ZENITH ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

ZENITH ACADEMY
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Zenith Academy
Franklin County
4606 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

We have audited the accompanying basic financial statements of Zenith Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Zenith Academy, Franklin County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditures schedule is required by 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2010

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, 2009. 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 2009 are as follows:

- Net assets increased $140,754.

- Total assets increased $173,108 or 15.75 percent, due primarily to $138,415 increase in capital assets and a $46,028 increase in intergovernmental receivables.

- Total liabilities increased $32,354, due to the Ohio Department of Education's (ODE) review of enrollment data and full-time equivalency (FTE) calculations.

- The Academy had operating revenues of $2,854,741, operating expenses of $3,498,849, and non-operating revenues, consisting of federal and state grants, of $784,862.

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 Assets and Statement of Revenues, Expenses, and Change in Net Assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets 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 Assets and the Statement of Revenues, Expenses, and Change in Net Assets 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 assets and change in those assets. This change in net assets 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 7 and 8 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 9 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 below provides a summary of the Academy's net assets for 2009 compared to 2008:

Table 1
Net Assets

	2009	2008
Assets:		
Current and Other Assets	$401,247	$366,552
Capital Assets, Net of Depreciation	870,668	732,254
Total Assets	$1,271,915	$1,098,807
Liabilities:		
Current Liabilities	$251,032	$218,678
Total Liabilities	$251,032	$218,678
Net Assets:		
Invested in Capital Assets	$870,669	$732,254
Unrestricted	150,215	147,875
Total Net Assets	$1,020,883	$880,129

As previously mentioned, total assets increased $140,754 or 15.75 percent, due to $138,415 increase in capital assets. There was also an increase of $46,028 in intergovernmental receivables.

Total liabilities increased $32,354, due to the overpayment of $36,194 upon review of the Academy's enrollment data and FTE calculations by ODE.

Cash and capital assets represented 93 percent 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 assets for fiscal years 2009 and 2008:

Table 2
Change in Net Assets

	2009	2008
Operating Revenues:		
Foundation	$2,850,545	$2,625,271
Miscellaneous	4,196	16,772
Total Operating Revenues	2,854,741	2,642,043
Operating Expenses:		
Salaries	1,591,483	1,586,237
Fringe Benefits	433,731	420,034
Purchased Services	1,208,484	1,200,456
Materials and Supplies	172,703	146,706
Depreciation	61,056	42,867
Other	103,392	93,528
Total Operating Expenses	3,498,849	3,489,828
Operating (Loss)	(644,108)	(847,785)
Non-Operating Revenues:		
Grants	784,862	768,916
Total Non-Operating Revenues	784,862	768,916
Change in Net Assets	140,754	(78,869)
Net Assets at Beginning of Year	880,129	958,998
Net Assets at End of Year	$1,020,883	$880,129

Fiscal year 2009 was the Academy's fourth full year in operation. This led to increases in revenues in foundation revenues, and the increase in expenditures for employee salaries benefits, and purchased services.

Operating foundation revenues and non-operating federal and state grants represent over 99 percent of the total revenues of the Academy.

Employee salaries and benefits, and purchased service expenditures represent 92.4 percent 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 and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Academy had $870,668 invested in leasehold improvements, furniture and equipment, and vehicles. Table 3 shows fiscal year 2009 balances compared to 2008:

Table 3
Capital Assets (Net of Depreciation)

	2009	2008
Leasehold Improvements	$763,853	$648,471
Furniture and Equipment	81,385	49,510
Vehicles	25,430	34,273
Totals	$870,668	$732,254

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 ASSETS
JUNE 30, 2009

Assets	
Current Assets:	
Cash	$312,069
Intergovernmental Receivable	89,178
Total Current Assets	401,247
Non-current Assets:	
Capital Assets, net of Accumulated Depreciation	870,668
Total Non-current Assets	870,668
Total Assets	$1,271,915
Liabilities	
Current Liabilities:	
Intergovernmental Payable	$126,311
Accrued Wages & Benefits	124,721
Total Liabilities	$251,032
Net Assets	
Invested In Capital Assets	$870,668
Unrestricted	150,215
Total Net Assets	$1,020,883

The accompanying notes to the basic financial statements are an integral part of this statement.

ZENITH ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Foundation	$2,850,545
Miscellaneous	4,196
Total Operating Revenues	2,854,741
Operating Expenses:	
Salaries	1,519,483
Fringe Benefits	433,731
Purchased Services	1,208,484
Materials and Supplies	172,703
Depreciation	61,056
Other	103,392
Total Operating Expenses	3,498,849
Operating (Loss)	(644,108)
Non-Operating Revenues:	
Grants	784,862
Total Non-Operating Revenues	784,862
Change in Net Assets	140,754
Net Assets Beginning of Year	880,129
Net Assets End of Year	$1,020,883

The accompanying notes to the basic financial statements are an integral part of this statement.

ZENITH ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:	
Cash Received for School Foundation Payments	$2,886,739
Other Cash Receipts	4,196
Cash Payments to Employees for Services	(1,522,508)
Cash Payments for Employee Benefits	(434,546)
Cash Payments to Suppliers for Goods and Services	(1,381,187)
Other Cash Payments	(103,392)
Net Cash Used for Operating Activities	(550,698)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants	738,834
Net Cash Provided by Noncapital Financing Activities	738,834
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(199,470)
Net Cash Used in Capital and Related Financing Activities	(199,470)
Net Decrease in Cash	(11,334)
Cash Beginning of Year	323,403
Cash End of Year	$312,069
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating Loss	($644,108)
Adjustments:	
Depreciation	61,056
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(3,025)
Intergovernmental Payable	35,379
Total Adjustments	93,410
Net Cash Used by Operating Activities	($550,698)

The accompanying notes to the basic financial statements are an integral part of this statement.

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NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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 its 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). 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Change in Net Assets; 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 assets, financial position, and cash flows.

B. Measurement Focus

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Assets. The Academy did not have any investments as of June 30, 2009.

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. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets (Continued)

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Academy did not have any restricted net assets at June 30, 2009.

H. 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.

I. Estimates

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

NOTE 3 - NEW GASB PRONOUNCEMENTS

For Fiscal Year 2009, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments”, and Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the American Institute of Certified Public Accountants’ (AICPA) Statements on Auditing Standards”.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of GAAP for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the AICPA and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 - DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2009, $102,071 of the Academy's bank balance of $352,071 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by FDIC.

The Academy has a deposit policy for custodial credit risk in accordance with the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 5 - RECEIVABLES

At June 30, 2009, receivables consisted of intergovernmental receivables of $89,178 from the Ohio Department of Education for the Nutrition Cluster. The receivables are expected to be collected in full within one year.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital Assets:				
Leasehold Improvements	$687,256	$143,394	$0	$830,650
Furniture and Equipment	75,817	56,076	0	131,893
Vehicles	38,801	0	0	38,801
Total Capital Assets	801,874	199,470	0	1,001,344
Less Depreciation:				
Leasehold Improvements	(38,785)	(28,012)	0	(66,797)
Furniture and Equipment	(26,307)	(24,201)	0	(50,508)
Vehicles	(4,528)	(8,843)	0	(13,371)
Total Depreciation	(69,620)	(61,056)	0	(130,676)
Capital Assets, Net of Depreciation	$732,254	$138,414	$0	$870,668

NOTE 7 - RISK MANAGEMENT

A. 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 2009, the Academy contracted with Ohio Casualty Insurance Company for property and general liability insurance with a $1,000,000 single occurrence limit, $2,000,000 annual aggregate, and $1,000 deductible.

NOTE 7 - RISK MANAGEMENT (Continued)

A. Property and Liability Insurance (Continued)

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.

B. 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 $2,191 for this premium on January through June 2009 wages. This liability is reflected in the Statement of Net Assets at June 30, 2009.

NOTE 8 - EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross and Blue Shield and Guardian Dental Guard Preferred. 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio, 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate for the Academy is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was used to fund pension obligations. 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. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were $92,125, $64,916, and $32,013, respectively; 65.9 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. $31,450 represents the unpaid contribution for fiscal year 2009.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, 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 to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60: the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were $137,599, $132,659, and $71,771, respectively; 83.9 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. No contributions to the DC or Combined Plans for fiscal year 2009 were made by the Academy or by plan members. $22,193 represents the unpaid contribution for fiscal year 2009.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

C. 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. As of June 30, 2009, all members of the Board of Directors have elected Social Security. Board members contributed 6.2 percent of their wages, and the Academy also contributed an amount equal to 6.2 percent.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. 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 is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2009, 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. For 2009, this amount was $35,800.

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, 2009, 2008, and 2007, were $45,223, $10,357, and $11,427, respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. $14,393 represents the unpaid contribution for fiscal year 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, 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, 2009, 2008, and 2007, were $7,876, $4,747, and $1,635, respectively; 51 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. $2,595 represents the unpaid contribution for fiscal year 2009.

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. 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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were $10,755, $5,521, and $1,420, respectively; 82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. $1,878 represents the unpaid contribution for fiscal year 2009.

NOTE 11 - BUILDING LEASE

The Academy leases its facilities from the Academy Kids Learning Center, Inc. under a five year lease agreement. This lease is effective August 1, 2005 and expires August 31, 2010. The monthly rent is based on the square footage of the facilities. In July 2009, an addendum to the lease was signed for additional space, increasing the monthly rent to $15,189. Another lease for additional space was entered into in December 2009, resulting in a total rent payment of $24,573 per month. The total amount paid during fiscal year 2009 was $323,411.

NOTE 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, 2008 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.

NOTE 13 - PURCHASED SERVICES

At June 30, 2009 purchased service expenses were as follows:

Professional and Technical Services	$390,751
Pupil Transportation	152,764
Rent and Property Services	473,271
Legal, Accounting, Professional	28,000
Catering	163,698
Total	$1,208,484

NOTE 14 - SPONSOR CONTRACT

The Academy entered into a five-year contract commencing on April 6, 2006 and continuing through June 30, 2011 with The Educational Resource Consultants 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 $80,198 were paid related to the provision of this contract as of June 30, 2009.

NOTE 15 - 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

B. Full Time Equivalency

ODE conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for the year ended June 30, 2009 resulted in an overpayment of $36,194.

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ZENITH ACADEMY
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through Ohio Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	$ 99,282	$ 99,282
National School Lunch Program	10.555	183,258	183,258
Total Nutrition Cluster		282,540	282,540
Fresh Fruit and Vegetable Program	10.582	2,842	2,842
Total U.S. Department of Agriculture		**285,382**	**285,382**
U.S. DEPARTMENT OF EDUCATION:			
Passed Through Ohio Department of Education:			
Title 1 Grants to Local Educational Agencies Program	84.010	302,566	314,935
Special Education_Grants to States Program	84.027	62,000	63,618
Safe and Drug-Free Schools and Communities State Grants Program	84.186	3,291	4,325
State Grants for Innovative Programs	84.298	29	334
Education Technology State Grants Program	84.318	349	3,750
English Language Acquistion Grants	84.365	63,436	68,167
Improving Teacher Quality State Grants Program	84.367	8,157	12,537
Total U.S. Department of Education		**439,828**	**467,666**
Totals		**$ 725,210**	**$ 753,048**

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

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Academy's 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 ACCOUNTANTS' 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 the basic financial statements of Zenith Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated January 15, 2010.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated January 15, 2010.

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.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Community School's Sponsor, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2010

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Zenith Academy
Franklin County
4606 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

Compliance

We have audited the compliance of Zenith Academy, Franklin County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Community School's Sponsor, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2010

ZENITH ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other 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 other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Nutrition Cluster (CFDA #10.553 and #10.555) Title 1 (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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009
(Continued)**

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

FINDING NUMBER 2009-001

Significant Deficiency/Material Weakness

Financial Statement Adjustments

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

The Academy had three audit adjustments to the June 30, 2009 financial statements as follows:

- Foundation revenue was understated $36,194,
- Accrued wages and benefits was understated $123,079, and
- Intergovernmental payable was overstated $87,252.

Not presenting financial information accurately resulted in the financial statements requiring the above audit adjustment entries, including additional time and effort to identify the variances and discrepancies.

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

The Academy's financial statements and, where applicable, the accounting records have been adjusted to accurately reflect these adjustments.

The Treasurer should review the audit adjustments identified above to ensure that similar errors are not reported in subsequent years. In addition, the Academy should adopt policies and procedures, including a final review of the financial statements, including the notes and management's discussion and analysis by the Treasurer to identify and correct errors and omissions.

Officials' Response:

Steps will be taken to ensure the accurate presentation of the financial statements, including increased collaboration and review.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

ZENITH ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	To ensure the accurate presentation of the financial statements.	No	Repeated as finding 2009-001.
2008-002	To update the capital assets database for equipment purchased and disposed of.	Yes	
2008-003	To prepare purchase orders for the purchase of supplies and materials.	No	Partially corrected. Reported in the letter to management.
2008-004	To submit accurate information regarding amounts expended to ODE.	Yes	

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Zenith Academy
Franklin County
4606 Heaton Road
Columbus, Ohio 43229

To the Board of Directors

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Zenith Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 26, 2009.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

   (1) A procedure for reporting prohibited incidents;

   (2) A procedure for documenting any prohibited incident that is reported;

(3) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(4) A procedure for responding to and investigating any reported incident;

(5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(7) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2010

Mary Taylor, CPA
Auditor of State

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
FEBRUARY 16, 2010

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