PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 3O, 2011

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

To the Board of Directors:

We have audited the accompanying basic financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Community Learning Center, as of June 30, 2011, and the changes in its financial position and its 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 May 9, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.auditor.state.oh.us

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

May 9, 2012

PHOENIX COMMUNITY LEARNING CENTER
Management Discussion and Analysis
June 30, 2011
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, 2011. 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 2011 are as follows:

- The assets of the PCLC exceeded its liabilities at year-end by $511,826. Of this amount, $85,339 was unrestricted for general use by the Center.
- In total, net assets increased by $41,680.
- Total liabilities decreased by $136,517 as the PCLC started to pay down the SELF loan that was used to acquire and renovate the new facility.
- The Center provided service to 381 students, which was greater than the 365 students in 2010.

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.

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 schools 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, 2011 and June 30, 2010.

	2011	2010
Current and other assets	$451,431	$440,751
Capital assets	3,925,569	4,031,086
Total assets	4,377,000	4,471,837
Current liabilities	417,658	488,358
Long term liabilities	3,447,516	3,513,333
Total liabilities	3,865,174	4,001,691
Net assets:		
Invested in capital assets, net of debt	412,458	455,738
Restricted	14,029	0
Unrestricted	85,339	14,408
Total net assets	$511,826	$470,146

Total assets of the PCLC decreased by $94,837 compared with a decrease of $114,087 in the prior year. The decrease for assets mainly resulted from the depreciation ($92,803) on the PCLC building. Liabilities decreased as the PCLC started to pay down the SELF loan and also reporterd $29,662 less in accounts payable at year end. The restricted net asset balance is related to the available cash in the state and federal grants the PCLC receives and is restricted to those programs.

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, 2011 and 2010.

	2011	2010
Revenues:		
Operating revenues:		
State Foundation	$2,328,796	$2,298,268
Poverty Based Assistance	112,657	111,819
Charges for services	1,707	3,371
Other operating revenues	1,500	8,389
Non-operating revenues:		
Interest	0	179
Federal grants	1,131,514	1,185,663
State grants	10,131	10,337
Total revenues	3,586,305	3,618,026
Expenses:		
Operating expenses:		
Salaries and wages	1,634,627	1,569,293
Fringe benefits	530,539	545,709
Purchased services:		
Professional and technical services	382,870	417,049
Property services	100,338	127,740
Communications	33,687	26,097
Utilities	70,861	64,095
Food Service	267,704	236,953
Other	3,841	8,292
Materials and supplies	126,535	143,551
Depreciation	126,759	125,642
Other expenses	3,498	97,292
Non-operating expenses:		
Interest and fiscal charges	263,366	216,353
Total expenses	3,544,625	3,578,165
Change in net assets	41,680	39,861
Ending Net Assets	$511,826	$470,146

Revenues decreased slightly as during 2010 the federal grants was able to receive several ARRA federal grants that expired during 2011. The PCLC's main funding source, state foundation revenue, actually increased due to the increase in students.The PCLC's expenses despite increases made in the staffing levels and benefits (2.4% increase). The main reductions were in the other expense category due to the PCLC focusing on costs that are critical and taking advantage of discounts and other items that helped consolidate expenses into the professional services areas.

Capital Assets

At June 30, 2011, the PCLC had $3,925,569 invested in a broad range of capital assets, including land, construction in progress, buildings, furniture, and equipment.

Capital Assets at Year-End (Net of Depreciation)

	2011	2010
Land	$287,700	$287,700
Buildings	3,526,196	3,618,999
Equipment and furniture	111,673	124,387
Total	$3,925,569	$4,031,086

The PCLC's capital assets decreased as only $21,242 in capital assets were added and the current year depreciation of $126,759 exceeded those additions. See Note 5 of the notes to the basic financial statements for more detailed information on the PCLC's capital assets.

Debt Administration

The PCLC entering into a loan agreement with Self Help Ventures Fund for $3,627,252 of long term loans payable during 2009. The loan will be paid back through operating revenues and matures in fiscal year 2016. The loan carries an annual interest rate of 6.51%. The PCLC retired $62,237 on the obligation during the fiscal year.

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
3595 Washington Avenue
Cincinnati, OH 45229
(513) 351-5801

PHOENIX COMMUNITY LEARNING CENTER
STATEMENT OF NET ASSETS

JUNE 30, 2011

Assets:	
Current assets:	
Cash	$ 221,330
Intergovernmental receivable	126,013
Total current assets	347,343
Noncurrent assets:	
Deferred Charges	104,088
Non depreciable capital assets	287,700
Depreciable capital assets, net	3,637,869
Total noncurrent assets	4,029,657
Total Assets	4,377,000
Liabilities:	
Current liabilities	
Accounts payable	52,269
Accrued wages and benefits	254,642
Intergovernmental payable	45,152
Amount due within one year - loan payable	65,595
Total current liabilities	417,658
Long term liabilities	
Loan payable	3,447,516
Total Liabilities	3,865,174
Net Assets:	
Invested in capital assets, net of related debt	412,458
Restricted	14,029
Unrestricted	85,339
Total net assets	$ 511,826

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, 2011

Operating Revenues:	
State foundation	$ 2,328,796
Poverty Based Assistance	112,657
Charges for services	1,707
Other operating revenues	1,500
Total operating revenues	2,444,660
Operating Expenses:	
Salaries and wages	1,634,627
Fringe benefits	530,539
Purchased Services:	
Professional and tehnical services	382,870
Property services	100,338
Communications	33,687
Utilities	70,861
Food services	267,704
Other	3,841
Materials and supplies	126,535
Depreciation	126,759
Other expenses	3,498
Total operating expenses	3,281,259
Operating Loss	(836,599)
Nonoperating revenues (expenses):	
Interest and Fiscal Charges	(263,366)
Federal grants	1,131,514
State grants	10,131
Total nonoperating revenues	878,279
Change in net assets	41,680
Net assets, beginning of year	470,146
Net assets, end of year	$ 511,826

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
Statement of Cash Flows

Year Ended June 30, 2011

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 2,328,796
Cash received from State of Ohio - Poverty Based Assistance	112,657
Cash received from customers	1,707
Cash received from other operating revenues	1,500
Cash payments for personal services	(2,186,729)
Cash payments for contract services	(900,353)
Cash payments for supplies and materials	(125,038)
Cash payments for other expenses	(3,785)
Net cash used by operating activities	(771,245)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	1,082,748
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(21,242)
Principal paid on loan payable	(62,237)
Interest paid on loan payable	(258,840)
Net cash used for capital and related financing activities	(342,319)
Net change in cash and cash equivalents	(30,816)
Cash and Cash Equivalents at beginning of year	252,146
Cash and Cash Equivalents at end of year	221,330

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

Operating loss	(836,599)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	126,759
Change in assets and liabilities:	
Security deposit receivable	10,000
Intergovernmental receivable	2,875
Accounts payable	(29,662)
Accrued wages and benefits	(20,563)
Intergovernmental payable	(24,055)
Net cash used by operating activities	$ (771,245)

See accompanying notes to the basic financial statements

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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 five (5) 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 37 personnel, which provides services to approximately 381 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.

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.

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 AND RESTRICTED CASH

All monies received by the PCLC are maintained in a demand deposit account. For internal accounting purposes, the cash is segregated into various funds.

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. Buildings are depreciated using the straight-line method over an estimated useful life of forty years. Land and construction in progress are not depreciated. Improvements to the building are depreciated over the remaining life of the building. The PCLC does not possess any infrastructure.

F. INTERGOVERNMENTAL REVENUES

The PCLC currently participates in the State Foundation Program and Poverty Based Assistance (PBA) 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, Breakfast, Title I, Title I ARRA, Title II-A&D, IDEA Part B, Fiscal Stabilization, Title VI-B ARRA and Drug Free.

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.

H. SECURITY DEPOSIT

In the prior year, the PCLC entered into a lease for the use of a building space for the PCLC's administration that was terminated on August 31, 2009. This lease required a security deposit of $15,000 to be paid at its signing. During the fiscal year, the $10,000 balance had been repaid.

I. DEFERRED CHARGES

The PCLC reports deferred charges for all the issuance costs associated with the long term obligation incurred for the acquisition of the land and building. The deferred charges will be amortized over the same schedule as the debt payments.

J. 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.

K. LONG TERM OBLIGATIONS

All payables and long-term obligations are reported on the statement of net assets for PCLC.

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, 2011, the PCLC had a carrying value of $221,300. The bank balance was $234,880 with the entire balance being covered through the Federal Depository Insurance Corporation (FDIC).

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2011, 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, 2011 are as follows:

Intergovernmental Receivable	Amount
Federal Food Subsidy	$27,659
Race to the Top Grant	10,247
Title VI-B ARRA Grant	8,245
Title I and ARRA Grants	63,621
Title II-A Grants	16,241
Total	$126,013

5. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2011 is as follows:

	Balance 7/1/10	Additions	Disposals	Balance 6/30/11
Non-depreciable assets:				
Land	$287,700	$0	$0	$287,700
Depreciable assets:				
Buildings	3,711,802	0	0	3,711,802
Equipment and furniture	425,787	21,242	0	447,029
Total depreciable assets	4,137,589	21,242	0	4,158,831
Less accumulated depreciation:				
Buildings	(92,803)	(92,803)	0	(185,606)
Equipment and furniture	(301,400)	(33,956)	0	(335,356)
Total accumulated depreciation	(394,203)	(126,759)	0	(520,962)
Capital assets, net	$4,031,086	($105,517)	$0	$3,925,569

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 2011 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.

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 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.

7. DEFINED BENEFIT PENSION PLANS (Continued)

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 2011. 11.81 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, 2011, 2010, and 2009 were approximately $28,124, $55,974, and $26,501, respectively; 75% has been contributed for 2011 and 100% has been contributed for 2010 and 2009 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 10.5% 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.

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 on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

7. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2011, 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, 2011, 2010, and 2009 were approximately $167,651, $159,376, and $161,405, respectively; 85% has been contributed for 2011 and 100% has been contributed for 2010 and 2009 fiscal years. Contributions to the DC and Combined Plans for fiscal year 2011 were $0 made by the PCLC and $0 made by the plan members.

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.

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

8. POSTEMPLOYMENT BENEFITS (Continued)

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 post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The PCLC's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $12,896, $12,260, and $12,416 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Plan Description – The PCLC 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 by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care.

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 PCLC's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were $3,405, $2,833, and $12,390 respectively; 75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The PCLC's contributions for Medicare Part B for the fiscal year ended June 30, 2011, 2010, and 2009 were $1,810, $4,680, and $1,924, 75 percent has been contributed for fiscal year 2011 with 100% for fiscal years 2010 and 2009.

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. The PCLC pays 75% for the employee’s rate and 70% of any dependents, including spouses. Dental Care Plus provides dental coverage to all employees with PCLC paying 80% of the premium.

10. 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, 2011.

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 2011, as a result of such review.

11. BOARD MEMBERS

Board members receive a $125 stipend per meeting effective May 2010 and still the effective rate.

12. RELATED PARTY TRANSACTIONS

Dr. Glenda Brown, Superintendent, and Mr. Luther Brown, Board President, who are co-founders of PCLC, are married.

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 Hubbard was paid $10,000 during the fiscal year. The PCLC employed Sherrylon Miree, Dr. Glenda Brown’s niece, during 2011 and was paid $37,281 in salary. The PCLC employeed Jimmy Latham Jr., Dr. Glenda Brown’s nephew, during 2011 and was paid $32,548.

13. LONG TERM LIABILITIES

The changes in the PCLC’s long-term obligations (non-current liabilities) during the year consist of the following:

	Obligation Outstanding 7/01/10	Additions	Reductions	Obligation Outstanding 6/30/11	Amounts Due in One Year
Self Help Venture					
Loan Payable					
6.51% 3/29/2016	$3,575,348	$0	$62,237	$3,513,111	$65,595

The PCLC entered into a loan agreement during 2009 with Self Help Ventures Fund to acquire land and a building for their new facility. The loan is also used to complete renovation of the building for use by the PCLC in fiscal year 2010. The loan will be retired from operating dollars and amortized over a twenty-five year schedule but is due in 2016 with a balloon payment on the final due date.

	Long Term Loan		
Fiscal Year Ending June 30,	Principal	Interest	Total
2012	$65,596	$230,786	$296,382
2013	70,698	225,682	296,380
2014	75,509	220,874	296,383
2015	80,644	215,735	296,379
2016	3,220,664	158,373	3,379,037
Totals	$3,513,111	$1,051,450	$4,564,561

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PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTIRE			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
National school breakfast	10.553	$ 84,917	$ 84,917
National school lunch	10.555	139,562	139,562
Total U.S. Department of Agriculture		$ 224,478	$ 224,479
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education:			
IDEA Part B	84.027	67,103	67,353
IDEA Part B, ARRA	84.391	5	590
Total Special Ed Cluster		67,107	67,943
Education Jobs	84.41	108,522	108,522
Race to the Top	84.395	19,582	29,829
Education Stabilization Fund	84.394	207,043	207,043
Title I:			
Title I, Consolidated	84.010	363,391	387,174
Title I, ARRA	84.389	68,428	72,443
Total Title I Cluster		431,819	459,617
Safe & Drug Free Schools	84.186	329	0
Title II D	84.318	7,912	0
Improving Teacher Quality - Title II-A	84.367	10,566	24,748
Total U.S. Department of Education		$ 852,881	$ 897,702
Total		$ 1,077,359	$ 1,122,180

The accompanying notes are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Phoenix Community Learning Center (the Center) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

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

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

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, 2011 and have issued our report thereon dated May 9, 2012. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.auditor.state.oh.us

We did note certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated May 9, 2012.

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

Dave Yost

Dave Yost
Auditor of State

May 9, 2012

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

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

To the Board of Directors:

Compliance

We have audited the compliance of Phoenix Community Learning Center, Hamilton County, Ohio (the Center), with the types of compliance 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 Phoenix Community Learning Center's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned cost identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Center's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with these requirements.

As described in finding 2011-001 in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding Special Tests and Provisions applicable to its Title I, Part A Cluster, major federal program. Compliance with this requirement is necessary, in our opinion, for the Center to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Phoenix Community Learning Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

The Phoenix Community Learning Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center'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 significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-001 to be a material weakness.

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

We also noted a matter involving federal compliance not requiring inclusion in this report that we reported to the Center's management in a separate letter dated May 9, 2012.

We intend this report solely for the information and use of management, the board of directors, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

May 9, 2012

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**Yes**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Qualified – Title I Cluster** **Unqualified – State Fiscal Stabilization Fund**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**Yes**
(d)(1)(vii)	**Major Programs (list):**	**Title I Cluster – CFDA 84.010; 84.389** **State Fiscal Stabilization Fund CFDA# 84.394**
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance/Material Weakness/Questioned Costs

Finding Number	2011-001
CFDA Title and Number	Title I, Part A Cluster 84.010 and 84.389
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 200.58 requires in part;

a. An LEA must ensure that each paraprofessional who is hired by the LEA after January 8, 2002 and who works in a program supported with Title I, Part A funds meets specific qualification requirements. Paraprofessionals who work in a program supported with Title I, Part A funds and who were hired by an LEA prior to January 8, 2002, had to meet these requirements by the end of the 2005-2006 school year.
The term “paraprofessional” means an individual who provides instructional support; it does not include individuals who have only non-instructional duties (such as providing technical support for computers, providing personal care services, or performing clerical duties). A paraprofessional works in a program supported with Title I, Part A funds if the paraprofessional is paid with Title I, Part A funds in a Title I targeted assistance school or works as a paraprofessional in a schoolwide program school.

b. A paraprofessional must hold a high-school diploma or its recognized equivalent and meet one of the following requirements:
(1) Have completed at least two years of study at an institution of higher education
(2) Have obtained an associate’s or higher degree.
(3) Have met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness.

c. A paraprofessional must have met a rigorous standard of quality, and can demonstrate through a formal state or local academic assessment.

34 CFR 200.59; requires in part that duties of a paraprofessional include one-on-one tutoring for eligible students.

Within the results of our testing, 5 teachers and 3 after school tutors who charged School Wide Title I expenditures, totaling $21,769, did not have documentation available that the Highly Qualified Teacher requirements were met. As a result, we are questioning these expenditures that were charged to Title I in the amount of $21,769.

Therefore, we are questioning total Title I costs of $21,769. We recommend the Center ensure each paraprofessional and after school tutors who charge Title I meet and have documentation available that the Highly Qualified Teacher requirements were met by the school prior to having these individuals charge Title I or any federal program.

The Phoenix School Administrators have been working with the Ohio Department of Education to resolve this situation and have subsequently provided a Corrective Action Plans to the Ohio Department of Education for the 5 of the 8 exceptions noted above.

Official's Response:

A corrective action plan is on file with the Ohio Department of Education.

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PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2011

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	A CAP is already on file with the Ohio Department of Education and contains a review of HR internal procedures, process for hiring HQ teachers and paraprofessionals, annual completion of HQ Toolkit, monitoring IPDPs and providing PD to teachers who may experience a change in assignment, updating HQT component in CCIP annually, developing procurement procedures to meet EDGAR requirements and updating School Board personnel policies regarding HQT.	August 2012	Dr. Glenda Brown

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

To the Board of Directors:

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

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

1. We noted the Board last amended its anti-harassment policy at its meeting on November 19, 2009, however the policy does not include language relating to violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Dave Yost

Dave Yost
Auditor of State

May 9, 2012

Dave Yost • 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
JUNE 12, 2012