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INDEPENDENT AUDITOR'S REPORT

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Directors
Phoenix Community Learning Center
3595 Washington Avenue
Cincinnati, Ohio 45229

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, 2017 through June 30, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

January 24, 2019

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PHOENIX COMMUNITY LEARNING CENTER

HAMILTON COUNTY

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:

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 fiscal year ended June 30, 2018, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting the 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 audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to obtain reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the financial statements amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Phoenix Community Learning Center, Hamilton County, Ohio, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the PCLC implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting). We did not modify our opinion regarding this matter.*

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, to supplement the basic financial statements. Although such information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to 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 December 26, 2018, 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
December 26, 2018

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2018
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, 2018. 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 2018 are as follows:

- The assets of the PCLC exceeded its liabilities (less net pension/OPEB liability and related deferred outflows/inflows) at year-end by $1,260,849.
- The PCLC reports the financial statements under GASB 68 and GASB 75 which reduces the overall net position to ($1,609,946). The PCLC is required to report a net pension/OPEB liability of $4,117,007 which are two of the components that significantly reduces the PCLC net position. Please see detailed discussion, starting on page 6.
- In total, net position increased by $1,315,012.
- Total liabilities (excluding net pension liability) decreased by $73,549 as the PCLC paid down the SELF loan taken out in 2017 to renovate the facility for additional students
- The PCLC provides service to 468 (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, 2018
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, 2018 and June 30, 2017.

	2018	Restated 2017	Change
Current and other assets	$1,258,760	$1,310,018	($51,258)
Capital assets	4,469,806	4,471,978	(2,172)
Total assets	5,728,566	5,781,996	(53,430)
Deferred Outflows of Resources	1,549,607	960,135	589,472
Current liabilities	631,165	482,633	148,532
Long term liabilities			
Loans Payable	3,836,552	4,058,633	(222,081)
Net OPEB Liability	712,325	798,640	(86,315)
Net Pension Liability	3,404,862	4,234,090	(829,228)
Total liabilities	8,584,724	9,573,996	(989,272)
Deferred Inflows of Resources	303,395	93,093	201,302
Net position:			
Net investment in capital assets	426,525	282,478	144,047
Restricted	127,623	220,608	(92,985)
Unrestricted	(2,164,094)	(3,428,044)	1,263,950
Total net position	($1,609,946)	($2,924,958)	$1,315,012

Governmental Accounting Standards Board (GASB) standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension and OPEB costs, GASB 27 and GASB 45 focused on a funding approach. This approach limited pension and OPEB 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 and GASB 75 takes an earnings approach to pension and OPEB 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 in these statements.

Under the standards required by GASB 68 and GASB 75, the pension and OPEB liability equals the PCLC's proportionate share of each plan's collective present value of estimated future pension and OPEB benefits attributable to active and inactive employees' past service, less plan assets available to pay these benefits.

GASB notes that pension and OPEB 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 the pension and OPEB benefit 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. 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 and other postemployment benefit system. In Ohio, there is no legal means to enforce the unfunded liability of the pension and OPEB 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 and OPEB 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 pension and other postemployment benefit liability. As explained above, changes in pension and OPEB, contribution rates, and return on investments affect the balance of the pension and OPEB 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 and OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the pension and OPEB 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 and GASB 75, the PCLC's statements prepared on an accrual basis of accounting include an annual pension and OPEB expense for their proportionate share of each plan's *change* in net pension liability and other postemployment benefit liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75 in 2018, the PCLC is reporting a other postemployment benefit liability and deferred inflows/outflows of resources related to other postemployment benefits on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($2,216,318) to ($2,924,958).

The decrease for current assets resulted from the PCLC spending down the remaining loan proceeds reported as restricted cash last year. The capital assets decreased slightly as the current year depreciation exceeded the current year additions.

The current liabilities increased by $148,532 as accrued wages increased over the prior year with additional staff and a full year of principal due compared to a partial year paid in fiscal year 2018.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2018
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, 2018 and 2017.

	2018	2017	Change
Revenues:			
Operating revenues:			
State Foundation	$3,562,400	$3,539,874	$22,526
Tuition and Fees	2,466	540	1,926
Other operating revenues	18,536	711	17,825
Non-operating revenues:			
Interest	7,889	0	7,889
Federal and State grants	764,166	722,616	41,550
Total revenues	4,355,457	4,263,741	91,716
Expenses:			
Operating expenses:			
Salaries and wages	1,948,445	1,676,686	271,759
Fringe benefits	(706,607)	636,052	(1,342,659)
Purchased services:			
Professional and technical services	468,527	456,894	11,633
Property services	152,470	196,737	(44,267)
Communications	75,178	48,200	26,978
Utilities	60,622	58,383	2,239
Food Service	345,093	380,468	(35,375)
Other	14,213	8,189	6,024
Materials and supplies	246,650	129,845	116,805
Depreciation	139,552	88,437	51,115
Other expenses	52,279	38,843	13,436
Non-operating expenses:			
Interest and fiscal charges	241,023	242,433	(1,410)
Total expenses	3,040,445	3,961,167	(920,722)
Change in net position	1,315,012	302,574	$1,012,438
Restatement	(798,640)	0	
Ending Net position	($1,609,946)	($2,126,318)	

Revenues were relatively unchanged with the FTE counts remaining the same year over year. The expenses saw drastic variances with the salaries increasing due to additional staff which also resulted in additional materials for them. The fringe benefits expense is reported as a negative as the two pension systems reported negative pension/OPEB expenses for the year. Without the pension related expenses included, the fringe benefits were $695,312 which is just over 9 percent the reported fiscal year 2017 amount.

Capital Assets

At June 30, 2018, the PCLC had $4,469,806 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)

	2018	2017
Land	$287,700	$287,700
Construction in progress	0	1,185,123
Buildings	4,137,445	2,981,535
Equipment and furniture	44,661	17,620
Total	$4,469,806	$4,471,978

The PCLC had over $137,000 of net additions for the current year related to the renovation project finished up at the beginning of fiscal year 2018. 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 two loan agreements with Self Help Ventures Fund for $4,189,500 during 2017. The loans will be paid back through operating revenues and mature in fiscal year 2024. The PCLC paid down $146,219 on the loans during 2018. See note 14 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 2018 counts, fiscal year 2019 has grown to 480 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, 2018

Assets:	
Current assets:	
Cash	$ 1,012,763
Restricted Cash	127,623
Intergovernmental receivable	118,374
Total current assets	1,258,760
Noncurrent assets:	
Non depreciable capital assets	287,700
Depreciable capital assets, net	4,182,106
Total noncurrent assets	4,469,806
Total Assets	5,728,566
Deferred Outflows of Resources:	
OPEB	69,372
Pension	1,480,235
Total Deferred Outflows of Resources:	1,549,607
Liabilities:	
Current liabilities	
Accounts payable	52,530
Accrued wages and benefits	322,786
Intergovernmental payable	49,120
Amount due within one year:	
Loan payable	206,729
Total current liabilities	631,165
Long term liabilities	
Net Pension liability	3,404,682
Net OPEB liability	712,325
Loan payable	3,836,552
Total long term liabilities	7,953,559
Total Liabilities	8,584,724
Deferred Inflows of Resources:	
OPEB	118,441
Pension	184,954
Total Deferred Inflows of Resources:	303,395
Net Position:	
Net investment in capital assets	426,525
Restricted	127,623
Unrestricted	(2,164,094)
Total Net Position	$ (1,609,946)

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

Operating Revenues:		
State foundation	$	3,562,400
Tuition and Fees		2,466
Other operating revenues		18,536
Total operating revenues		3,583,402
Operating Expenses:		
Salaries and wages		1,948,445
Fringe benefits		(706,607)
Purchased Services:		
Professional and tehnical services		468,527
Property services		152,470
Communications		75,178
Utilities		60,622
Food services		345,093
Other		14,213
Materials and supplies		249,650
Depreciation		139,552
Other expenses		52,279
Total operating expenses		2,799,422
Operating Loss		783,980
Nonoperating revenues (expenses):		
Interest		7,889
Interest and fiscal charges		(241,023)
Federal and State grants		764,166
Total nonoperating revenues (expenses)		531,032
Change in net position		1,315,012
Net position, beginning of year - restated		(2,924,958)
Net position, end of year	$	(1,609,946)

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Statement of Cash Flows

Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 3,541,002
Cash received from other operating revenues	21,002
Cash payments for personal services	(2,449,871)
Cash payments for contract services	(1,112,649)
Cash payments for supplies and materials	(249,820)
Cash payments for other expenses	(52,279)
Net cash used for operating activities	(302,615)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	734,012
Net cash provided by noncapital financing activities	734,012
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(137,380)
Principal paid on loan payable	(146,219)
Interest paid on loan payable	(241,023)
Net cash used for capital and related financing activities	(524,622)
Cash flows from investing activities:	
Investment income	7,889
Net change in cash and cash equivalents	(85,336)
Cash and cash equivalents at beginning of year	1,225,722
Cash and cash equivalents at end of year	1,140,386

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

Operating loss	783,980
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	139,552
Change in assets and liabilities:	
Intergovernmental receivable	(3,924)
Net Pension Liability	(1,257,647)
Net OPEB Liability	(37,246)
Accounts payable	(530)
Accrued wages and benefits	73,437
Intergovernmental payable	(237)
Net cash used for operating activities	$ (302,615)

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 PCLC are operating under a contract for the period of 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 43 personnel, which provides services to approximately 468 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, RESTRICTED CASH AND INVESTMENTS

All unrestricted monies received by the PCLC are maintained in a demand deposit account. For internal accounting purposes, the cash is segregated into various funds. The PCLC has a debt service reserve held by Self-Help Ventures LLC which are reported as restricted cash on the statement of net position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2018, the PCLC invested in the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on the fund's quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2018.

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 acquisition 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 is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 PCLC applies restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net position are available. The PCLC reports restricted net position of $127,623 debt service reserve related to the Self-Help Ventures loan payable.

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/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Notes 8 and 9.

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/OPEB. Deferred inflows of resources related to pension/OPEB are reported on the government-wide statement of net position. (See Notes 8 and 9)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. PENSION/OPEB

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the PCLC implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the PCLC's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement has the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($2,126,318)
Adjustments:	
Net OPEB Liability	(798,640)
Restated Net Position June 30, 2017	($2,924,958)

4. DEPOSITS AND INVESTMENTS

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, 2018, the PCLC had a carrying value of $635,121. The bank balance was $674,893 with $377,623 of the balance being covered through the Federal Depository Insurance Corporation (FDIC) and $297,270 classified as uninsured for FDIC purposes but covered with pooled collateral through the bank.

Investments

As of June 30, 2018, the PCLC had the following investments.

	Fair Value	Fair Value Measurement Using	Average Year to Maturity	S&P Rating	Concentration of Credit Risk
STAROhio	$505,265	Level 1	0.10	AAAm	100.00%

Fair Value Measurement: Fair value as defined by GASB Statement No. 72 requires the PCLC to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable). As discussed further in Note 2E, STAR Ohio is reported at its share price.

Interest Rate Risk: The PCLC's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the PCLC, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The S&P ratings of the PCLC's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The PCLC's investment policy limits investments to those authorized by State statute.

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The PCLC places no limit on the amount it may invest in any one issuer; however, State statute limits investments in commercial paper and banker's acceptances to 25 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

5. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2018, consisted of intergovernmental grants, state foundation corrections and retirement system refunds. 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 intergovernmental receivables as of June 30, 2018 are as follows:

Intergovernmental Receivable	Amount
State Foundation Correction	$7,667
SERS Refund	7,625
BWC Refund	3,338
Title VI-B Grant	17,004
Title I Grant	66,182
Title II Grant	16,558
Total	$118,374

6. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2018 is as follows:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Non-depreciable assets:				
Land	$287,700	$0	$0	$287,700
Construction in progress	1,185,123	0	(1,185,123)	0
Non-depreciable assets:	1,472,823	0	(1,185,123)	287,700
Depreciable assets:				
Buildings	3,711,802	1,280,731	0	4,992,533
Equipment and furniture	577,641	41,772	0	619,413
Total depreciable assets	4,289,443	1,322,503	0	5,611,946
Less accumulated depreciation:				
Buildings	(730,267)	(124,821)	0	(855,088)
Equipment and furniture	(560,021)	(14,731)	0	(574,752)
Total accumulated depreciation	(1,290,288)	(139,552)	0	(1,429,840)
Capital assets, net	$4,471,978	$1,182,951	($1,185,123)	$4,469,806

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 2018, the PCLC contracted with Great American Insurance Group for personal business property and general liability insurance. The policy's building insurance limit is $5,304,000 with a $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	Age 65 with 5 years of service credit; or 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 or $86 multiplied by the years of service. 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. 0.5 percent was allocated to the Health Care Fund for fiscal year 2018.

The PCLC's contractually required contribution to SERS was $62,292 for fiscal year 2018. Of this amount $8,910 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. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65 or 35 years of service and at least age 60.

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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 schedules of employer allocations and pension amounts by employer.

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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2018 contribution rates were equal to the statutory maximum rates.

The PCLC's contractually required contribution to STRS was $206,010 for fiscal year 2018. Of this amount $38,400 is reported as an intergovernmental payable.

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability - prior measurement date	0.00809150%	0.01088001%	
Proportion of the Net Pension Liability - current measurement date	0.01020770%	0.01176497%	
Change in proportionate share	0.00211620%	0.00088496%	
Proportionate Share of the Net Pension Liability	$609,888	$2,794,794	$3,404,682
Pension Expense - 2018	(19,621)	(1,238,026)	(1,257,647)
Pension Expense - 2017	112,696	274,360	387,056
Change in Pension Expense	$ (132,317)	$ (1,512,386)	$ (1,644,703)

8. DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2018, 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	$26,384	$108,330	$134,714
Difference between PCLC contributions and proportionate share of contributions	4,938	0	4,938
Changes in proportion share	110,267	319,225	429,492
Changes in assumptions	31,537	611,252	642,789
PCLC contributions subsequent to the measurement date	62,292	206,010	268,302
Total Deferred Outflows of Resources	$235,418	$1,244,817	$1,480,235
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$1,043	$100,079	$101,122
Differences between expected and actual experience	0	22,524	22,524
Changes in proportion share	0	59,046	59,046
Difference between PCLC contributions proportionate share of contributions	0	2,262	2,262
Total Deferred Inflows of Resources	$1,043	$183,911	$184,954

$268,302 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$76,836	$175,586	$252,422
2020	74,246	310,755	385,001
2021	35,218	267,580	302,798
2022	(14,217)	100,975	86,758
Total	$172,083	$854,896	$1,026,979

8. DEFINED BENEFIT PENSION PLANS (Continued)

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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

8. DEFINED BENEFIT PENSION PLANS (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results on an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability were the same as the prior measurement date: (a) the assumed rate of inflation was 3.00%, (b) payroll growth assumption was 3.50%, (c) assumed real wage growth was 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members used to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was followed RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member used the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	3.00
Total	100.00 %	

8. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PCLC's proportionate share of the net pension liability	$846,365	$609,888	$411,789

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.25 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

8. DEFINED BENEFIT PENSION PLANS (Continued)

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study, effective June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

8. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 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	$4,006,242	$2,794,794	$1,774,330

Change between Measurement Date and Report Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

8. DEFINED BENEFIT PENSION PLANS (Continued)

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero.

9. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the PCLC's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

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 OPEB are financed; however, the PCLC does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

9. DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. 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.

The PCLC's contractually required contribution to SERS was $2,307 for fiscal year 2018. Of this amount $1,266 is reported as an intergovernmental payable.

9. DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 discretionary 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 Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The PCLC's proportion of the net OPEB liability was based on the PCLC's share of contributions to the OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability - current measurement date	0.009438%	0.01176497%	
Proportionate Share of the Net OPEB Liability	$253,299	$459,026	$712,325
OPEB Expense	$96,063	($133,309)	($37,246)

9. DEFINED BENEFIT OPEB PLANS (Continued)

At June 30, 2018, the PCLC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and			
actual experience	$0	$26,498	$26,498
Changes in proportion share	0	40,567	40,567
PCLC contributions subsequent to the			
measurement date	2,307	0	2,307
Total Deferred Outflows of Resources	$2,307	$67,065	$69,372
Deferred Inflows of Resources			
Net difference between projected and			
actual earnings on pension plan investments	$671	$19,620	$20,291
Changes in assumptions	24,037	36,976	61,013
Changes in proportion share and difference			
between PCLC contribution and			
proportionate share of contributions	37,137	0	37,137
Total Deferred Inflows of Resources	$61,845	$56,596	$118,441

$2,307 reported as deferred outflows of resources related to OPEB resulting from PCLC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$22,332	($110)	$22,222
2020	22,332	(110)	22,222
2021	17,013	(110)	16,903
2022	168	(111)	57
2023	0	(5,014)	(5,014)
Thereafter	0	(5,014)	(5,014)
Total	$61,845	($10,469)	$51,376

9. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent

9. DEFINED BENEFIT OPEB PLANS (Continued)

Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long- term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

9. DEFINED BENEFIT OPEB PLANS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the PCLC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

9. DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
PCLC's proportionate share of the net OPEB liability	$305,891	$253,299	$211,633

	1% Decrease % decreasing to 4.0 %)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase 8.5% decreasing to 6.0 %)
PCLC's proportionate share of the net OPEB liability	$205,533	$253,299	$316,518

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent, effective July 1, 2017 (COLA)
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

9. DEFINED BENEFIT OPEB PLANS (Continued)

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

9. DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30,2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the PCLC's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
PCLC's proportionate share of the net OPEB liability	$616,235	$459,026	$334,779

9. DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease	Current Trent Rate	1% Increase
PCLC's proportionate share of the net OPEB liability	$318,912	$459,026	$643,433

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, 2018.

11. CONTINGENCIES (continued)

B. State Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The ODE is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the PCLC for fiscal year 2018.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the PCLC. As of the June final No.1, report the PCLC has reported a receivable of $7,667.

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 2018 and was paid $41,194 in salary.

14. LONG TERM LIABILITIES

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

	Restated Obligation Outstanding 7/01/17	Additions	Reductions	Obligation Outstanding 6/30/18	Amounts Due in One Year
Self Help Venture					
Loan Payable					
6.53% 11/1/2023 (A)	$3,129,146	$0	$103,347	$3,025,799	$147,609
4.03% 11/1/2023 (B)	1,060,354	0	42,872	1,017,482	59,120
Net Pension Liability:					
STRS	3,641,867	0	847,073	2,794,794	0
SERS	592,223	17,665	0	609,888	0
Net OPEB Liability:					
STRS	581,866	0	122,840	459,026	0
SERS	216,774	36,525	0	253,299	0
Total Long Term Liabilities	$9,222,230	$54,190	$1,116,132	$8,160,288	$206,729

(A) The PCLC entered into a loan agreement during fiscal year 2017 with Self Help Ventures Fund to refinance the 2009 loan. The loan will be retired from operating dollars and amortized over a fourteen year schedule. The loan is due in March 2016 with a balloon payment on the final due date of November 1, 2023 with a 6.53% interest rate.

(B) The PCLC entered into a loan agreement during fiscal year 2017 with Self Help Ventures Fund to complete basement and other facility renovation. The loan will be retired from operating dollars and amortized over a fourteen year schedule. The loan is due in March 2016 with a balloon payment on the final due date of November 1, 2023 with a 4.03% interest rate.

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

14. LONG TERM LIABILITIES (continued)

Principal and interest requirements to retire long term loans outstanding at June 30, 2018 are as follows:

Fiscal Year	Loan Payable (A)		
Ending June 30,	Principal	Interest	Total
2019	$147,609	$195,921	$343,530
2020	157,172	186,358	343,530
2021	168,412	175,119	343,530
2022	179,906	163,624	343,530
2023	192,186	151,345	343,530
2024-2028	1,175,841	541,810	1,717,651
2029-2032	1,004,673	115,131	1,119,803
Total	$3,025,799	$1,529,308	$4,555,107

Fiscal Year	Loan Payable (B)		
Ending June 30,	Principal	Interest	Total
2019	$59,120	$40,478	$99,598
2020	61,477	38,121	99,598
2021	64,141	35,457	99,598
2022	66,811	32,787	99,598
2023	69,593	30,005	99,598
2024-2028	393,790	104,200	497,990
2029-2032	310,850	21,051	331,901
Total	$1,025,782	$302,099	$1,327,881

15. SUBSEQUENT EVENTS

In preparing its financial statements, the PCLC has evaluated events subsequent to the statement of financial position date through December 26, 2018, which is the date the financial statements were available to be issued. There was no subsequent event identified.

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 Five Fiscal Years (1)

	2017	2016	2015	2014	2013
The PCLC's Proportionate of the Net Pension Liability	0.010208%	0.008092%	0.007864%	0.007169%	0.007169%
The PCLC's Proportionate Share of the Net Pension Liability	$ 609,888	$ 592,223	$ 448,733	$ 362,819	$ 426,317
The PCLC's Covered Payroll	$ 427,114	$ 372,171	$ 368,589	$ 329,185	$ 203,468
The PCLC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	142.79%	159.13%	121.74%	110.22%	209.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Amount presented as of the PCLC's measurement date, which is the prior fiscal year.

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 Five Fiscal Years (1)

	2017	2016	2015	2014	2013
The PCLC's Proportionate of the Net Pension Liability	0.01176497%	0.01088001%	0.0102345%	0.010841%	0.010841%
The PCLC's Proportionate Share of the Net Pension Liability	$ 2,794,794	$ 3,641,867	$ 2,828,503	$ 2,636,984	$ 3,141,158
The PCLC's Covered Payroll	$ 1,284,386	$ 1,148,871	$ 1,119,136	$ 978,679	$ 1,093,850
The PCLC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	217.60%	317.00%	252.74%	269.44%	287.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

Amount presented as of the PCLC's measurement date, which is the prior fiscal year.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 62,292	$ 59,796	$ 52,104	$ 48,580	$ 45,625	$ 28,160	$ 32,861	$ 28,124	$ 55,974	$ 26,501
Contributions in Relation to the Contractually Required Contribution	(62,292)	(59,796)	(52,104)	(48,580)	(45,625)	(28,160)	(32,861)	(28,124)	(55,974)	(26,501)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The PCLC Covered Payroll	$ 461,422	$ 427,114	$ 372,171	$ 368,589	$ 329,185	$ 203,468	$ 244,320	$ 223,739	$ 413,397	$ 269,319
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 206,010	$ 179,814	$ 160,842	$ 156,679	$ 137,015	$ 153,139	$ 183,351	$ 167,651	$ 159,376	$ 161,405
Contributions in Relation to the Contractually Required Contribution	(206,010)	(179,814)	(160,842)	(156,679)	(137,015)	(153,139)	(183,351)	(167,651)	(159,376)	(161,405)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The PCLC Covered Payroll	$ 1,471,500	$ 1,284,386	$ 1,148,871	$ 1,119,136	$ 978,679	$ 1,093,850	$ 1,309,650	$ 1,197,507	$ 1,138,400	$ 1,152,893
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	2017	2016
The PCLC's Proportion of the Net OPEB Liability	0.011765%	0.010880%
The PCLC's Proportion Share of the Net OPEB Liability	$ 459,026	$ 581,866
The PCLC's Covered Payroll	$ 461,422	$ 427,114
The PCLC's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	99.48%	136.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2016 is not available

Amount presented as of the PCLC's measurement date, which is the prior fiscal year.

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

	2017	2016
The PCLC's Proportion of the Net OPEB Liability	0.00943830%	0.00760510%
The PCLC's Proportion Share of the Net OPEB Liability	$ 253,299	$ 216,774
The PCLC's Covered Payroll	$ 1,471,500	$ 1,284,386
The PCLC's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	17.21%	16.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2016 is not available

Amount presented as of the PCLC's measurement date, which is the prior fiscal year.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 2,307	$ -	$ -	$ 6,172	$ 10,540	$ 11,780	$ 3,979	$ 3,405	$ 2,833	$ 12,390
Contributions in Relation to the Contractually Required Contribution	(2,307)	-	-	(6,172)	(10,540)	(11,780)	(3,979)	(3,405)	(2,833)	(12,390)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The PCLC Covered Payroll	$ 461,422	$ 427,114	$ 372,171	$ 368,589	$ 329,185	$ 203,468	$ 244,320	$ 223,739	$ 413,397	$ 269,319
Contributions as a Percentage of Covered-Payroll	0.50%	0.00%	0.00%	1.67%	3.20%	5.79%	1.63%	1.52%	0.69%	4.60%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ -	$ -	$ -	$ -	$ 2,657	$ 1,591	$ 14,104	$ 12,896	$ 12,260	$ 12,416
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(2,657)	(1,591)	(14,104)	(12,896)	(12,260)	(12,416)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The PCLC Covered Payroll	$ 1,471,500	$ 1,284,386	$ 1,148,871	$ 1,119,136	$ 978,679	$ 1,093,850	$ 1,309,650	$ 1,197,507	$ 1,138,400	$ 1,152,893
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the School), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 26, 2018, wherein we also noted the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Associates, LLC

Richardson and Associates, LLC
Cincinnati, Ohio
December 26, 2018

OHIO AUDITOR OF STATE
KEITH FABER

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
FEBRUARY 5, 2019