PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Community Learning Center
Hamilton County
7030 Reading Road, Suite 350
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the accompanying financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Phoenix Community Learning Center, Hamilton County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, 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 July 9, 2009, on our consideration of the Center'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.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 9, 2009

PHOENIX COMMUNITY LEARNING CENTER
Management Discussion and Analysis
June 30, 2008
Unaudited

The discussion and analysis of Phoenix Community Learning Center's (the PCLC) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the PCLC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the PCLC's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- The assets of the PCLC exceeded its liabilities at year-end by $384,862. Of this amount, $345,722 may be used to meet the PCLC's ongoing obligations to students and creditors.
- In total, net assets increased by $222,097.
- Total assets increased by $204, 603, which represents a 40% increase from the prior year. The increase is primarily due to controlled expenses for the fiscal year.

Using This Financial Report

This financial report contains the basic financial statements of the PCLC, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows. As the PCLC 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.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

PHOENIX COMMUNITY LEARNING CENTER
Management Discussion and Analysis
June 30, 2008
Unaudited

This statement reports the PCLC's net assets, however, in evaluating the overall position and financial viability of the PCLC, non-financial information such as the condition of the PCLC building and potential changes in the laws governing charter PCLCs in the State of Ohio will also need to be evaluated.

The following table presents a condensed summary of the PCLC's overall financial position at June 30, 2008 and June 30, 2007.

	2008	2007
Current and other assets	$658,211	$422,480
Capital assets	53,717	84,844
Total assets	711,928	507,324
Current liabilities	327,066	344,560
Total liabilities	327,066	344,560
Net assets:		
Invested in capital assets, net of debt	53,717	84,844
Unrestricted	345,722	77,920
Total net assets	$384,862	$162,764

Total net assets of the PCLC increased by $222,097 compared with a decrease of $361,011 in the prior year. The increase in total net assets from fiscal year 2007 relate to the cost of personnel. By focusing on the mission of the PCLC, the administration controlled costs in key areas during the fiscal year. The PCLC saw a decrease in capital assets as the majority of the decrease can be attributed to the continued depreciation of the PCLC's equipment.

Statement of Revenues, Expenses, and Changes in Net Assets

The following table represents a condensed summary of the PCLC's activities for the years ended June 30, 2008 and 2007.

	2008	2007
Revenues:		
Operating revenues:		
State Foundation	$2,283,673	$2,148,921
DPIA	218,181	368,645
Charges for services	5,555	10,736
Other operating revenues	15,679	15,442
Non-operating revenues:		
Interest	293	0
Federal grants	507,178	384,267
State grants	12,541	17,500
Total revenues	3,043,100	2,945,511
Expenses:		
Operating expenses:		
Salaries and wages	1,254,006	1,508,968
Fringe benefits	436,961	617,249
Purchased services:		
Professional and technical services	282,709	149,067
Property services	335,049	334,647
Communications	18,953	22,059
Utilities	57,439	56,084
Food Service	188,554	95,401
Other	105,787	18,463
Materials and supplies	61,496	51,840
Depreciation	45,077	31,994
Other expenses	34,972	18,983
Total expenses	2,821,003	2,904,755
Change in net assets	222,097	40,756
Ending Net Assets	$384,862	$162,764

Revenues increased due to federal grant allocations being more than the prior year by 32%. The PCLC concentrated on reducing expenses overall and did so 6%. Much of that decrease was attained through changes in staffing levels although the cost of benefits to the remaining employees actually increased.

Capital Assets

At June 30, 2008, the PCLC had $53,717 invested in a broad range of capital assets, including leasehold improvements, furniture, and equipment.

Capital Assets at Year-End (Net of Depreciation)

	2008	2007
Leasehold improvements	$0	$0
Equipment and furniture	53,717	84,844
Total	$53,717	$84,844

The decrease of $31,127 in net assets invested in capital assets results from recognizing current year depreciation of capital assets greater than the additions of computers. See Note 5 of the notes to the basic financial statements for more detailed information on the PCLC's capital assets.

Contacting the PCLC

This financial report is designed to provide a general overview of the finances of the Phoenix Community Learning Center and to show the PCLC's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Phoenix Community Learning Center
7030 Reading Road, Suite 350
Cincinnati, OH 45237
(513) 351-5801

PHOENIX COMMUNITY LEARNING CENTER
STATEMENT OF NET ASSETS

JUNE 30, 2008

Assets:	
Current assets:	
Cash	$ 560,832
Intergovernmental receivable	82,379
Total current assets	643,211
Noncurrent assets:	
Security deposit	15,000
Capital assets, net depreciation	53,717
Total noncurrent assets	68,717
Total Assets	711,928
Liabilities:	
Current liabilities	
Accounts payable	23,329
Accrued wages and benefits	260,732
Intergovernmental payable	43,005
Total current liabilities	327,066
Net Assets:	
Invested in capital assets, net of related debt	53,717
Unrestricted	345,722
Total net assets	$ 384,862

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2008

Operating Revenues:	
State foundation	$2,283,673
DPIA	218,181
Tuition and Fees	205
Extracurricular Activities	3,555
Charges for services	1,795
Other operating revenues	15,679
Total operating revenues	2,523,088
Operating Expenses:	
Salaries and wages	1,254,006
Fringe benefits	436,961
Purchased Services:	
Professional and tehnical services	282,709
Property services	335,049
Communications	18,953
Utilities	57,439
Food services	188,554
Other	105,787
Materials and supplies	61,496
Depreciation	45,077
Other expenses	34,972
Total operating expenses	2,821,003
Operating Income	(297,915)
Nonoperating revenues/(expenses):	
Interest Income	293
Federal grants	507,178
State grants	12,541
Total nonoperating revenues/(expenses)	520,012
Change in net assets	222,097
Net assets, beginning of year	162,765
Net assets, end of year	$ 384,862

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
Statement of Cash Flows

Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$2,285,957
Cash received from State of Ohio - DPIA	218,181
Cash received from customers	5,555
Cash received from other operating revenues	30,729
Cash payments for personal services	(1,730,857)
Cash payments for contract services	(961,462)
Cash payments for supplies and materials	(71,190)
Cash payments for other expenses	(44,329)
	(267,416)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	463,520
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(13,950)
Cash flows from investing activities:	
Investment income	293
Net change in cash and cash equivalents	182,447
Cash and Cash Equivalents at beginning of year	378,385
Cash and Cash Equivalents at end of year	$560,832

Reconciliation of operating income to net cash used by operating activities:

Operating loss	(297,915)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	45,077
Change in assets and liabilities:	
Accounts receivable	15,050
Intergovernmental receivable	1,925
Accounts payable	7,835
Accrued wages and benefits	(51,273)
Intergovernmental payable	11,885
Net cash used by operating activities	$ (267,416)

See accompanying notes to the basic financial statements

This page intentionally left blank.

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Phoenix Community Learning Center, Hamilton County, Ohio (PCLC) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific, and related teaching service. The PCLC has been determined by the Internal Revenue Service to be a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The PCLC, which is part of the State's education program, is independent of any school district. The PCLC may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the PCLC.

The PCLC was approved for operation under a Community School Contract (Contract) with the Ohio State Board of Education (Sponsor) for a period of five years commencing July 1, 2001. Effective July 1, 2005, the Fordham Foundation took over sponsorship of the PCLC under a five year agreement. The PCLC began operations on July 1, 2001. The Sponsor is responsible for evaluating the PCLC's performance and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The PCLC operates under a self-appointing, multi-member Board of Directors (the Board) consisting of seven (7) members. Exhibit III of the PCLC's Community School Contract, specifies that vacancies arising on the Board may be filled by the appointment of successors by a majority of the then existing directors. The Board is responsible for carrying out the provisions of the Contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The PCLC has one instructional/support facility staffed by teaching personnel, which provides services to approximately 362 students.

Mr. Luther Brown and Dr. Glenda Brown are the founders of the PCLC. Mr. Luther Brown, Board Chairman, is the husband of Dr. Glenda Brown, Superintendent and non-voting Board member.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The PCLC's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The PCLC 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 School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the PCLC's accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

The PCLC uses enterprise accounting to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities is defined as net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. BUDGETARY PROCESS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code, Chapter 5705, unless specifically provided in a school's contract with its sponsor. The Contract between the PCLC and the Sponsor prescribes a budgetary process for the PCLC requiring the Superintendent, Business Manager/Treasurer, and the Board to review the financial statements on a monthly basis. In addition, the PCLC is required to prepare an updated forecast on a monthly or quarterly basis.

D. CASH

All cash received by the PCLC is maintained in demand deposit accounts. The PCLC had no investments during the fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 value as of the date received. The PCLC maintains a capitalization threshold of $500. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are expensed.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the capital assets. Improvements to the leased building are depreciated over the remaining life of the lease. The PCLC does not possess any infrastructure.

F. INTERGOVERNMENTAL REVENUES

The PCLC currently participates in the State Foundation Program and Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in which they are earned, essentially the same as the fiscal year.

Federal and state grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the PCLC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the PCLC on a reimbursement basis.

The PCLC participates in other various federal programs through the Ohio Department of Education. These include the National School Lunch Program, Title I, Title II, Drug Free, Title VI, and Title VI-R.

G. 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 these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. SECURITY DEPOSIT

The PCLC entered into a lease for the use of a building space for the PCLC's administration. This lease required a security deposit of $15,000 to be paid at its signing. This amount is held by the lessor and will be returned to the PCLC at the lease's expiration.

I. 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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net assets are available.

3. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the PCLC's deposits may not be returned to it. The PCLC's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pooled collateral. At June 30, 2008, the PCLC had a carrying value of $560,578. The bank balance was $502,463, of which $100,000 was covered through the Federal Depository Insurance Corporation (FDIC). The remaining $402,463 was covered under a pooled collateral agreement.

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2008, consisted of intergovernmental grants. All intergovernmental receivables are considered collectible in full given the stable condition of State programs and the current fiscal year guarantee of federal funds. The principle items of intergovernmental receivables as of June 30, 2008 are as follows:

Intergovernmental Receivable	Amount
School lunch program	$15,665
Title VI-B Grant	21,626
Title I Grant	27,892
Drug Free Grant	2,936
Reducing Class Size Grant	1,864
Miscellaneous Federal Grants	262
Total	$70,245

5. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2008 is as follows:

	Balance 7/1/07	Additions	Disposals	Balance 6/30/08
Leasehold improvements	$684,289	$0	$0	$684,289
Equipment and furniture	298,248	13,950	(21,001)	291,197
Totals at historical cost	982,537	13,950	(21,001)	975,486
Less accumulated depreciation:				
Leasehold improvements	684,289	22,738	0	707,027
Equipment and furniture	213,404	5,553	(4,215)	214,472
Total accumulated depreciation	897,693	28,291*	(4,215)	921,769
Capital assets, net	$84,844	($14,341)	($16,786)	$53,717

*The depreciation expense presented in the financial statements has been increased to include a correction of prior year capital assets. (See total disposals in the table above)

6. RISK MANAGEMENT

A. Property Liability

The PCLC is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural diasters. For fiscal year 2008, the PCLC contracted with Western World Insurance Company for personal business property and general liability insurance. The policy's general aggregate each occurrence limit is $2,000,000 with $210,000 for personal business and a $0 deductible. The PCLC has non-profit directors and officer's liability insurance (D&O) and employment practices liability (EP) through United States Liability Insurance Company with a $1,000,000 (both) and $2,500 deductible for D&O and $5,000 deductible for EP. There has been no reduction in coverage from the prior year and settled claims have not exceeded PCLC's coverage in any of the past three years.

B. Workers' Compensation

The PCLC pays the State Workers' Compensation System a premium for each employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor calculate by the State.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The PCLC contributes to the School Employees Retirement System (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 and 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 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the PCLC is required to contribute at an actuarially determined rate. The current PCLC rate is 14% of annual covered payroll. A portion of the PCLC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.82 of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The PCLC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were approximately $41,520, $52,853, and $58,641, respectively; 100% has been contributed for 2008 and 100% has been contributed for 2007 and 2006 fiscal years.

B. State Teachers Retirement System

The PCLC 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 E. Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

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 contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 1.5% 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.

7. DEFINED BENEFIT PENSION PLANS (Continued)

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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired ton December 31, 2001. 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.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10.0% of their annual covered salaries. The PCLC was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The PCLC's required contributions for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006, were approximately $149,866, $158,945, and $159,090, respectively; 88% has been contributed for 2008 and 100% has been contributed for 2007 and 2006 fiscal years.

8. POSTEMPLOYMENT BENEFITS

The PCLC provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

8. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribute rate, currently 14% of covered payroll. For the year ended June 30, 2007, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the PCLC, this amount was approximately $10,276 during fiscal year 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was $4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.18 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at $35,800. For the PCLC, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year approximately $12,094.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were $158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of $295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

All employees receive 5 sick days and 2 personal days per school year. Employees are not permitted to carry over balances at year end; therefore, there is no liability for accrued compensated absences.

B. Employee Medical and Dental Benefits

The PCLC has purchased insurance from Anthem Blue Cross/Blue Shield to provide employee medical/surgical and dental benefits. The PCLC pays 75% for a single premium rate, 73% for single plus one premium, and 71.6% for the family premium rate.

10. OPERATING LEASE

The PCLC leases its building from the Allen Temple Real Estate Foundation. The lease is for a period of five years beginning July 1, 2001. The minimum future lease payments remaining under this operating lease as of June 30, 2005, based on 37,223 square footage of rental space. The final year of the lease was 2006; however, the Center is continuing operating the facility under a month to month extension that they paid $263,028 for in 2008.

11. CONTINGENCIES

A. Grants

The PCLC 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 PCLC. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the PCLC at June 30, 2008.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2008, as a result of such review.

12. BOARD MEMBERS

Board members receive a $100 stipend per meeting effective September 2005. Mr. Caleb Brown, vice-chairman of the PCLC board, is also the PCLC's attorney. Mr. Anthony Robinson, PCLC board member, is employed by Key Bank which is the depository for PCLC.

13. RELATED PARTY TRANSACTIONS

Dr. Glenda Brown, Superintendent/Board Member, and Mr. Luther Brown, Board President, who are co-founders of PCLC, are married. Dr. Glenda Brown received stipends of $17,500 during the fiscal year.

The PCLC hired Dr. Glenda Brown's niece Ms. Jevelyn Latham Hubbard as a Literacy Consultant at a rate of $120 per hour. Ms. Jevelyn Latham was paid $4,400 during the fiscal year. The District employed Geraldine Latham as a consultant and was paid $14,000 during the fiscal year.

14. SUBSEQUENT EVENTS

The PCLC purchased property located at 3595 Washington Avenue, Cincinnati, Ohio 45229 on Monday September 29, 2008 for $4,023,184. The building purchase price was $1,500,000 and the remaining $2,523,184 is for renovations. The PCLC obtained a loan from Self-Help Ventures Fund in the amount of $3,623,000 to assist with the purchase of this property.

15. COMPLIANCE

The PCLC did not present accurate reconciliations for its bank account to fund balances as required by Ohio Administrative Code Section 117-02(A)(D).

The PCLC did not execute purchase orders in accordance with their sponsor contract with the Thomas B. Fordham Foundation.

The PCLC failed to keep accurate records of student attendance in accordance with Ohio Rev. Code Section 3314.03(A)(6)(b).

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

Phoenix Community Learning Center
Hamilton County
7030 Reading Road, Suite 350
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the basic financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2008, and have issued our report thereon dated July 9, 2009. 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 Center'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 Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center'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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Center'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 Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001, and 2008-003 through 2008-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center'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. However, of the significant deficiencies described above, we believe findings number 2008-001 and 2008-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Center's management in a separate letter dated July 9, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Center'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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-002 through 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated July 9, 2009.

We intend this report solely for the information and use of the management, Board of Director's, and the sponsor, Thomas B. Fordham Foundation. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 9, 2009

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Material Weakness

Establishing and monitoring capital asset policies and procedures are important controls for the Center to safeguard capital assets and provide information necessary for logistical decisions, planning capital purchases, maintaining adequate insurance coverage, and providing evidence in case of theft or loss.

Although the Center financial statement notes indicate that the Center "maintains a capitalization threshold of $500" the Center has not developed a Board approved capital assets or inventory policy to establish proper accounting and controls for capital assets and has not maintained accurate capital asset ledgers.

We noted the following conditions regarding capital assets during the June 30, 2007 audit. They were immaterial and therefore not posted to the June 30, 2007 financial statements or accounting records, however the Center posted these items to their June 30, 2008 financial statements and accounting records:

- The Center listed 50 Gateway desktop computers at $775 each on their capital asset listing and included these amounts on the financial statements. We could only locate 39 of these computers, and these 39 computers were not were not tagged or being used by the students or teachers;

- We could not locate an "Olympic bar", "a Toshiba laptop" or an "elliptical machine" valued on the capital asset inventory listing at $1,120, $1,500 and $600 respectively.

These conditions resulted in the following audit adjustments, which the Center recorded on the financial statements.

	Account	Debit	Credit
11 Gateway computers on capital asset listing at $775 each; not located	Capital Assets		$8,525
	Accumulated depreciation	$1,705	
Olympic bar could not be located	Capital Assets		1,120
	Accumulated depreciation	240	
Toshiba laptop could not be located	Capital Assets		$1,500
	Accumulated depreciation	300	
Elliptical machine could not be located	Capital Assets		$600
	Accumulated depreciation	120	
Total		**$2,365**	**$11,745**

We also noted the following conditions that did not result in audit adjustments:

- The Center provided an invoice for 45 Dell laptop computers purchased for $13,950 (unit cost of $310), but listed 70 Dell laptop computers valued at $13,945 (unit cost of $199) on their capital asset listing. These 45 computers were not tagged or being used by the students or teachers.

- Ten printers still in the unopened boxes and untagged were not accounted for on any capital asset or inventory listing.

FINDING NUMBER 2008-001
(Continued)

- 30 printers were not tagged or being used by the students or teachers and were not accounted for on any capital asset or inventory listing.

- Five fax machines were not tagged or in use and were not accounted for on any capital asset or inventory listing.

- The items listed above were not accounted for on any capital asset or inventory listing.

We recommend the Center establish a capital asset policy to be approved and adopted by the Board and monitored by Center management. The capital asset policy should at a minimum include:

- Procedures for tagging and recording valuation and pertinent information for all assets received meeting the Center's capitalization criteria;

- Policies for maintaining a detailed capital asset subsidiary ledger with the information noted above as well as the depreciation calculation of each asset.

- Procedures for recording capital asset values and related depreciation in the annual financial statements.

The lack of a fixed asset system and established procedures to monitor asset additions and deletions increases the risk that errors, theft or fraud may occur and not be detected in a timely manner.

We recommend that the Center utilize a fixed asset tracking and valuation system. This system should provide supporting documentation on each fixed asset. Such information should include, but not be limited to, date of purchase or acquisition, brief description of the asset; location of asset; identification number; purchase price; estimated useful life; disposition date, and amount received on disposition. The system should categorize assets by major type (e.g., land, buildings, equipment) and should summarize the amount invested in fixed assets by major type. The system should also record and summarize depreciation expense and accumulated depreciation for each fixed asset. The system should provide for perpetual updating of this information.

Officials' Response:

The School has a capital asset policy and is in the process of updating the tracking and valuation system.

FINDING NUMBER 2008-002

Noncompliance

The Center did not comply with **File DHA** of the Phoenix Community Learning Center's Policy and Exhibit 2 – Financial Plan Purchasing Section of the Thomas B. Fordham Foundation Contract as follows:

FINDING NUMBER 2008-002
(Continued)

- The policy manual states under purchase procedures that an employee will receive an approved "Purchase Order" when a service or good has been deemed acceptable to purchase. Per our review of the Center's purchase orders, the purchase order is deemed not approved if the Treasurer and the Superintendent have not signed that they approve the expenditure. In fiscal year 2008, 70 out of approximately 464 (15%) of the expenditures we reviewed either did not have a purchase order for the expenditure or did not have the purchase order authorized before the expense was incurred. The value of the expenditures that did not have an authorized purchase order for the expenditure was $74,443.

Failure of the Superintendent to approve and submit a purchase order to the Treasurer for the Center's expenditures and failure of the Treasurer to require a purchase order be submitted and approved before payment of expenditures can result in overspending funds and negative cash fund balances.

Although a community school is not required to encumber funds, the Center's sponsor does require the Center to issue a purchase order for expenditures. By executing a purchase order the Center will be in compliance with the sponsor contract and this will also help certify the availability of funds before making purchases and can help prevent the Center from over spending monies in its funds.

Controls are in place for non-payroll cash disbursements but during testing, we noted the control to have the purchase requisition signed by the Superintendent and Treasurer was not adhered to consistently.

During testing, we noted that 100% of expenditures tested did not have the appropriate signatures of the Superintendent and Treasurer on the purchase requisition. We also noted that the signatures on the purchase requisitions appear to be photocopied and not actual signatures for fiscal year 2008. Failure to have the purchase requisition properly approved can lead to overspending of funds and/or misuse of funds. We recommend all purchase requisitions be approved and reviewed by the Superintendent before preparing a purchase order.

Officials' Response:

The Superintendent and Treasurer will add additional controls to ensure an approved "Purchase Order" is in place for all purchases. Please note: All expenditures for the 2007-2008 fiscal year were approved by the Superintendent and Treasurer.

FINDING NUMBER 2008-003

Noncompliance/Significant Deficiency

Ohio Rev. Code, Section 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student. In the 2007-2008 school year, the Center provided 6.5 hours of instruction per day and therefore a student could not have more than 18 consecutive non-excused absences days before being withdrawn.

The Center's management is responsible for accurately entering and maintaining student information in the Ohio Department of Education (ODE) Community School Average Daily Membership (CSADM) database. The student files maintained by the Center should substantiate student enrollment and withdrawal dates. Additionally, the student files should be maintained with all the appropriate documentation to support the student's enrollment in the school.

FINDING NUMBER 2008-003
(Continued)

Due to the lack of an attendance policy and student records not being properly maintained, additional procedures were performed to determine student attendance. The Center lacked documentation to demonstrate compliance with the above requirement.

- For fiscal year 2008, of the 30 students tested, only three (10%) student's enrollment date per CSADM agreed with the DASCL system. One student (3%) was on the CSADM but not on the Data Analysis for Student Learning (DASL) system.
- Three files examined did not contain the social security card.
- Two files examined did not contain a shot record.
- One file examined did not contain a proof of residency.
- Two files examined did not contain a report card.
- Three files examined did not contain a withdrawal form.

Failure to accurately update the CSADM database to reflect actual students enrolled and in attendance at the Center could lead to funding overpayment from the Ohio Department of Education. We recommend the Center establish control procedures to monitor and update the CSADM database to accurately reflect all students enrolled and in attendance at the Center. We recommend the Center establish control procedures to ensure all student files and attendance records accurately reflect the student grades, attendance, and withdrawal/enrollment information.

This matter will be referred to the Ohio Department of Education.

Officials' Response:

The School will establish "additional" control procedures to monitor and update the CSADM/SOES database during the 2009-2010 school year. (Note: This auditor recommendation wasn't provided to the School until after the close of the 2008-2009 school year.)

FINDING NUMBER 2008-004

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02(A)(D), states all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

At June 30, 2008, the Center's fund balance per the financial records was more than the bank balance by $1,909.74, and the reconciliation provided by the Center contained general and payroll bank account reconciling items due to the incorrect usage of the payroll account totaling $181,611. We compared total receipts and expenses per the bank statements for the year to the books to gain assurance that the items listed were not on the books and were reconciling items between the two bank accounts.

FINDING NUMBER 2008-004
(Continued)

In addition, we noted variances between three weeks to three months in the check dates and the dates the checks were deposited to the bank for 26 of 60 or 43% totaling $29,048.12 of tested receipts. Failure to deposit checks at a date closer to the receipt of the check can lead to inadequate funds available for other expenditures and lead to loss or theft of checks.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes and take corrective action. We noted areas for which monitoring controls performed by management should be established. There was no documented review and approval of monthly bank reconciliations for fiscal year 2007.

If no review or approval of the monthly reconciliation is performed incorrect amounts may not be detected and could result in negative fund balances. Having a system in place for review and approval, can allow for errors and discrepancies to be detected and corrected in a timely manner. An effective monitoring control system should be implemented to assist management in detecting material misstatements in financial information. This would include the Board reviewing and approving bank reconciliations. Reviewing monthly reports allows the Board to evaluate the budget and the efficiency of the departments. These reviews and approvals should be noted in the Board minutes.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been properly posted to the bank, and that all transactions with the bank have been recorded to their records. Failure to post all transactions and to reconcile the book balance to the bank balance on a regular basis increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection.

Failure to accurately prepare and reconcile the accounting records reduces the accountability over Center funds and reduces the Board's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Center's financial statements will be misstated.

We recommend that the Treasurer perform reconciliations between the bank balance and computer generated general ledger balance. The reconciled checking and payroll account balance (bank balance, less outstanding checks, plus deposits in transit) plus each investment balance should equal the total fund balance. All reconciling variances should be investigated and corrected. We further recommend reconciling variances be documented and corrected monthly. We also recommend that a board member review and sign off on the reconciliation monthly thereby indicating approval and assist in the timeliness of reconciliations.

Officials' Response:

The reconciliations identified by the auditors during this audit were simply debits and credits between the two (main and payroll) bank accounts for the School. There was no material impact on the School's financial statements. The School's bank reconciliations are provided in the monthly board financial reports.

FINDING NUMBER 2008-004
(Continued)

Auditor of State Conclusion:

While we recognize the majority of adjustments on the bank reconciliation presented for audit totaling $181,611 were between the general and payroll accounts, the Center took 8 months to provide us with documentation to support these and other adjustments, and to verify that the adjustments were actually made after the fiscal year end. As noted above, the Center's financial records were still not reconciled to the bank at June 30, 2008, and based on subsequent reconciliations provided by the Center in June 2009 the Center's adjustments between the general and payroll accounts were not completely resolved and recorded on the Centers reconciliations and financial records until December 2008.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2007-001	Finding for recovery against William Wallace	Yes	
2007-002	Finding for recovery against Luther Brown	Yes	
2007-003	Finding for recovery against Glenda Brown and Michael Ashmore	No	
2007-004	Ohio Rev. Code Section 149.351, Destruction of records.	No	Moved to management letter
2007-005	Significant deficiency - Failure to maintain capital asset records.	No	Reissued as Finding 2008-001
2007-006	Compliance/Significant deficiency – Failure to approve purchase orders.	No	Reissued as Finding 2008-002
2007-007	Ohio Rev. Code Section 3314.03(A)(6)(b), Lack of attendance policy and incomplete student files	No	Reissued as Finding 2008-003
2007-008	Ohio Adm. Code Section 117-2-02 (A)(D), Failure to reconcile.	No	Reissued as Finding 2008-004

The audit of the 2008 financial statements was performed in conjunction with fiscal years 2006 and 2007.

Mary Taylor, CPA
Auditor of State

PHOENIX COMMUNITY LEARNING CENTER

HAMILTON 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
SEPTEMBER 29, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us