PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

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Mary Taylor, CPA
Auditor of State

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, 2009, 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 the Phoenix Community Learning Center, Hamilton County, Ohio, as of June 30, 2009, 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 March 1, 2010, 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.

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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

March 1, 2010

PHOENIX COMMUNITY LEARNING CENTER

Management Discussion and Analysis
June 30, 2009
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, 2009. 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 2009 are as follows:

- The assets of the PCLC exceeded its liabilities at year-end by $430,285. Of this amount, $949,285 was restricted for renovation of the new building.
- In total, net assets increased by $45,423.
- Total assets increased by $3,873,996, as a result of PCLC purchasing land and a building that was renovated for their new location starting in 2010.
- The PCLC incurred long term debt for the first time since inception by entering into a loan agreement with Self Help Ventures Fund for the acquisition and renovation of the new facility.

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, 2009 and June 30, 2008.

	2009	2008
Current and other assets	$1,506,083	$658,211
Capital assets	3,079,841	53,717
Total assets	4,585,924	711,928
Current liabilities	572,778	327,066
Long term liabilities	3,582,861	0
Total liabilities	4,155,639	327,066
Net assets:		
Invested in capital assets, net of debt	401,874	53,717
Restricted	949,285	0
Unrestricted	(920,874)	331,145
Total net assets	$430,285	$384,862

Total assets of the PCLC increased by $3,873,996 compared with an increase of $204,602 in the prior year. The increase for both assets and liabilities can be attributed to activity related to the new facility the PCLC will be moving into during 2010. The land, building and construction in progress has been recorded as an asset with the entire amount of the loan obligation recorded as a liability.

The restricted net asset balance matches the restricted cash balance on the loan obligation the PCLC had not drawn down at June 30, 2009 but was available for withdraw.

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, 2009 and 2008.

	2009	2008
Revenues:		
Operating revenues:		
State Foundation	$2,232,617	$2,283,673
Poverty Based Assistance	327,549	218,181
Charges for services	1,397	5,555
Other operating revenues	45,558	15,679
Non-operating revenues:		
Interest	775	293
Federal grants	472,460	507,178
State grants	8,626	12,541
Total revenues	3,088,982	3,043,100
Expenses:		
Operating expenses:		
Salaries and wages	1,526,298	1,254,006
Fringe benefits	334,473	436,961
Purchased services:		
Professional and technical services	353,157	282,709
Property services	273,337	335,049
Communications	18,394	18,953
Utilities	152,358	57,439
Food Service	217,642	188,554
Other	72,565	105,787
Materials and supplies	60,572	61,496
Depreciation	31,081	45,077
Other expenses	3,682	34,972
Total expenses	3,043,559	2,821,003
Change in net assets	45,423	222,097
Ending Net Assets	$430,285	$384,862

Revenues increased due to Poverty Based Assistance allocations being more than the prior year as a result of changes in the state foundation calculation of the amount. The PCLC concentrated on balancing the budget and increased expenses where it was necessary and could be done so efficiently. After decreasing expenses in the past several years, the PCLC saw them rise just under 8%. Much of that increase was the result changes in staffing levels although the cost of benefits to the employees actually decreased. Utilities also increased as the PCLC was maintaining two buildings for part of the year and increased electrical bills.

Capital Assets

At June 30, 2009, the PCLC had $3,079,841 invested in a broad range of capital assets, including land, construction in progress, leasehold improvements, furniture, and equipment.

Capital Assets at Year-End (Net of Depreciation)

	2009	2008
Land	$287,700	$0
Buildings	1,212,300	
Construction in progress	1,531,615	0
Leasehold improvements	0	0
Equipment and furniture	48,226	53,717
Total	$3,079,841	$53,717

There was little change to net assets invested in capital assets with the inclusion of both the asset and the related debt. The PCLC's capital assets increased significantly from the purchase of the land, building and the construction in progress on the building renovation, which will be completed in 2010. 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 the fiscal year. 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%.

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, 2009

Assets:	
Current assets:	
Cash	$ 168,372
Restricted Cash	1,152,190
Accounts receivable	441
Intergovernmental receivable	56,940
Total current assets	1,377,943
Noncurrent assets:	
Security deposit	15,000
Deferred Charges	113,140
Capital assets, net depreciation	3,079,841
Total noncurrent assets	3,207,981
Total Assets	4,585,924
Liabilities:	
Current liabilities	
Accounts payable	253,054
Accrued wages and benefits	248,020
Intergovernmental payable	27,313
Amount due within one year - loan payable	44,391
Total current liabilities	572,778
Long term liabilities	
Loan payable	3,582,861
Total Liabilities	4,155,639
Net Assets:	
Invested in capital assets, net of related debt	401,874
Restricted	949,285
Unrestricted	(920,874)
Total net assets	$ 430,285

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, 2009

Operating Revenues:		
State foundation	$	2,232,617
Poverty Based Assistance		327,549
Extracurricular Activities		315
Charges for services		1,397
Other operating revenues		45,243
Total operating revenues		2,607,121
Operating Expenses:		
Salaries and wages		1,526,298
Fringe benefits		334,473
Purchased Services:		
Professional and tehnical services		353,157
Property services		273,337
Communications		18,394
Utilities		152,358
Food services		217,642
Other		72,565
Materials and supplies		60,572
Depreciation		31,081
Other expenses		3,682
Total operating expenses		3,043,559
Operating Loss		(436,438)
Nonoperating revenues:		
Interest Income		775
Federal grants		472,460
State grants		8,626
Total nonoperating revenues		481,861
Change in net assets		45,423
Net assets, beginning of year		384,862
Net assets, end of year	$	430,285

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
Statement of Cash Flows

Year Ended June 30, 2009

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 2,232,617
Cash received from State of Ohio - Poverty Based Assistance	327,549
Cash received from customers	1,712
Cash received from other operating revenues	44,802
Cash payments for personal services	(1,882,114)
Cash payments for contract services	(1,000,927)
Cash payments for supplies and materials	(59,454)
Cash payments for other expenses	(76,779)
Net cash used by operating activities	(412,594)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	511,737
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,854,300)
Deferred charges associated with loan payable	(113,140)
Face Value from Loan Proceeds	3,627,252
Net cash provided by capital and related financing activities	659,812
Cash flows from investing activities:	
Investment income	775
Net change in cash and cash equivalents	759,730
Cash and Cash Equivalents at beginning of year	560,832
Cash and Cash Equivalents at end of year	1,320,562

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

Operating loss	(436,438)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	31,081
Change in assets and liabilities:	
Accounts receivable	(441)
Intergovernmental receivable	(5,212)
Accounts payable	26,820
Accrued wages and benefits	(12,712)
Intergovernmental payable	(15,692)
Net cash used by operating activities	$ (412,594)

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 teaching personnel, which provides services to approximately 358 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/RESTRICTED CASH

All cash received by the PCLC is maintained in demand deposit accounts. The PCLC had no investments during the fiscal year. The PCLC reported $1,152,190 in restricted cash as a result of the available funds for the building renovation. The funds were available but not drawn as of June 30, 2009 and therefore are considered restricted.

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 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 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 II-A&D, IDEA Part B 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

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 was returned to the PCLC at the lease's expiration, which occurred during September 2009.

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 at the new location. 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, 2009, the PCLC had a carrying value of $1,320,562. The bank balance was $182,608 was covered through the Federal Depository Insurance Corporation (FDIC). The PCLC had a balance of $1,152,190 under a loan agreement that was available to draw upon for renovation and purchase of their new facility at June 30, 2009. This amount is reported as "restricted cash" on the statement of net assets.

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2009, 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, 2009 are as follows:

Intergovernmental Receivable	Amount
SERS Refund	$5,212
Federal Food Subsidy	25,002
Entry Year Grant	3,462
Title VI-B Grant	3,593
Title I Grant	19,671
Total	$56,940

5. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2009 is as follows:

	Balance 7/1/08	Additions	Disposals	Balance 6/30/09
Non-depreciable assets:				
Land	$0	$287,700	$0	$287,700
Construction in Progress	0	1,531,615	0	1,531,615
Total non-depreciable assets	0	1,819,315	0	1,819,315
Depreciable assets:				
Buildings	0	1,212,300	0	1,212,300
Leasehold improvements	684,289	0	0	684,289
Equipment and furniture	291,197	25,590	0	316,787
Total depreciable assets	975,486	1,237,890	0	2,213,376
Less accumulated depreciation:				
Leasehold improvements	(684,289)	0	0	(684,289)
Equipment and furniture	(237,480)	(31,081)	0	(268,561)
Total accumulated depreciation	(921,769)	(31,081)	0	(952,850)
Capital assets, net	$53,717	$3,026,124	$0	$3,079,841

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 2009 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 2009. 9.09 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, 2009, 2008, and 2007, were approximately \$26,501, \$41,520, and \$52,853, respectively; 100% has been contributed for 2009 and 100% has been contributed for 2008 and 2007 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.

7. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2009, 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, 2009, 2008, and 2007, were approximately $161,405, $149,866, and $158,945, respectively; 89% has been contributed for 2009 and 100% has been contributed for 2008 and 2007 fiscal years. Contributions to the DC and Combined Plans for fiscal year 2009 were $1,501 made by the School District and $3,016 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 School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $12,416, $10,276, and $8,412 respectively; 89 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Plan Description – The School District 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.

8. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.25 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 School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $12,390, $12,094, and $4,659 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2009 and 2008 (2008 was the first year required disclosure) was $1,924 and $2,991, 100 percent has been contributed for fiscal year 2009 with 100% for fiscal year 2008.

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 leased its building from the Allen Temple Real Estate Foundation. The lease was 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 $271,288 for in 2009.

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, 2009.

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 2009, 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, and Mr. Luther Brown, Board President, who are co-founders of PCLC, are married. Dr. Glenda Brown received a bonus of $12,500 during the fiscal year.

13. RELATED PARTY TRANSACTIONS (continued)

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 $12,238 during the fiscal year. The PCLC employed Geraldine Latham, Dr. Glenda Brown's sister, as a consultant and was paid $8,404 during the fiscal year. The PCLC employed Sherrylon Miree, Dr. Glenda Brown's niece, during 2009 and was paid $35,000 in salary.

Board member Mr. Nwankwo serves as a Vice-President with Megen Company involved in renovating the new school facility. Mr. Nwankwo, whose brother is President of Megen Company, abstained from voting or participating on any matters related to the construction contract. The total amount of the contract was $2,530,300 with $1,328,710 being expended by June 30, 2009.

14. LONG TERM LIABILITIES

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

	Obligation Outstanding 7/01/08	Additions	Reductions	Obligation Outstanding 6/30/09	Amounts Due in One Year
Self Help Venture Loan Payable 6.51% 3/29/2016	$0	$3,627,252	$0	$3,627,252	$44,391

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
2010	$44,391	$177,892	$222,283
2011	62,014	234,365	296,379
2012	65,596	230,786	296,382
2013	70,698	225,682	296,380
2014	75,509	220,874	296,383
2015-2016	3,309,044	374,108	3,683,152
Totals	$3,627,252	$1,463,707	$5,090,959

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Mary Taylor, CPA
Auditor of State

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, 2009, and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2009-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Center's management in a separate letter dated March 1, 2010.

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 that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated March 1, 2010.

We intend this report solely for the information and use of the audit committee, management, the Board of Director's, and the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 1, 2010

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

FINDING NUMBER 2009-001

Material Weakness

The Center should maintain an accounting system and accounting records sufficient to enable the Center 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. Center management is responsible for implementing controls to assure the accuracy of the financial statements.

Also, 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 has developed a Board approved capital asset policy and maintains an accounting system, management has not implemented controls to assure the accuracy of the financial statements and capital asset records.

We noted the following conditions:

- In 2009, the Center purchased three parcels of land, which included a building that later was renovated for the Center's new school building and a detached garage used for storage. The Center erroneously recorded these items as land in their capital assets records and disclosed this amount as land in the notes to the financial statements. The market value of these buildings at the time of the purchase was $1,212,300. This error resulted in a proposed adjustment that was required to be made to the financial statements. The statements included in this report and the Center's accounting records have been adjusted to reflect this adjustment.

- The Center capitalized 70 laptops totaling $13,950 that did not meet the Center's capitalization criteria.

- The Center recorded depreciation expense totaling $2,660 for assets that were removed from the capital asset report in fiscal year 2008.

- The Center did not record $202,905 in construction in progress completed at June 30, 2009. This error resulted in a proposed adjustment that was required to be made to the financial statements. The statements included in this report and the Center's accounting records have been adjusted to reflect this adjustment.

- The Center capitalized 10 smart boards totaling $25,590 that were ordered prior to June 30, 2009, however, the items were received and paid for by the Center subsequent to June 30, 2009 and should not have been capitalized.

- The Center recorded interest payments of $71,337 made during the pre-construction and construction phase of their new school building as a deferred charge rather than including it as part of the capitalized value of the asset as required by FASB Statement 34.

FINDING NUMBER 2009-001
(Continued)

- The Center did not include the estimated useful lives for the major classes of depreciable capital assets in its policy.

- The Center erroneously recorded revenue received for poverty based assistance totaling $109,711 as state foundation revenue.

- The Center recorded three months of SERS and STRS expenses deducted from their state foundation revenue as negative receipts rather than fringe benefit expenditures totaling $33,216.

- The Center understated intergovernmental payable totaling $14,712 for SERS and STRS expenditures deducted from their state foundation revenue.

- The Center understated invested in capital assets, net of related debt by $353,648 because it included construction in progress that did not relate to debt. This error resulted in a proposed adjustment that was required to be made to the financial statements. The statements included in this report and the Center's accounting records have been adjusted to reflect this adjustment.

The lack of established accounting control 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 the Center implement controls to assure the accuracy of the financial statements and capital asset records, and revise its capital asset policy and have it adopted by the Board and monitored by Center management. The capital asset policy should be updated to include:

- Policies for maintaining and updating a detailed capital asset subsidiary ledger, as well as the depreciation calculation of each asset.

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

- The estimated useful life for each major class of depreciable capital asset, including buildings.

We also recommend the Center develop policies and procedures for the review of financial activity posted to the accounting records and financial statements.

Officials' Response:

The Center has plans in place for an additional layer of checks and balances to ensure the accuracy of the financial statements and capital asset records. The Center also plans to update the capital asset policy to include specific procedures for recording capital asset values and related depreciation.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2008-001	Failure to maintain capital asset records and establish capital asset policy.	No	Reissued as Finding 2009-001
2008-002	Failure to approve purchase orders and purchase requisitions.	Yes	
2008-003	Ohio Rev. Code Section 3314.03(A)(6)(b), Lack of attendance policy and incomplete student files	Yes	
2008-004	Ohio Adm. Code Section 117-2-02 (A)(D), Failure to reconcile.	Yes	

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Phoenix Community Learning Center
Hamilton County
3595 Washington
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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Phoenix Community Learning Center (the Center) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on August 16, 2007.

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

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

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

   The policy did not define harassment, intimidation, or bullying.

   (3) A procedure for reporting prohibited incidents;

   The policy did not identify a procedure for reporting prohibited incidents.

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

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The policy did not contain a requirement that school personnel report prohibited incidents of which they are aware.

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

The policy did not have a requirement about informing parents or guardians until students are to be expulsed.

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

The policy did not identify a procedure for documenting any prohibited incidents reported.

(7) The policy did not have a procedure for investigating any reported incident;

The policy did not identify a procedure for investigating reported incidents.

(8) The policy did not state a strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

The policy did not state a strategy for protecting a victim from additional harassment, intimidation, or bullying.

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

The policy did not contain a disciplinary procedure for any student guilty of harassment, intimidation or bullying.

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

The policy did not have a requirement for the school administration to provide the president of the school board with a semiannual written summary of all reported incidents.

On November 19, 2009, the Center's Board approved an updated Anti-Harassment, Intimidation, and Bullying Policy. The Center's updated policy included all of the ten requirements mentioned above.

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 the Community School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 1, 2010

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
MARCH 25, 2010

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