RICHARDSON

accounting for your success!®

INDEPENDENT AUDITOR'S REPORT

PHOENIX COMMUNITY LEARNING CENTER

HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

Board of Directors
Phoenix Community Learning Center
6640 Poe Ave Ste 400
Dayton, OH 45414

We have reviewed the *Independent Auditor's Report* of the Phoenix Community Learning Center, Hamilton County, prepared by Richardson & Associates, LLC, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Phoenix Community Learning Center is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

May 19, 2017

This page intentionally left blank

PHOENIX COMMUNITY LEARNING CENTER

HAMILTON COUNTY

TABLE OF CONTENTS

This page intentionally left blank

RICHARDSON
accounting for your success!®

8044 Montgomery Rd. Suite 700| Cincinnati, Ohio 45236

To the Board of Directors
Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and the respective changes in financial position and its cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the *Schedules of the School's Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio* and *State Teachers Retirement System of Ohio,* and *Schedules of School contributions - School Employees Retirement System of Ohio* and *State Teachers Retirement System of Ohio*, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Richardson & Associates, LLC

Richardson and Associates, LLC
Cincinnati, Ohio
March 30, 2017

This page intentionally left blank

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2016
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, 2016. 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 2016 are as follows:

- The assets of the PCLC exceeded its liabilities (less net pension liability and related deferred outflows/inflows) at year-end by $818,812.
- The PCLC reports the financial statements under GASB 68 which reduces the overall net position to ($2,428,892). The PCLC is required to report a net pension liability of $3,277,236 which is one of the components that significantly reduces the PCLC net position. Please see detailed discussion, starting on page 6.
- In total, net position increased by $383,350.
- Total liabilities (excluding net pension liability) decreased by $160,621 as the PCLC continued to pay down the Self-Help loan that was used to acquire and renovate the new facility and balances on the leases.
- The PCLC provides service to 377 (FTE) students.

Using This Financial Report

This financial report contains the basic financial statements of the PCLC, as well as the Management's Discussion and Analysis, notes to the basic financial statements and required supplementary information. The basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, 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.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2016
Unaudited

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 position, 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, 2016 and June 30, 2015.

	2016	2015	Change
Current and other assets	$842,367	$566,033	$276,334
Capital assets	3,369,466	3,480,970	(111,504)
Total assets	4,211,833	4,047,003	164,830
Deferred Outflows of Resources	422,479	249,990	172,489
Current liabilities	3,393,021	3,553,642	(160,621)
Long term liabilities			
Net Pension Liability	3,277,236	2,999,803	277,433
Total liabilities	6,670,257	6,553,445	116,812
Deferred Inflows of Resources	392,947	555,790	(162,843)
Net position:			
Net investment in capital assets	234,872	247,920	(13,048)
Unrestricted	(2,663,764)	(3,060,162)	396,398
Total net position	($2,428,892)	($2,812,242)	$383,350

During 2016, the PCLC adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the PCLC's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the PCLC's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the PCLC is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the PCLC's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The increase for assets resulted from the PCLC seeing the cash balance increase by $187,309 and the receivables increasing over last year as well. Capital assets decreased as current year depreciation exceeding the additions.

The total liabilities, excluding net pension liability, decreased $160,612 as the PCLC continued to pay down the loan on the building and saw the accrued wage liability drop.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2016
Unaudited

Statement of Revenues, Expenses, and Changes in Net Position

The following table represents a condensed summary of the PCLC's activities for the years ended June 30, 2016 and 2015.

	2016	2015	Change
Revenues:			
Operating revenues:			
State Foundation	$2,847,692	$2,467,570	$380,122
Tuition and Fees	1,215	2,308	(1,093)
Charges for services	0	926	(926)
Other operating revenues	2,590	968	1,622
Non-operating revenues:			
Federal grants	729,141	585,660	143,481
State grants	4,589	5,271	(682)
Total revenues	3,585,227	3,062,703	522,524
Expenses:			
Operating expenses:			
Salaries and wages	1,391,436	1,359,248	32,188
Fringe benefits	353,451	388,446	(34,995)
Purchased services:			
Professional and technical services	366,933	349,711	17,222
Property services	166,338	130,960	35,378
Communications	103,854	34,302	69,552
Utilities	48,055	64,777	(16,722)
Food Service	304,379	266,840	37,539
Other	2,345	889	1,456
Materials and supplies	81,672	194,045	(112,373)
Depreciation	129,094	128,216	878
Other expenses	43,288	35,904	7,384
Non-operating expenses:			
Interest and fiscal charges	211,032	220,406	(9,374)
Total expenses	3,201,877	3,173,744	28,133
Change in net position	383,350	(111,041)	$494,391
Ending Net position	($2,428,892)	($2,812,242)	

Revenues increased over 17% as the PCLC received more foundation revenue with the FTE counts increasing almost 9% which also increased grant funding based on more qualifying students. Overall the PCLC's expenses were relatively unchanged. The PCLC saw larger materials and supplies expenses last year as new curriculum was purchased. The reduction in fringe benefits is the result of the net pension entries from the changes provided by the two retirement systems reduced the expense by $57,899.

Capital Assets

At June 30, 2016, the PCLC had $3,369,466 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)

	2016	2015
Land	$287,700	$287,700
Buildings	3,062,181	3,154,984
Equipment and furniture	19,585	38,286
Total	$3,369,466	$3,480,970

The PCLC only had $17,590 of additions for the current year but the current year depreciation was $129,094 resulting in a lower ending balances. See Note 6 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 2017 (initially March 1, 2016 but extended to August 1, 2016). The loan carries an annual interest rate of 6.51%. The PCLC retired $85,856 on the obligation during the fiscal year. The PCLC also paid of the $12,600 principal on the capital lease payable. See notes 14 and 15 to the basic financial statements for more detailed information on the PCLC's debt.

For the Future

The PCLC continues to position itself for providing a healthy environment for the students it serves. Over the past several years since moving into the new facility, the PCLC has seen the full time equivalent student increase each year. With the November 2016 counts, fiscal year 2017 has continued at 391 funded students which should allow the PCLC to continue to operate with a positive margin.

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
Hamilton County, Ohio
Statement Of Net Position
June 30, 2016

Assets:	
Current assets:	
Cash	$ 710,677
Intergovernmental receivable	131,690
Total current assets	842,367
Noncurrent assets:	
Non depreciable capital assets	287,700
Depreciable capital assets, net	3,081,766
Total noncurrent assets	3,369,466
Total Assets	4,211,833
Deferred Outflows of Resources:	
Pension	422,479
Total Deferred Outflows of Resources:	422,479
Liabilities:	
Current liabilities	
Accounts payable	39,765
Accrued wages and benefits	178,095
Intergovernmental payable	40,567
Amount due within one year:	
Loan payable	3,134,594
Total current liabilities	3,393,021
Long term liabilities	
Net Pension Liability	3,277,236
Total long term liabilities	3,277,236
Total Liabilities	6,670,257
Deferred Inflows of Resources:	
Pension	392,947
Total Deferred Inflows of Resources:	392,947
Net Position:	
Net investment in capital assets	234,872
Unrestricted	(2,663,764)
Total Net Position	$ (2,428,892)

See accompanying notes to the basic financial statements

-

Phoenix Community Learning Center
Hamilton County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

Operating Revenues:		
State foundation	$	2,847,692
Tuition and Fees		1,215
Other operating revenues		2,590
Total operating revenues		2,851,497
Operating Expenses:		
Salaries and wages		1,391,436
Fringe benefits		353,451
Purchased Services:		
Professional and tehnical services		366,933
Property services		166,338
Communications		103,854
Utilities		48,055
Food services		304,379
Other		2,345
Materials and supplies		81,672
Depreciation		129,094
Other expenses		43,288
Total operating expenses		2,990,845
Operating Loss		(139,348)
Nonoperating revenues (expenses):		
Interest and fiscal charges		(211,032)
Federal grants		729,141
State grants		4,589
Total nonoperating revenues (expenses)		522,698
Change in net position		383,350
Net position, beginning of year (restated)		(2,812,242)
Net position, end of year	$	(2,428,892)

See accompanying notes to the basic financial statements

-

Phoenix Community Learning Center
Hamilton County, Ohio
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 2,749,468
Cash received from other operating revenues	3,805
Cash payments for personal services	(1,835,985)
Cash payments for contract services	(1,018,413)
Cash payments for supplies and materials	(62,970)
Cash payments for other expenses	(43,288)
Net cash used for operating activities	(207,383)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	721,770
Net cash provided by noncapital financing activities	721,770
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(17,590)
Principal paid on captial lease payable	(12,600)
Interest paid on capital lease payable	(509)
Principal paid on loan payable	(85,856)
Interest paid on loan payable	(210,523)
Net cash used for capital and related financing activities	(327,078)
Net change in cash and cash equivalents	187,309
Cash and cash equivalents at beginning of year	523,368
Cash and cash equivalents at end of year	710,677
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	(139,348)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	129,094
Change in assets and liabilities:	
Intergovernmental receivable	(77,065)
Net Pension Liability	(57,899)
Accounts payable	1,346
Accrued wages and benefits	(23,789)
Intergovernmental payable	(39,722)
Net cash used for operating activities	$ (207,383)

See accompanying notes to the basic financial statements

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 agreement was originally amended for a one year period until June 30, 2011. Currently, the Fordham Foundation and the PLCL are operating under a contract for the period of one year, commencing July 1, 2015 and ending June 30, 2016, with an automatic four-year renewal, effective July 1, 2016 to June 30, 2020. 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 31 personnel, which provides services to approximately 377 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 more significant of the PCLC's accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

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

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

C. BUDGETARY PROCESS

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

D. CASH

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CAPITAL ASSETS AND DEPRECIATION

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The PCLC maintains a capitalization threshold of $500. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are expensed.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the capital assets. 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. Revenue received from this program is recognized as operating revenues in which it is 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, and IDEA Part B.

G. ESTIMATES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. NET POSITION

Net position represents the difference between assets and deferred outflows against liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is 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 position are available.

I. LONG TERM OBLIGATIONS

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

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the PCLC, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the PCLC, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 8)

K. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2016, the PCLC has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the PCLC.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the PCLC.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the PCLC.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the PCLC.’

4. 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, 2016, the PCLC had a carrying value of $710,677. The bank balance was $718,485 with $250,000 of the balance being covered through the Federal Depository Insurance Corporation (FDIC) and $468,485 classified as uninsured for FDIC purposes but covered with pooled collateral through the bank.

5. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2016, 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, 2016 are as follows:

Intergovernmental Receivable	Amount
FTE Adjustments - ODE	$60,932
SERS Refund	16,133
Title VI-B Grant	8,464
Title I Grant	42,874
Title II-A Grant	3,287
Total	$131,690

6. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2016 is as follows:

	Balance 7/1/15	Additions	Disposals	Balance 6/30/16
Non-depreciable assets:				
Land	$287,700	$0	$0	$287,700
Depreciable assets:				
Buildings	3,711,802	0	0	3,711,802
Equipment and furniture	554,225	17,590	0	571,815
Total depreciable assets	4,266,027	17,590	0	4,283,617
Less accumulated depreciation:				
Buildings	(556,818)	(92,803)	0	(649,621)
Equipment and furniture	(515,939)	(36,291)	0	(552,230)
Total accumulated depreciation	(1,072,757)	(129,094)	0	(1,201,851)
Capital assets, net	$3,480,970	($111,504)	$0	$3,369,466

7. 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 2016, the PCLC contracted with Great American Insurance Group for personal business property and general liability insurance. The policy's building insurance limit is $3,000,000 general aggregate each occurrence limit is $1,000,000 with $1,000,000 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. The PCLC also has an employee dishonesty bond of $50,000 through Caldwell Insurance. Liberty Mutual Insurance provides a Treasurer surety bond of $25,000. 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 calculated by the State.

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the PCLC's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

8. DEFINED BENEFIT PENSION PLANS (continued)

The Ohio Revised Code limits the PCLC's obligation for this liability to annually required payments. The PCLC cannot control benefit terms or the manner in which pensions are financed; however, the PCLC does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – The PCLC's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

8. DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the PCLC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The PCLC's contractually required contribution to SERS was $52,104 for fiscal year 2016. Of this amount $9,966 is reported as an intergovernmental payable.

8. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The PCLC's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

8. DEFINED BENEFIT PENSION PLANS (continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The PCLC was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The PCLC's contractually required contribution to STRS was $160,842 for fiscal year 2016. Of this amount $27,794 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The PCLC's proportion of the net pension liability was based on the PCLC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

8. DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$448,733	$2,828,503	$3,277,236
Proportion of the Net Pension Liability	0.007864%	0.01023445%	
Pension Expense	$43,737	$136,182	$179,919

At June 30, 2016, the PCLC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$7,001	$130,010	$137,011
Net difference between projected and actual earnings on pension plan investments	33,579	0	33,579
Changes in proportion share	26,661	0	26,661
Difference between PCLC Contributions and proportionate share of contributions	15,222	0	15,222
PCLC contributions subsequent to the measurement date	49,164	160,842	210,006
Total Deferred Outflows of Resources	$131,627	$290,852	$422,479
Deferred Inflows of Resources			
Difference between PCLC Contributions and proportionate share of contributions	$0	$6,788	$6,788
Changes in proportion share	0	118,090	118,090
Net difference between projected and actual earnings on pension plan investments	44,165	223,904	268,069
Total Deferred Inflows of Resources	$44,165	$348,782	$392,947

$210,006 reported as deferred outflows of resources related to pension resulting from PCLC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

8. DEFINED BENEFIT PENSION PLANS (continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	$9,613	$84,163	$93,776
2018	9,613	84,163	93,776
2019	9,376	84,163	93,539
2020	9,696	(33,717)	(24,021)
Total	$38,298	$218,772	$257,070

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

8. DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

8. DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the PCLC's net pension liability is expected to be significant.

Sensitivity of the PCLC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PCLC's proportionate share of the net pension liability	$622,232	$448,733	$302,633

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

8. DEFINED BENEFIT PENSION PLANS (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

8. DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the PCLC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the PCLC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the PCLC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PCLC's proportionate share of the net pension liability	$3,929,004	$2,828,503	$1,897,865

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The PCLC contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

9. 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contribution to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the PCLC's surcharge obligation was $0.

The PCLC's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $6,172, and $3,145 respectively. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The PCLC's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $10,540 respectively. The full amount has been contributed for fiscal year 2014.

10. 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 80% for the employee’s rate and 75% of any dependents, including spouses. Dental Care Plus provides dental coverage to all employees with PCLC paying 80% of the premium. The PCLC makes vision insurance coverage to employees through Avesis Third Administrators, Inc. which are 100% the employee’s responsibility.

11. CONTINGENCIES

A. Grants

The PCLC received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. 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, 2016.

B. State Funding

The School's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, the PCLC must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

12. BOARD MEMBERS

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

13. RELATED PARTY TRANSACTIONS

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

The PCLC employed Sherrylon Miree, Dr. Glenda Brown's niece, during 2016 and was paid $38,245 in salary.

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the PCLC entered into a capital lease for apple computers totaling $72,939. The terms of the agreement provides an option to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been from the capital outlay object code on a cash basis and these expenses are reclassified on a GAAP basis to interest or principal reduction. Principal payments in fiscal year 2016 totaled $12,600 and interest payments of $509 were the final payments.

15. LONG TERM LIABILITIES

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

	Obligation Outstanding 7/01/15	Additions	Reductions	Obligation Outstanding 6/30/16	Amounts Due in One Year
Self Help Venture					
Loan Payable					
6.51% 3/29/2016	$3,220,450	$0	$85,856	$3,134,594	$3,134,594
Capital Lease Payable	12,600	0	12,600	0	0
Net Pension Liability:					
STRS	2,636,984	191,519	0	2,828,503	0
SERS	362,819	85,914		448,733	0
Total Long Term Liabilities	$6,232,853	$277,433	$98,456	$6,411,830	$3,134,594

15. LONG TERM LIABILITIES (continued)

The PCLC pays net pension obligations related to employee compensation from the fund benefiting from their service.

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. The loan was originally due in March 2016 with a balloon payment on the final due date, but was extended under the same payment terms until August 1, 2016.

16. SUBSEQUENT EVENTS

On August 1, 2016, the PCLC refinanced the 2009 Self Help Ventures loan with the same organization along with some additional monies to complete the basement renovations. The loan was issued as two series. The first series was $3,539,500 with a final maturity of July 1, 2023 at a 6.45% interest rate. The second series was $650,000 with a final maturity of July 1, 2020 at a 4% interest rate.

This page intentionally left blank

RICHARDSON
accounting for your success!®

8044 Montgomery Rd. Suite 700| Cincinnati, Ohio 45236

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

To the Board of Directors
Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the "School") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Associates, LLC

Richardson & Associates, LLC
Cincinnati, Ohio
March 30, 2017

This page intentionally left blank

RICHARDSON
accounting for your success!

8044 Montgomery Rd. Suite 700| Cincinnati, Ohio 45236

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

To the Board of Directors
Phoenix Community Learning Center
Hamilton County
3595 Washington Ave.
Cincinnati, Ohio 45229

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, solely to assist the Board in evaluating whether Phoenix Community Learning Center (the School) 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 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 school board amended its anti-harassment policy during Fiscal Year 2016 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus".

2. We also noted the school board amended its anti-harassment policy during Fiscal Year 2016 to include prohibiting "violence within a dating relationship".

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

Richardson & Associates, LLC

Richardson & Associates, LLC
Cincinnati, Ohio
March 30, 2017

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

Phoenix Community Learning Center (PCLC)
Required Supplementary Information
Schedule of the PCLC's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
The PCLC's Proportion of the Net Pension Liability	0.007864%	0.007169%	0.007169%
The PCLC's Proportion Share of the Net Pension Liability	448,733	362,819	426,317
The PCLC's Covered-Employee Payroll	368,589	329,185	203,468
The PCLC's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	121.74%	110.22%	209.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Phoenix Community Learning Center (PCLC)
Required Supplementary Information
Schedule of the PCLC's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
The PCLC's Proportion of the Net Pension Liability	0.10234450%	0.01084100%	0.01084100%
The PCLC's Proportion Share of the Net Pension Liability	2,828,503	2,636,984	3,141,158
The PCLC's Covered-Employee Payroll	1,119,136	978,679	1,093,850
The PCLC's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	252.74%	269.44%	287.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

Phoenix Community Learning Center (PCLC)
Required Supplementary Information
Schedule of PCLC's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	$ 52,104	$ 48,580	$ 45,625	$ 28,160	$ 32,861	$ 28,124	$ 55,974	$ 26,501	$ 41,520	$ 52,853
Contributions in Relation to the Contractually Required Contribution	(52,104)	(48,580)	(45,625)	(28,160)	(32,861)	(28,124)	(55,974)	(26,501)	(41,520)	(52,853)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The PCLC Covered-Employee Payroll	$ 372,171	$ 368,589	$ 329,185	$ 203,468	$ 244,320	$ 223,739	$ 413,397	$ 269,319	$ 422,811	$ 494,878
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Phoenix Community Learning Center (PCLC)
Required Supplementary Information
Schedule of PCLC's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	$ 160,842	$ 156,679	$ 137,015	$ 153,139	$ 183,351	$ 167,651	$ 159,376	$ 161,405	$ 149,866	$ 158,945
Contributions in Relation to the Contractually Required Contribution	(160,842)	(156,679)	(137,015)	(153,139)	(183,351)	(167,651)	(159,376)	(161,405)	(149,866)	(158,945)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered-Employee Payroll	$ 1,148,871	$ 1,119,136	$ 978,679	$ 1,093,850	$ 1,309,650	$ 1,197,507	$ 1,138,400	$ 1,152,893	$ 1,070,471	$ 1,135,321
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

This page intentionally left blank.

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 1, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov