28,548	\$ 83,777	\$ 112,325

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Difference between expected and actual experience	\$ 4,132	\$ 17,458	\$ 21,590
Academy contributions subsequent to the measurement date, June 30, 2014	<u>61,316</u>	<u>170,496</u>	<u>231,812</u>
Total Deferred Outflows of Resources	<u>\$ 65,448</u>	<u>\$ 187,954</u>	<u>\$ 253,402</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 78,789	\$ 335,485	\$ 414,274
Total Deferred Inflows of Resources	<u>\$ 78,789</u>	<u>\$ 335,485</u>	<u>\$ 414,274</u>



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\$231,812 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	\$ 18,654	\$ 79,507	\$ 98,161
2017	18,654	\$ 79,507	98,161
2018	18,654	\$ 79,507	98,161
2019	18,695	\$ 79,506	98,201
Total	\$ 74,657	\$ 318,027	\$ 392,684

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 are compared 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

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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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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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	\$ 692,597	\$ 347,017	\$ 311,227

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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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	\$ 2,596,074	\$ 1,813,397	\$ 1,151,515

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.

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11. 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](http://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, 4.16 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 \$7,519. During fiscal year 2015, the Academy paid \$7,519 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 \$ 17,499, \$11,595, and

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\$7,950 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 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013, were \$3,155, \$2,063 and \$1,433, 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](http://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, \$9,374, and \$6,167 respectively; 100 percent for fiscal years 2014 and 2013. There was no unpaid contribution for fiscal year 2015.

12. BUILDING LEASE

The Academy leases its facilities from Onlok (formerly the Academy Child) under a lease agreement entered into on October 15, 2010; and was renewed beginning January 1, 2015. The total amount paid during fiscal year 2015 was \$282,620.

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

2016	\$282,624
2017	282,624
2018	282,624
2019	282,624
2020	141,312

Total Minimum Lease Payments            \$1,271,808

13. 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, 14, 2011 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.

14. PURCHASED SERVICES

Technical Services	\$ 80,669
Legal, Accounting, Professional	32,400
	279,775
Transportation	
Rent and Property Services	511,266
Catering	255,411
Sponsor Fees	73,953
Other	26,657
TOTAL	<u>\$ 1,260,131</u>

15. 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	\$2,586,435	\$ -	\$426,021	\$ 2,160,414	\$ -



**ZENITH ACADEMY EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

16. SPONSOR CONTRACT

The Academy entered into a contract continuing through June 30, 2019, with The St. Aloysius Orphanage of Ohio (the Sponsor) for its 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 \$73,953 were paid related to the provision of this contract as of June 30, 2015.

17. MANAGEMENT COMPANY

St. Aloysius Orphanage of Ohio contracts with Charter School Specialists to monitor compliance with the Sponsor contract. The Academy paid Charter School Specialists \$750 in fees during fiscal year 2015.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

18. 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.

19. 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.

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

	<u>2014</u>	<u>2013</u>
Academy's Proportion of Net Pension Liability	0.009592%	0.009592%
Academy's Proportionate Share of the Net Pension Liability	\$ 347,017	\$ 426,329
Academy's Covered-Employee Payroll	\$ 278,729	\$ 202,729
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	124.50%	210.30%
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 East  
Schedule of the Academy's Proportionate Share of Net Pension Liability  
State Teachers Retirement System of Ohio  
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
Academy's Proportion of Net Pension Liability	0.00745534%	0.00745534%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,813,397	\$ 2,160,107
Academy's Covered-Employee Payroll	\$ 761,728	\$ 705,307
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.06%	306.26%
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

See notes to financial statements.

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 61,316	\$ 39,022	\$ 28,382	\$12,974	\$ 28,782
Contributions in Relation to the Contractually Required Contribution	(61,316)	(39,022)	(28,382)	(12,974)	(28,782)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 437,971	\$278,729	\$202,729	\$92,671	\$205,586
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

Source: School Employees Retirement System

See notes to financial statements.

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 170,496	\$ 106,642	\$ 98,743	\$ 72,761	\$ 58,375
Contributions in Relation to the Contractually Required Contribution	(170,496)	(106,642)	(98,743)	(72,761)	(58,375)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 1,217,828	\$ 761,728	\$ 705,307	\$ 519,721	\$ 416,964
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

Source: State Teachers Retirement System

See notes to financial statements.

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Grant Award Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>				
<b><i>Passed Through Ohio Department of Education:</i></b>				
Child Nutrition Cluster:				
School Breakfast Program	2015	10.553	\$ 97,768	\$ 97,768
National School Lunch Program	2015	10.555	183,099	183,099
Total Child Nutrition Cluster			<u>280,867</u>	<u>280,867</u>
Fresh Fruit and Vegetable Program	2015	10.582	16,646	16,646
<b>Total U.S. Department of Agriculture</b>			<b><u>297,513</u></b>	<b><u>297,513</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>				
<b><i>Passed Through Ohio Department of Education:</i></b>				
Title I Grants to Local Educational Agencies Program	2014	84.010	48,069	17,993
	2015		161,581	160,057
Total Title I Grants to Local Educational Agencies Program			<u>209,650</u>	<u>178,050</u>
Special Education_Grants to States Program	2014	84.027	3,016	-
	2015		36,711	36,810
Total Special Education_Grants to States Program			<u>39,727</u>	<u>36,810</u>
English Language Acquisition Grants Program	2014	84.365	4,783	-
	2015		23,588	23,115
Total English Language Acquisition Grants Program			<u>28,371</u>	<u>23,115</u>
Improving Teacher Quality State Grants Program	2014	84.367	1,282	-
	2015		1,263	1,263
Total Improving Teacher Quality State Grants Program			<u>2,545</u>	<u>1,263</u>
<b>Total U.S. Department of Education</b>			<b><u>280,293</u></b>	<b><u>239,238</u></b>
<b>Totals</b>			<b><u>\$ 577,806</u></b>	<b><u>\$ 536,751</u></b>

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

ZENITH ACADEMY EAST  
FRANKLIN COUNTY

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

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Zenith Academy East'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.





# Dave Yost • Auditor of State

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

Zenith Academy East  
Franklin County  
2261 South Hamilton Road  
Columbus, Ohio 43232

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 East, 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 31, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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*.

#### ***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.

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

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

May 31, 2016



# Dave Yost • Auditor of State

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

Zenith Academy East  
Franklin County  
2261 South Hamilton Road  
Columbus, Ohio 43232

To the Board of Directors:

### ***Report on Compliance for Each Major Federal Program***

We have audited Zenith Academy East'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 Zenith Academy East's major federal program 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 program.

### ***Management's Responsibility***

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

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

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program 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 program. 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 East complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

**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**  
Auditor of State  
Columbus, Ohio

May 31, 2016

**ZENITH ACADEMY EAST  
FRANKLIN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

ZENITH ACADEMY EAST  
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; <b><i>Explain</i></b>
2014-001	Financial statement adjustments	No	Repeated in report letter to management.



# Dave Yost • Auditor of State

ZENITH ACADEMY EAST

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