PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 3O, 2010

Dave Yost • Auditor of State

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Community Learning Center, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2011, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
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We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Government's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

February 25, 2011

PHOENIX COMMUNITY LEARNING CENTER
Management Discussion and Analysis
June 30, 2010
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, 2010. 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 2010 are as follows:

- The assets of the PCLC exceeded its liabilities at year-end by $470,146. Of this amount, $14,408 was unrestricted for general use by the Center.
- In total, net assets increased by $39,861.
- Total liabilities decreased by $153,948 as the PCLC started to pay down the SELF loan that was used to acquire and renovate the new facility.
- The PCLC finished renovation on the new facility during the year at a final cost of $2,499,502. The acquisition of the new facility and land was completed through the initial loan that the PCLC has taken out.

Using This Financial Report

This financial report contains the basic financial statements of the PCLC, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows. As the PCLC reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

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

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

The following table presents a condensed summary of the PCLC's overall financial position at June 30, 2010 and June 30, 2009.

	2010	2009
Current and other assets	$440,751	$1,506,083
Capital assets	4,031,086	3,079,841
Total assets	4,471,837	4,585,924
Current liabilities	488,358	572,778
Long term liabilities	3,513,333	3,582,861
Total liabilities	4,001,691	4,155,639
Net assets:		
Invested in capital assets, net of debt	455,738	401,874
Restricted	0	949,285
Unrestricted	14,408	(920,874)
Total net assets	$470,146	$430,285

Total assets of the PCLC decreased by $114,087 compared with an increase of $3,873,966 in the prior year. The decrease for assets results from the PCLC spending down the remaining restricted funds for the renovation of the facility and the depreciation on that building. Liabilities decreased as the PCLC started to pay down the SELF loan and also had significantly less accounts payable at year end. The restricted net asset balance matches the restricted cash balance on the loan obligation the PCLC had not drawn down at June 30, 2009 but was available for withdraw.

PHOENIX COMMUNITY LEARNING CENTER
Management Discussion and Analysis
June 30, 2010
Unaudited

Statement of Revenues, Expenses, and Changes in Net Assets

The following table represents a condensed summary of the PCLC's activities for the years ended June 30, 2010 and 2009.

	2010	2009
Revenues:		
Operating revenues:		
State Foundation	$2,298,268	$2,232,617
Poverty Based Assistance	111,819	327,549
Charges for services	3,371	1,397
Other operating revenues	8,389	45,558
Non-operating revenues:		
Interest	179	775
Federal grants	1,185,663	472,460
State grants	10,337	8,626
Total revenues	3,618,026	3,088,982
Expenses:		
Operating expenses:		
Salaries and wages	1,569,293	1,526,298
Fringe benefits	545,709	334,473
Purchased services:		
Professional and technical services	417,049	353,157
Property services	127,740	273,337
Communications	26,097	18,394
Utilities	64,095	152,358
Food Service	236,953	217,642
Other	8,292	72,565
Materials and supplies	143,551	60,572
Depreciation	125,642	31,081
Other expenses	97,292	3,682
Non-operating expenses:		
Interest and fiscal charges	216,353	0
Total expenses	3,578,165	3,043,559
Change in net assets	39,861	45,423
Ending Net Assets	$470,146	$430,285

Revenues increased mainly as the federal grants rose significantly as the PCLC was able to receive several ARRA federal grants in addition to the other federal grants they have received in the past.. The PCLC's expenses rose as the cost of providing benefits increased (63%), materials and supplies increased as the PCLC had a larger facility to stock for the current year (237%), depreciation increased significantly as now there was depreciation on the building (404%), the other expenses rose as the PCLC paid a larger amount in taxes on the new facility, which should be tax exempt in the future (2600%) and lastly the PCLC had interest and fiscal charges on debt for the first time resulting in additional $216,000 to the current year expenses.

Capital Assets

At June 30, 2010, the PCLC had $4,031,086 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)

	2010	2009
Land	$287,700	$287,700
Buildings	3,618,999	1,212,300
Construction in progress	0	1,531,615
Leasehold improvements	N/A	0
Equipment and furniture	124,387	48,226
Total	$4,031,086	$3,079,841

The PCLC's capital assets increased with the final work on the building renovation, which was completed in 2010. See Note 5 of the notes to the basic financial statements for more detailed information on the PCLC's capital assets.

Debt Administration

The PCLC entering into a loan agreement with Self Help Ventures Fund for $3,627,252 of long term loans payable during 2009. The loan will be paid back through operating revenues and matures in fiscal year 2016. The loan carries an annual interest rate of 6.51%. The PCLC retired $51,904 on the obligation during the fiscal year.

Contacting the PCLC

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

Phoenix Community Learning Center
3595 Washington Avenue
Cincinnati, OH 45229
(513) 351-5801

PHOENIX COMMUNITY LEARNING CENTER
STATEMENT OF NET ASSETS

JUNE 30, 2010

Assets:	
Current assets:	
Cash	$ 252,146
Intergovernmental receivable	69,991
Total current assets	322,137
Noncurrent assets:	
Security deposit	10,000
Deferred Charges	108,614
Non depreciable capital assets	287,700
Depreciable capital assets, net	3,743,386
Total noncurrent assets	4,149,700
Total Assets	4,471,837
Liabilities:	
Current liabilities	
Accounts payable	81,931
Accrued wages and benefits	275,205
Intergovernmental payable	69,207
Amount due within one year - loan payable	62,015
Total current liabilities	488,358
Long term liabilities	
Loan payable	3,513,333
Total Liabilities	4,001,691
Net Assets:	
Invested in capital assets, net of related debt	455,738
Unrestricted	14,408
Total net assets	$ 470,146

See accompanying notes to the basic financial statements

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

Year Ended June 30, 2010

Operating Revenues:	
State foundation	$ 2,298,268
Poverty Based Assistance	111,819
Charges for services	3,371
Other operating revenues	8,389
Total operating revenues	2,421,847
Operating Expenses:	
Salaries and wages	1,569,392
Fringe benefits	545,709
Purchased Services:	
Professional and tehnical services	417,049
Property services	127,740
Communications	26,097
Utilities	64,095
Food services	236,953
Other	8,292
Materials and supplies	143,551
Depreciation	125,642
Other expenses	97,292
Total operating expenses	3,361,812
Operating Loss	(939,965)
Nonoperating revenues (expenses):	
Interest Income	179
Interest and Fiscal Charges	(216,353)
Federal grants	1,185,663
State grants	10,337
Total nonoperating revenues	979,826
Change in net assets	39,861
Net assets, beginning of year	430,285
Net assets, end of year	$ 470,146

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
Statement of Cash Flows

Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 2,298,268
Cash received from State of Ohio - Poverty Based Assistance	111,819
Cash received from customers	3,371
Cash received from other operating revenues	8,830
Cash payments for personal services	(2,049,002)
Cash payments for contract services	(851,098)
Cash payments for supplies and materials	(130,867)
Cash payments for other expenses	(97,005)
Net cash used by operating activities	(705,684)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	1,180,612
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,279,792)
Principal paid on loan payable	(51,904)
Interest paid on loan payable	(211,827)
Net cash used for capital and related financing activities	(1,543,523)
Cash flows from investing activities:	
Investment income	179
Net change in cash and cash equivalents	(1,068,416)
Cash and Cash Equivalents at beginning of year	1,320,562
Cash and Cash Equivalents at end of year	252,146

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

Operating loss	(939,965)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	125,642
Change in assets and liabilities:	
Accounts receivable	441
Security deposit receivable	5,000
Intergovernmental receivable	2,337
Accounts payable	31,782
Accrued wages and benefits	27,185
Intergovernmental payable	41,894
Net cash used by operating activities	$ (705,684)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

The PCLC operates under a self-appointing, multi-member Board of Directors (the Board) consisting of five (5) members. Exhibit III of the PCLC's Community School Contract, specifies that vacancies arising on the Board may be filled by the appointment of successors by a majority of the then existing directors. The Board is responsible for carrying out the provisions of the Contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The PCLC has one instructional/support facility staffed by teaching personnel, which provides services to approximately 365 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

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

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

C. BUDGETARY PROCESS

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

D. CASH/RESTRICTED CASH

All cash received by the PCLC is maintained in demand deposit accounts. The PCLC had no investments during the fiscal year. The PCLC reported $1,152,190 in restricted cash at the beginning of the year as a result of the available funds for the building renovation. The funds were drawn out of the available balance during the fiscal year.

E. CAPITAL ASSETS AND DEPRECIATION

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

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

F. INTERGOVERNMENTAL REVENUES

The PCLC currently participates in the State Foundation Program and Poverty Based Assistance (PBA) Program. Revenues received from these programs are recognized as operating revenues in which they are earned, essentially the same as the fiscal year.

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

The PCLC participates in other various federal programs through the Ohio Department of Education. These include the National School Lunch Program, Breakfast, Title I, Title I ARRA, Title II-A&D, IDEA Part B, Fiscal Stabilization, Title VI-B ARRA and Drug Free.

G. ESTIMATES

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

H. SECURITY DEPOSIT

In the prior year, the PCLC entered into a lease for the use of a building space for the PCLC's administration that was terminated on August 31, 2009. This lease required a security deposit of $15,000 to be paid at its signing. During the fiscal year $5,000 had been repaid with the remainder expected in fiscal year 2011.

I. DEFERRED CHARGES

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

J. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net assets are available.

K. LONG TERM OBLIGATIONS

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

3. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the PCLC's deposits may not be returned to it. The PCLC's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pooled collateral. At June 30, 2010, the PCLC had a carrying value of $252,146. The bank balance was $269,392 with $250,000 covered through the Federal Depository Insurance Corporation (FDIC) and $19,392 being classified as uninsured and uncollateralized under the FDIC guidelines.

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2010, consisted of intergovernmental grants. All intergovernmental receivables are considered collectible in full given the stable condition of State programs and the current fiscal year guarantee of federal funds. The principle items of intergovernmental receivables as of June 30, 2010 are as follows:

Intergovernmental Receivable	Amount
SERS Refund	$2,875
Federal Food Subsidy	24,039
Title VI-B ARRA Grant	5
Title I and ARRA Grants	40,283
Title II-D Grant	2,789
Total	$69,991

5. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2010 is as follows:

	Balance 7/1/09	Additions	Disposals	Balance 6/30/10
Non-depreciable assets:				
Land	$287,700	$0	$0	$287,700
Construction in Progress	1,531,615	0	(1,531,615)	0
Total non-depreciable assets	1,819,315	0	(1,531,615)	287,700
Depreciable assets:				
Buildings	1,212,300	2,499,502	0	3,711,802
Leasehold improvements	684,289	0	(684,289)	0
Equipment and furniture	316,787	109,000	0	425,787
Total depreciable assets	2,213,376	2,608,502	(684,289)	4,137,589
Less accumulated depreciation:				
Buildings	0	(92,803)	0	(92,803)
Leasehold improvements	(684,289)	0	684,289	0
Equipment and furniture	(268,561)	(32,839)	0	(301,400)
Total accumulated depreciation	(952,850)	(124,642)	684,289	(394,203)
Capital assets, net	$3,079,841	$2,482,860	($1,531,615)	$4,031,086

6. RISK MANAGEMENT

A. Property Liability

The PCLC is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural diasters. For fiscal year 2010 the PCLC contracted with Western World Insurance Company for personal business property and general liability insurance. The policy's general aggregate each occurrence limit is $2,000,000 with $210,000 for personal business and a $0 deductible. The PCLC has non-profit directors and officer's liability insurance (D&O) and employment practices liability (EP) through United States Liability Insurance Company with a $1,000,000 (both) and $2,500 deductible for D&O and $5,000 deductible for EP. There has been no reduction in coverage from the prior year and settled claims have not exceeded PCLC's coverage in any of the past three years.

B. Workers' Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The PCLC contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues and a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the PCLC is required to contribute at an actuarially determined rate. The current PCLC rate is 14% of annual covered payroll. A portion of the PCLC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010. 12.78 of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The PCLC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008, were approximately $55,974, $26,501, and $41,520, respectively; 75% has been contributed for 2010 and 100% has been contributed for 2009 and 2008 fiscal years.

B. State Teachers Retirement System

The PCLC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

7. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 1.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired ton December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10.0% of their annual covered salaries. The PCLC was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The PCLC's required contributions for pension obligations for the fiscal years ended June 30, 2010, 2009, and 2008, were approximately $159,376, $161,405, and $149,866, respectively; 80% has been contributed for 2010 and 100% has been contributed for 2009 and 2008 fiscal years. Contributions to the DC and Combined Plans for fiscal year 2010 were $10,044 made by the PCLC and $7,174 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The PCLC's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $12,260, $12,416, and $10,276 respectively; 80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Plan Description – The PCLC participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

8. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The PCLC's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $2,833, $12,390, and $12,094 respectively; 75 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The PCLC's contributions for Medicare Part B for the fiscal year ended June 30, 2010, 2009 and 2008 were $4,680, $1,924 and $2,991, 75 percent has been contributed for fiscal year 2010 with 100% for fiscal years 2009 and 2008.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Employee Medical and Dental Benefits

The PCLC has purchased insurance from Anthem Blue Cross/Blue Shield to provide employee medical/surgical. The PCLC pays 80% for a single premium rate, 70% for single plus one premium, and 70% for the family premium rate. Dental Care Plus provides dental coverage to all employees with PCLC paying 80% of the premium.

10. OPERATING LEASE

The PCLC leased its building from the Allen Temple Real Estate Foundation. The lease was for a period of five years beginning July 1, 2001. The minimum future lease payments remaining under this operating lease as of June 30, 2005, based on 37,223 square footage of rental space. The final year of the lease was from September 1, 2008 to August 31, 2009 and they paid $45,490 during 2010. The lease officially terminated on August 31, 2009.

11. CONTINGENCIES

A. Grants

The PCLC received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the PCLC. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the PCLC at June 30, 2010.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2010, as a result of such review.

12. BOARD MEMBERS

Board members receive a $100 stipend per meeting effective September 2005 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 hired Dr. Glenda Brown's niece Ms. Jevelyn Latham Hubbard as a Literacy Consultant at a rate of $120 per hour. Ms. Jevelyn Latham Hubbard was paid $7,580 during the fiscal year. The PCLC employed Geraldine Latham, Dr. Glenda Brown's sister, as a consultant and was paid $23,750 during the fiscal year. The PCLC employed Sherrylon Miree, Dr. Glenda Brown's niece, during 2010 and was paid $36,050 in salary. The PCLC employeed Jimmy Latham Jr., Dr. Glenda Brown's nephew, during 2010 and was paid $16,771.

Board member Mr. Nwankwo serves as a Vice-President with Megen Company involved in renovating the new school facility. Mr. Nwankwo, whose brother is President of Megen Company, abstained from voting or participating on any matters related to the construction contract. The total amount of the contract was $2,530,300 being expended by June 30, 2010.

14. LONG TERM LIABILITIES

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

	Obligation Outstanding 7/01/09	Additions	Reductions	Obligation Outstanding 6/30/10	Amounts Due in One Year
Self Help Venture Loan Payable 6.51% 3/29/2016	$3,627,252	$0	$51,904	$3,575,348	$62,015

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

	Long Term Loan		
Fiscal Year Ending June 30,	Principal	Interest	Total
2011	$62,015	$234,365	$296,380
2012	65,596	230,786	296,382
2013	70,698	225,682	296,380
2014	75,509	220,874	296,383
2015	80,644	215,735	296,379
2016	3,220,886	158,373	3,379,259
Totals	$3,575,348	$1,285,815	$4,861,163

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PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Program Title	Federal CFDA Number	Client Federal Revenues	Client Federal Expenditures
Nutrition Cluster:			
National school breakfast	10.553	$ 80,022	$ 80,022
National school lunch	10.555	126,878	126,879
Cafeteria equipment grant	10.579	6,624	6,624
total nutrition cluster		$ 213,524	$ 213,525
Passed Through Ohio Department of Education:			
Special Education:			
IDEA Part B	84.027	82,616	93,792
IDEA Part B, ARRA	84.391	86,450	85,864
Total Special Ed Cluster		169,066	179,656
Education Stabilization Fund	84.394	165,212	165,212
Title I	84.010	377,043	404,671
Title I, ARRA	84.389	235,101	217,512
Safe and Drug Free Schools	84.186	329	0
Title II D	84.318	2,452	5,242
Improving Teacher Quality - Title II-A	84.367	12,502	13,856
Total Passed Through Ohio Department of Education		$ 961,705	$ 986,149
Total U.S. Department of Education		$ 1,175,229	$ 1,199,674

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

We did note certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated February 25, 2011.

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

Dave Yost
Auditor of State

February 25, 2011

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

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

To the Board of Directors:

Compliance

We have audited the compliance of Phoenix Community Learning Center, Hamilton County, Ohio (the Community School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Phoenix Community Learning Center's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Community School District's major federal programs. The Community School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Community School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Community School District's compliance with those requirements.

In our opinion, the Phoenix Community Learning Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The Community School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Community School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Community School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

Dave Yost

Dave Yost
Auditor of State

February 25, 2011

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**No**
(d)(1)(vii)	**Major Programs (list):**	**Title I Cluster – CFDA 84.010; 84.389** **Nutrition Cluster – CFDA 10.553; 10.555; 10.579**
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2009-001	Failure to maintain capital asset records and establish capital asset policy.	Yes	

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PHOENIX COMMUNITY LEARNING CENTER

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011