



Dave Yost • Auditor of State



ZENITH ACADEMY  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Zenith Academy  
Franklin County  
4606 Heaton Road  
Columbus, Ohio 43229

To the Board of Directors:

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

We have audited the accompanying financial statements of Zenith Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2014, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zenith Academy, Franklin County, Ohio as of June 30, 2014, 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.

**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*, 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 are 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 March 2, 2015, 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

March 2, 2015

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**ZENITH ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The discussion and analysis of Zenith Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

Net position increased \$377,035 or 36%.

Total assets increased \$481,744 or 37%, due primarily the increase in capital assets of \$283,148.

Total liabilities increased \$104,709 or 44% percent due to an increase in accrued wages and benefits of \$64,323.

The Academy had operating revenues of \$3,178,140, operating expenses of \$3,847,683 and non-operating revenues, consisting of federal and state grants and other non-operating of \$1,046,578.

**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 Position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

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

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

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

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

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

**ZENITH ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Table 1 below provides a summary of the Academy's net position for 2014 compared to 2013:

**Table 1  
Net Position**

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Current and Other Assets	\$788,663	\$590,067
Capital Assets, Net of Depreciation	991,488	708,340
Total Assets	<u>\$1,780,151</u>	<u>\$1,298,407</u>
<b>Liabilities:</b>		
Current Liabilities	\$341,613	\$236,904
Total Liabilities	<u>\$341,613</u>	<u>\$236,904</u>
<b>Net Position:</b>		
Invested in Capital Assets	\$991,488	\$708,340
Unrestricted	447,050	353,163
Total Net Position	<u>\$1,438,538</u>	<u>\$1,061,503</u>

As previously mentioned, total assets increased \$481,744 or 37% due to an increase in capital assets.

Total liabilities increased \$104,709 or 44% due to an increase in accrued wages and benefits.

Cash and capital assets represented 77% of total assets. Capital assets are used to provide services to students and are not available for future spending.

**ZENITH ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Table 2 below shows the changes in net position for fiscal years 2014 and 2013:

**Table 2  
Change in Net Position**

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Foundation	\$3,161,384	\$2,564,617
Miscellaneous	16,756	49,525
Total Operating Revenues	<u>3,178,140</u>	<u>2,614,142</u>
Operating Expenses:		
Salaries	1,656,875	1,366,614
Fringe Benefits	381,211	291,593
Purchased Services	1,625,154	1,350,550
Materials and Supplies	119,733	60,504
Depreciation	61,134	53,229
Other	3,576	17,316
Total Operating Expenses	<u>3,847,683</u>	<u>3,139,806</u>
Operating (Loss)	(669,543)	(525,664)
Non-Operating Revenues:		
Federal/State Grants	1,026,849	800,037
Other	19,729	19,172
Total Non-Operating Revenues	<u>1,046,578</u>	<u>819,209</u>
Change in Net Position	377,035	293,545
Net Position at Beginning of Year	<u>1,061,503</u>	<u>767,958</u>
Net Position at End of Year	<u>\$1,438,538</u>	<u>\$1,061,503</u>

Fiscal year 2014 was the Academy's ninth full year in operation. Some federal programs were 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 99% of the total revenues of the Academy.

Employee salaries and benefits, and purchased service expenditures represent 95% of the total expenses.

**Budgeting**

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

**ZENITH ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Capital Asset Administration**

Capital Assets

At the end of fiscal year 2014, the Academy had \$991,488 invested in leasehold improvements, furniture and equipment, and vehicles. Table 3 shows fiscal year 2014 balances compared to 2013:

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

	<u>2014</u>	<u>2013</u>
<i>Nondepreciable Capital Assets</i>		
Construction in Progress	\$75,000	\$0
<i>Depreciable Capital Assets</i>		
Leasehold Improvements	763,747	690,225
Furniture and Equipment	<u>152,741</u>	<u>18,115</u>
Totals	<u>\$991,488</u>	<u>\$708,340</u>

For more information, see Note 5 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 email [aatashfeen@yahoo.com](mailto:aatashfeen@yahoo.com).

ZENITH ACADEMY  
FRANKLIN COUNTY

STATEMENT OF NET POSITION  
JUNE 30, 2014

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<b>Assets</b>	
<i>Current Assets:</i>	
Cash	\$ 380,866
Intergovernmental Receivable	340,252
Prepaid Items	<u>67,545</u>
<i>Total Current Assets</i>	<u>788,663</u>
<i>Noncurrent Assets:</i>	
Capital Assets not Being Depreciated	75,000
Capital Assets, Net of Accumulated Depreciation	<u>916,488</u>
<i>Total Noncurrent Assets</i>	<u>991,488</u>
Total Assets	<u><u>1,780,151</u></u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	34,832
Accrued Wages and Benefits	254,556
Intergovernmental Payable	<u>52,225</u>
Total Liabilities	<u><u>341,613</u></u>
<b>Net Position</b>	
Invested in Capital Assets	991,488
Unrestricted	<u>447,050</u>
Total Net Position	<u><u>\$ 1,438,538</u></u>

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 POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Operating Revenues:</b>	
Foundation	\$ 3,161,384
Miscellaneous	16,756
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Total Operating Revenues	3,178,140
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<b>Operating Expenses:</b>	
Salaries	1,656,875
Fringe Benefits	381,211
Purchased Services	1,625,154
Materials and Supplies	119,733
Depreciation	61,134
Other	3,576
	<hr/>
Total Operating Expenses	3,847,683
	<hr/>
Operating Loss	(669,543)
<b>Non-Operating Revenues:</b>	
State and Federal Grants	1,026,849
Other Non-Operating	19,729
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Total Non-Operating Revenues	1,046,578
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Change in Net Position	377,035
Net Position Beginning of Year	1,061,503
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Net Position End of Year	\$ 1,438,538
	<hr/> <hr/>

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, 2014**

<b>Cash Flows from Operating Activities:</b>	
Cash Received from Foundation	\$ 3,136,280
Other Cash Receipts	16,756
Cash Payments to Employees for Services	(1,592,552)
Cash Payments for Employee Benefits	(357,855)
Cash Payments for Goods and Services	(1,795,401)
Other Cash Payments	<u>(3,576)</u>
Net Cash Used in Operating Activities	<u>(596,348)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
State and Federal Grants	849,167
Other Non-Operating	<u>19,729</u>
Net Cash Provided by Noncapital Financing Activities	<u>868,896</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	<u>(344,282)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(344,282)</u>
Net Decrease in Cash	(71,734)
Cash Beginning of Year	<u>452,600</u>
Cash End of Year	<u><u>\$ 380,866</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (669,543)
<b>Adjustments:</b>	
Depreciation	61,134
<b>(Increase) in Assets:</b>	
Intergovernmental Receivable	(25,104)
Prepaid Items	(67,545)
<b>Increase in Liabilities:</b>	
Accounts Payable	17,031
Accrued Wages and Benefits	64,323
Intergovernmental Payable	<u>23,356</u>
Total Adjustments	<u>73,195</u>
Net Cash Used in Operating Activities	<u><u>\$ (596,348)</u></u>

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

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**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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) which was renewed for an additional year in 2011 and 2012. The contract was renewed for three years beginning July 1, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the sponsor contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

**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. 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 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 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 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.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**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 Position. The Academy did not have any investments as of June 30, 2014.

**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, excluding construction in progress, 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

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Net Position**

Net position represents the difference between assets and liabilities. 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, 2014.

**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 - 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, 2014, \$211,967 of the Academy's bank balance of \$461,967 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposits of money had been followed, noncompliance with Federal requirement, could potentially subject the Academy to a successful claim by the FDIC. There are no significant restrictions regarding the deposits of funds by the Academy.

**NOTE 4 - RECEIVABLES**

At June 30, 2014, receivables consisted of intergovernmental receivables of \$340,252 from the Ohio Department of Education for grants and entitlements.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Nondepreciable Capital Assets:</b>				
Construction in Progress	\$0	\$75,000	\$0	\$75,000
<b>Total Nondepreciable Capital Assets</b>	<b>0</b>	<b>75,000</b>	<b>0</b>	<b>75,000</b>
<b>Depreciable Capital Assets:</b>				
Leasehold Improvements	884,858	108,450	0	993,308
Furniture and Equipment	170,628	160,832	0	331,460
Vehicles	38,801	0	0	38,801
<b>Total Depreciable Capital Assets</b>	<b>1,094,287</b>	<b>269,282</b>	<b>0</b>	<b>1,363,569</b>
<b>Total Capital Assets</b>	<b>1,094,287</b>	<b>344,282</b>	<b>0</b>	<b>1,438,569</b>
<b>Less Depreciation:</b>				
Leasehold Improvements	(194,633)	(34,929)	0	(229,562)
Furniture and Equipment	(152,513)	(26,205)	0	(178,718)
Vehicles	(38,801)	0	0	(38,801)
<b>Total Depreciation</b>	<b>(385,947)</b>	<b>(61,134)</b>	<b>0</b>	<b>(447,081)</b>
<b>Capital Assets, Net of Depreciation</b>	<b>\$708,340</b>	<b>\$283,148</b>	<b>\$0</b>	<b>\$991,488</b>

**NOTE 6 - 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 2014, 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.

**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 approximately \$3,863 for this premium on January through June 2014 wages. This liability is reflected in the Statement of Net Position at June 30, 2014.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 7 - 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.

**NOTE 8 - 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 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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 52,397, \$95,412, and \$109,740 respectively; 85.1% percent has been contributed for fiscal year 2014. The full amount has been contributed for fiscal years 2013 and 2012.

**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](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. 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.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. State Teachers Retirement System (Continued)**

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 - Chapter 3307 of the Ohio revised code provides statutory authority for member and employer contributions. Contribution rates are established by State Teachers Retirement Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent beginning July 1, 2013 and will increase one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Academy's required contributions for pension obligations STRS Ohio for the DB Plan for the fiscal years ended June 30, 2014, 2013 and 2012 were \$214,935, \$175,142, and \$137,070, respectively. 84.9 percent has been contributed for fiscal year 2014, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**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.

**NOTE 9 - 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 9 - POSTEMPLOYMENT BENEFITS (CONTINUED)**

**A. School Employees Retirement System (Continued)**

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 2014, 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 2014, this amount was \$20,250. During fiscal year 2014, the Academy paid \$5,778 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, 2014, 2013, and 2012, were \$ 15,596, \$13,129, and \$13,295 respectively; 85.1 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, 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, 2014, 2013, and 2012, were \$2,807, \$4,740, and \$2,397, respectively; 85.1 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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](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 2013, 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, 2014, 2013, and 2012, were \$15,395, \$12,510, and \$8,151 respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. There was no unpaid contribution for fiscal year 2014.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 10 - BUILDING LEASE**

The Academy leases its facilities from W Ltd. under two five-year lease agreements entered into on September 1, 2010; and was combined into one lease agreement for five years beginning September 1, 2012. The total amount paid during fiscal year 2014 was \$378,542.

The following minimum lease payments will be made for fiscal year ending: Fiscal Year Ending June 30:

Fiscal Year Ending June 30:	
2015	\$378,542
2016	378,542
2017	378,542
2018	63,090
Total Minimum Lease Payments	<u>\$1,198,716</u>

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

The following minimum lease payments will be made for fiscal year ending:

Fiscal Year Ending June 30:	
2015	\$216,000
2016	216,000
2017	216,000
2018	216,000
2019	216,000
Total Minimum Lease Payments	<u>\$1,080,000</u>

**NOTE 11 - TAX EXEMPT STATUS**

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

**NOTE 12 - PURCHASED SERVICES**

For the period of July 1, 2013 through June 30, 2014 purchased service expenses were as follows:

Technical Services	\$120,017
Pupil Transportation	381,237
Rent and Property Services	599,254
Legal, Accounting, Professional	121,974
Catering	279,362
Professional Development	30,250
Sponsor Fees	93,060
Total	<u>\$1,625,154</u>

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 13 - SPONSOR CONTRACT**

The Academy entered into a three-year contract commencing on July 1, 2013 and continuing through June 30, 2015 with The Educational Resource Consultants of Ohio (the Sponsor) for 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 \$93,060 were paid related to the provision of this contract as of June 30, 2014.

**NOTE 14 - RELATED PARTY TRANSACTION**

The Academy employed Asheer Tashfeen, the son of the Executive Director, as EMIS Coordinator. The Academy paid \$30,000 in 2014 for services related to the position.

**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, the effect of, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

**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. Results from the review for the year ended June 30, 2014 resulted in additional funds owed to the Academy, which is reported as intergovernmental receivable.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 15 - CONTINGENCIES (Continued)**

**C. Community Schools**

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted are not yet available, but ODE believes this will result in receivables to the schools affected.

**NOTE 16 – SUBSEQUENT EVENT**

On August 25, 2014, the Board approved an interest free loan of \$200,000 for one year from Board Member Jamal Naiyer for the cost of construction/renovation of the new facility located at 3385 South Boulevard on the West Side of Columbus.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Grant Award Year	Federal CFDA Number	Receipts	Expenditures
Program Title				
<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	2014	10.553	\$ 120,107	\$ 120,107
National School Lunch Program	2014	10.555	223,204	223,204
Total Child Nutrition Cluster			<u>343,311</u>	<u>343,311</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>343,311</u></b>	<b><u>343,311</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	2013	84.010	33,196	61,459
	2014		149,897	200,840
Total Title I Grants to Local Educational Agencies Program			<u>183,093</u>	<u>262,299</u>
Special Education Grants to States Program	2013	84.027	23,535	13,506
	2014		30,705	38,361
Total Special Education Grants to States Program			<u>54,240</u>	<u>51,867</u>
English Language Acquisition Grants Program	2013	84.365	13,924	12,542
	2014		41,377	50,588
Total English Language Acquisition Grants Program			<u>55,301</u>	<u>63,130</u>
Improving Teacher Quality State Grants Program	2013	84.367	3,785	2,697
ARRA - Race to the Top Program	2013	84.395	22,335	8,484
	2014		180,942	292,937
Total ARRA - Race to the Top Program			<u>203,277</u>	<u>301,421</u>
<b>Total U.S. Department of Education</b>			<b><u>499,696</u></b>	<b><u>681,414</u></b>
<b>Totals</b>			<b><u>\$ 843,007</u></b>	<b><u>\$ 1,024,725</u></b>

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

ZENITH ACADEMY  
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



# 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  
Franklin County  
4606 Heaton Road  
Columbus, Ohio 43229

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Zenith Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 2, 2015.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2014-003.

### **Academy's Responses to Findings**

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 2, 2015



# Dave Yost • Auditor of State

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

Zenith Academy  
Franklin County  
4606 Heaton Road  
Columbus, Ohio 43229

To the Board of Directors:

### Report on Compliance for Each Major Federal Program

We have audited Zenith Academy's (the Academy's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

**Basis for Qualified Opinion on the Nutrition Cluster and Race to the Top Programs**

As described in findings 2014-004 and 2014-005 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-004	10.553 / 10.555	Child Nutrition Cluster	Activities Allowed or Unallowed & Allowable Cost/Cost Principles
2014-005	84.395	Race to the Top Program	Activities Allowed or Unallowed & Allowable Cost/Cost Principles

Compliance with these requirements is necessary, in our opinion, for the Academy to comply with the requirements applicable to these programs.

The Academy's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

**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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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's 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-004 and 2014-005 to be material weaknesses.

The Academy's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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.

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

March 2, 2015

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ZENITH ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster (CFDA 10.553 / 10.555); and  Race to the Top Program (CFDA 84.395)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

ZENITH ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)

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

**Finding Number 2014-001**

**Financial Statement Adjustments - Material Weakness**

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

The following adjustments were identified in the Academy's financial statements at June 30, 2014:

- Intergovernmental Receivable was understated by \$28,862,
- Construction in Progress was understated by \$75,000,
- Accrued Wages and Benefits were understated by \$22,052, and
- The Cash Flows Statement, State and Federal grants were overstated \$58,054 while Cash Payments for Employee Benefits were understated \$6,838.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit adjustments, including the additional time and effort to identify the variances and discrepancies.

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

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

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

**Official's Response:**

The Academy will implement corrective actions to the finding to ensure improved GAAP accounting principles are followed.

**Finding Number 2014-002**

**Cash Reconciliation - Significant Deficiency**

The Academy's cash balance totaled \$380,866 at June 30, 2014. The Treasurer performs monthly reconciliations between the bank activity and the Academy's accounting records; however, two unidentified reconciling items in the June 30, 2014 reconciliation between the bank to book totaled \$8,503. This reconciling item has been consistently carried on the books since 2010. Bank reconciliations are prepared by the Treasurer and a copy of the reconciliation is provided to the Board for approval.

ZENITH ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)

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

**Finding Number 2014-002 (Continued)**

**Cash Reconciliation - Significant Deficiency (Continued)**

Strong monitoring practices of the Academy's financial activities are the responsibility of management and are essential to help ensure proper financial reporting. Reconciliations should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Additionally, the Board should review the bank to book reconciliations and evidence of these reviews should be documented.

An accurate bank to book reconciliation should be performed monthly and reconciling items and/or errors should be identified and reviewed by someone independent of the reconciliation process to help ensure timely follow up and corrective action. We also recommend unidentified reconciling items be investigated to resolve bank to book differences.

**Official's Response:**

The Academy will implement corrective action to the reconciliation process.

**Finding Number 2014-003**

**Finding for Recovery Repaid Under Audit**

Compensation for services performed by Joshua Swift extended beyond the amount stipulated in his contract.

From April 7, 2014 through June 5, 2014, the Academy agreed to compensate Joshua Swift on the last working day of each month \$2,600. Mr. Swift left employment after his contract expired.

Mr. Swift was correctly compensated in accordance with his contract through June, 2014; however, two additional checks were written to Mr. Swift during the months of July and August for \$2,600 each.

Upon review of the ADP Reports, the Executive Director made hand written notes stating that July and August's paychecks were to be voided. Mr. Swift's August's paycheck was properly voided; however, the month of July's paycheck was delivered and cashed.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joshua Swift in the amount of \$2,600, and in favor of the Academy's Operating Fund.

On February 10, 2015, \$2,600 was repaid in full by Ashfaq A. Tashfeen, Executive Director, and the money was deposited into Zenith Academy's Operating Fund.

**Official's Response:**

No response to this finding was received.

ZENITH ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)

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

**Noncompliance Finding / Questioned Costs / Material Weakness – Allowable Costs/Cost Principles and Activities Allowed**

<b>Finding Number</b>	2014-004
<b>CFDA Title and Number</b>	Child Nutrition Cluster (CFDA #10.553 and #10.555)
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**2 CFR 225, Appendix B subsection 8.h.** requires a government maintain support of salaries and wages for individuals paid from Federal Funds. These standards regarding time distribution are in addition to the standards for payroll documentation.

Where employees are expected to work on a Federal award or cost objective, charges for their salaries and wages need to be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications need to be prepared at least semi-annually and need to be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

The Academy did not maintain semi-annual certifications for the seven employees paid from Federal Funds for work performed associated with the National School Lunch Program (NSLP). Through review of personnel files, we determined that five of the employees worked in the cafeteria and were allowed to receive payment through the NSLP program.

However, we identified two administrative employees' salaries and benefits were charged to the NSLP program in the amount of \$36,777. These employees previously charged 100% of their time to administrative costs; however, during the year, their time was re-assigned to food service program costs. As a result, questioned costs are issued for \$36,777 for unallowable costs charged to the NSLP program.

We recommend Academy employees whose work is paid exclusively from federal funds complete semi-annual certificates and the Academy maintain this documentation for review. All employees that charge to federal funds should be approved according to grant guidelines; controls should be incorporated over the approval process.

ZENITH ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Noncompliance Finding / Questioned Costs / Material Weakness - Allowable Costs / Cost Principles & Activities Allowed**

<b>Finding Number</b>	2014-005
<b>CFDA Title and Number</b>	Race to the Top Program (CFDA #84.395)
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**34 CFR 299.2(b)(3)** states that funds received under the ESEA are not to be used for general expenses required to carry out other responsibilities of State and local governments. Additionally, 20 USC 6623(A) defines the eligible uses of funds that may be carried out with grant funds.

The Academy expended Race to the Top (RttT) Funds on light bulbs, a copier lease, and for an upgrade to the teachers supply room that should have been paid from other State or local funds.

Of the amount we tested, \$5,347 was paid for unallowable services and improperly charged to the RttT program. Based on sampling, the projected questioned cost is \$26,724.

The Academy should ensure the allowability of Federal expenditures at the time they are made and ensure that all expenditures are properly supported and meet the allowable cost principles.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

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>
2013-001	Financial statement adjustments	No	Repeated as Finding 2014-001
2013-002	Finding for recovery for overcompensation of wages - ORC 117.38	No	A similar comment was issued as Finding 2014-003.

**ZENITH ACADEMY  
FRANKLIN COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-004	The Academy will require that semi-annual certifications and time and effort sheets (if applicable) will be completed for FY15.	June 30, 2015	Ashfaq A. Tashfeen, Executive Director and Randy Bryant, Treasurer
2014-005	The Academy will implement corrective actions to the findings to ensure all Federal expenditures are properly supported.	March 1, 2015	Ashfaq A. Tashfeen, Executive Director and Randy Bryant, Treasurer

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# Dave Yost • 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  
APRIL 7, 2015