

**GLOBAL VILLAGE ACADEMY - AURORA**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 2:11 pm, Nov 21, 2016*

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## JOHN CUTLER & ASSOCIATES

Board of Directors  
Global Village Academy - Aurora  
Aurora, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements governmental activities, each major fund, and the aggregate remaining fund information of Global Village Academy – Aurora (the “School”), a component unit of the Joint School District No. 28 J of the Counties of Adams and Arapahoe, Colorado, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

#### Management’s Responsibility for the Financial Statements

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

#### Auditor’s Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Global Village Academy – Aurora as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016 on our consideration of the Global Village Academy – Aurora'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 describe 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 Global Village Academy – Aurora's internal control over financial reporting and compliance.

*John Luthr & Associates, LLC*

September 16, 2016

# **Global Village Academy Charter School-Aurora**

## **Management's Discussion and Analysis**

### **Fiscal Year Ending June 30, 2016**

#### **Introduction**

As management of Global Village Academy – Aurora (the Academy), we offer readers of the Academy's basic financial statements this narrative and analysis of the financial activities of the Academy as of and for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

#### **Financial Highlights**

The year ended June 30, 2016, is the ninth year of operations for the Academy. As of June 30, 2016, net position decreased by (\$1,444,144) to (\$8,029,875). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Further information about GASB 68 is provided in Note 7 of the financial statements.

The operations of the Academy are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was \$8,102,438.

#### **Overview of Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

##### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the Academy's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid at year-end).

##### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**Global Village Academy Charter School-Aurora**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2016**

The Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Academy maintains one governmental fund, its General Fund. The Academy adopts annual budget for its General fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

The Academy also maintains a proprietary fund, the Building Fund. It is considered a component unit of the charter school and is presented separately in the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for Propriety Funds. The Building Corporation is not required to adopt an annual budget and does not.

***Notes to Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the Academy's financial position. As of June 30, 2016, the Academy's liabilities exceeded assets resulting in a total net position of (\$8,029,875). Of the net position, \$293,694 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the Academy.

**Global Village Academy Charter School-Aurora**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2016**

**Global Village Academy Charter School – Aurora's Statement of Net Position**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>ASSETS</b>		
Cash and Investments	\$ 2,138,746	\$ 2,267,190
Restricted Cash and Investments	3,886,199	4,636,117
Accounts Receivable	1,347	105,156
Due from GVCC	4,109	-
Deposits	1,859	25,250
Prepaid Expenses	225,030	46,437
Capital Assets, Not Depreciated	2,278,629	5,893,355
Capital Assets, Net of Accum Depreciation	14,885,844	5,107,897
<b>Total Assets</b>	<b>23,421,763</b>	<b>18,081,402</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	2,561,944	1,515,610
<b>LIABILITIES</b>		
Accounts Payable	1,134,103	1,735,015
Retainage Payable	22,855	242,465
Accrued Salaries and Benefits	437,576	336,006
Accrued Interest	43,343	43,343
Unearned Revenue	23,156	27,138
Noncurrent Liabilities		
Due in Within One Year	200,000	135,000
Due in More than One Year	21,235,000	14,855,000
Net Pension Liability	10,764,973	8,808,118
<b>Total Liabilities</b>	<b>33,861,006</b>	<b>26,182,085</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	152,576	658
<b>NET POSITION</b>		
Investment in Capital Assets	(427,671)	604,026
Restricted for Emergencies	293,694	238,444
Unrestricted	(7,895,898)	(7,428,201)
<b>Total Net Position</b>	<b>\$ (8,029,875)</b>	<b>\$ (6,585,731)</b>

The largest portion of the Academy's assets is in capital assets, at 73% of total assets in 2016.

**Global Village Academy Charter School-Aurora**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2016**

**Global Village Academy Charter School – Aurora's Statement of Activities**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Program Revenue:		
Charges for Services	\$ 189,981	\$ 75,081
Operating Grants and Contributions	341,109	425,262
Capital Grants and Contributions	283,720	170,173
<b>Total Program Revenue</b>	<b>814,810</b>	<b>670,516</b>
 General Revenue:		
Per Pupil Revenue	8,102,438	7,219,045
Mill Levy Revenue	581,520	458,933
Interest	13,898	6,072
Other Income	64,187	1,334
<b>Total General Revenue</b>	<b>8,762,043</b>	<b>7,685,384</b>
 <b>Total Revenue</b>	<b>9,576,853</b>	<b>8,355,900</b>
 Expenses:		
Current:		
Instruction	5,768,437	5,085,947
Supporting Services	4,217,333	3,051,174
Interest in Long-term Debt	1,035,227	827,874
<b>Total Expenses</b>	<b>11,020,997</b>	<b>8,964,995</b>
 <b>Increase/(Decrease) in Net Position</b>	<b>(1,444,144)</b>	<b>(609,095)</b>
 <b>Net Position, Beginning</b>	<b>(6,585,731)</b>	<b>(5,976,636)</b>
 <b>Net Position, Ending</b>	<b>\$ (8,029,875)</b>	<b>\$ (6,585,731)</b>

The largest portion of the Academy's revenues came from per pupil revenue –85%, respectively in 2016.

**Global Village Academy Charter School-Aurora**  
**Management’s Discussion and Analysis**  
**Fiscal Year Ending June 30, 2016**

**Financial Analysis of the Academy’s Funds**

The Academy has one governmental fund, the General Fund. The General Fund is considered a major fund and is used to account for the Academy’s general operations. During 2015-16, the Academy decreased Fund Balance by \$219,760 to \$1,861,129 at year-end. The 2012 voter-approved mill levy was essential in providing an additional \$581,520 in revenue to support the operations of the School. Of the General Fund Balance, a TABOR reserve in the amount of \$293,694 is supported by the current assets at June 30.

**General Fund Budgetary Highlights**

The Academy budgeted General Fund expenditures of \$9,566,150, for the year ended June 30, 2016. Actual expenditures were \$9,546,436. The Academy also transferred \$220,046, as planned, to the Building Corporation for compliance with the 2011 bond and to fund a new 2016 bond.

**Capital Assets and Long-Term Debt.**

The Academy has capital assets in the form of buildings, building improvements, land, and equipment purchased to support the Academy’s educational program. During FY 2015-16 the Academy added \$1,176,840 of Construction in Progress to its capital assets for work on its East campus.

The Academy has long-term debt obligations associated with its buildings, building improvements, and land, including 2011, 2014, and 2016 charter school revenue bonds issued by the Public Finance Authority. Remaining principal on these debt obligations total \$21,435,000 as of June 30, 2016. Bond interest accrues at between 4.89% and 8.5%. The Academy is required to make monthly lease payments to the school’s Building Corporation for use of the buildings.

Additional information regarding capital assets can be found in Note 4 and long-term debt information can be found in Note 6.

**Economic Factors, Next Year’s Budget, Student Counts**

The primary factor driving the budget for the Academy is student enrollment. Historical Funded Pupil Count (FPC) for the School is as follows:

<b>Fiscal Year</b>	<b>FPC</b>
2012 / 2013	936.2
2013 / 2014	998.0
2014 / 2015	1005.2
2015/2016	1098.74

The FPC projected for the 2016-17 school year is 1,304. This factor was considered in preparing the Academy’s budget for fiscal year 2016-17. Currently there are no plans to significantly change the enrollment patterns for both the East and West campuses. The economic outlook for FY 2016-17 is stable with a projected increase in PPR funding of \$125 per funded pupil.

**Global Village Academy Charter School-Aurora**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2016**

The Charter School Capital Construction funding per pupil allocation is also expected to increase in FY 2016-17 to \$275.97, up from per \$258.49 in FY 2015-16.

**Requests for Information**

The financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Global Village Academy, 10701 Melody Drive, Suite 610, Northglenn, CO 80234.

## **BASIC FINANCIAL STATEMENTS**

GLOBAL VILLAGE ACADEMY - AURORA

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	2016	2015
ASSETS		
Cash and Investments	\$ 2,138,746	\$ 2,267,190
Restricted Cash and Investments	3,886,199	4,636,117
Accounts Receivable	1,347	105,156
Due From GVCC	4,109	-
Deposits	1,859	25,250
Prepaid Items	225,030	46,437
Capital Assets, Not Being Depreciated	2,278,629	5,893,355
Capital Assets, Depreciated, Net of Accumulated Depreciation	14,885,844	5,107,897
	<u>23,421,763</u>	<u>18,081,402</u>
TOTAL ASSETS		
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	2,561,944	1,515,610
	<u>2,561,944</u>	<u>1,515,610</u>
LIABILITIES		
Accounts Payable	1,134,103	1,735,015
Retainage Payable	22,855	242,465
Accrued Salaries and Benefits	437,576	336,006
Accrued Interest	43,343	43,343
Unearned Revenue	23,156	27,138
Noncurrent Liabilities		
Due Within One Year	200,000	135,000
Due in More Than One Year	21,235,000	14,855,000
Net Pension Liability	10,764,973	8,808,118
	<u>33,861,006</u>	<u>26,182,085</u>
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	152,576	658
	<u>152,576</u>	<u>658</u>
NET POSITION		
Net Investment in Capital Assets	(427,671)	604,026
Restricted for Emergencies	293,694	238,444
Unrestricted	(7,895,898)	(7,428,201)
	<u>(8,029,875)</u>	<u>(6,585,731)</u>
TOTAL NET POSITION	<u>\$ (8,029,875)</u>	<u>\$ (6,585,731)</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net Expense (Revenue) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
<b>PRIMARY GOVERNMENT</b>						
Governmental Activities						
Instruction	\$ 5,768,437	\$ 170,774	\$ -	\$ -	\$ (5,597,663)	\$ (5,075,076)
Supporting Services	4,217,333	19,207	341,109	283,720	(3,573,297)	(2,391,529)
Interest and Fiscal Charges	1,035,227	-	-	-	(1,035,227)	(827,874)
Total Governmental Activities	<u>\$ 11,020,997</u>	<u>\$ 189,981</u>	<u>\$ 341,109</u>	<u>\$ 283,720</u>	(10,206,187)	(8,294,479)
GENERAL REVENUES						
Per Pupil Revenue					8,102,438	7,219,045
Mill Levy Override					581,520	458,933
Investment Earnings					13,898	6,072
Other					64,187	1,334
TOTAL GENERAL REVENUES					<u>8,762,043</u>	<u>7,685,384</u>
CHANGE IN NET ASSETS					(1,444,144)	(609,095)
NET POSITION, Beginning,					<u>(6,585,731)</u>	<u>(5,976,636)</u>
NET POSITION, Ending					<u>\$ (8,029,875)</u>	<u>\$ (6,585,731)</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
June 30, 2016

	<u>GENERAL FUND</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and Investments	\$ 2,138,746	\$ 2,267,190
Due from Building Corporation	220,469	-
Accounts Receivable	1,347	105,156
Due from GVCC	4,109	-
Prepaid Expenses	4,561	46,437
Deposits	1,859	25,250
	<u>1,859</u>	<u>25,250</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,371,091</u>	<u>\$ 2,444,033</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 49,230	\$ -
Accrued Salaries and Benefits	437,576	336,006
Unearned Revenues	23,156	27,138
	<u>23,156</u>	<u>27,138</u>
<b>TOTAL LIABILITIES</b>	<u>509,962</u>	<u>363,144</u>
<b>FUND BALANCES</b>		
Nonspendable	6,420	71,687
Restricted for Special Education	50,000	50,000
Restricted for Operating Reserves	783,175	623,316
Restricted for Emergencies	293,694	238,444
Unassigned	727,840	1,097,442
	<u>727,840</u>	<u>1,097,442</u>
<b>TOTAL FUND BALANCES</b>	<u>1,861,129</u>	<u>2,080,889</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	51,649	91,752
Internal service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	(1,587,048)	(1,465,206)
Long-term Liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This is the Net Pension Liability and Related Deferred Inflows and Outflows	(8,355,605)	(7,293,166)
	<u>(8,355,605)</u>	<u>(7,293,166)</u>
<b>Net position of governmental activities</b>	<u>\$ (8,029,875)</u>	<u>\$ (6,585,731)</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	<u>GENERAL FUND</u>	
	<u>2016</u>	<u>2015</u>
REVENUES		
Local Sources	\$ 8,947,892	\$ 7,816,171
State Sources	525,242	525,242
Federal Sources	<u>95,077</u>	<u>9,597</u>
TOTAL REVENUES	<u>9,568,211</u>	<u>8,351,010</u>
EXPENDITURES		
Instruction	4,813,964	4,485,815
Supporting Services	<u>4,750,472</u>	<u>3,261,740</u>
TOTAL EXPENDITURES	<u>9,564,436</u>	<u>7,747,555</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,775</u>	<u>603,455</u>
OTHER FINANCING SOURCES (USES)		
Transfers Out	<u>(223,535)</u>	<u>(200,330)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(223,535)</u>	<u>(200,330)</u>
NET CHANGE IN FUND BALANCES	(219,760)	403,125
FUND BALANCES, Beginning	<u>2,080,889</u>	<u>1,677,764</u>
FUND BALANCES, Ending	<u><u>\$ 1,861,129</u></u>	<u><u>\$ 2,080,889</u></u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (219,760)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense for the year.	(40,103)
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	(121,842)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds, those amounts are capitalized and amortized.	<u>(1,062,439)</u>
Change in net position of governmental activities	<u><u>\$ (1,444,144)</u></u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPES  
 June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2016	2015
<b>ASSETS</b>		
Current Assets		
Restricted Investments	\$ 3,886,199	\$ 4,636,117
Prepaid Expenses	220,469	-
Total Current Assets	<u>4,106,668</u>	<u>4,636,117</u>
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	<u>17,112,824</u>	<u>10,909,500</u>
Total Long-term Assets	<u>17,112,824</u>	<u>10,909,500</u>
TOTAL ASSETS	<u>21,219,492</u>	<u>15,545,617</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	1,084,873	1,735,015
Retainage Payable	22,855	242,465
Due To General Fund	220,469	-
Interest Payable	43,343	43,343
Bonds Payable - Current Portion	<u>200,000</u>	<u>135,000</u>
Total Current Liabilities	<u>1,571,540</u>	<u>2,155,823</u>
Long-Term Liabilities		
Bonds Payable	<u>21,235,000</u>	<u>14,855,000</u>
TOTAL LIABILITIES	<u>22,806,540</u>	<u>17,010,823</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	(4,322,176)	(4,080,500)
Unrestricted	<u>2,735,128</u>	<u>2,615,294</u>
TOTAL NET POSITION	<u>\$ (1,587,048)</u>	<u>\$ (1,465,206)</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND TYPES  
Year Ended June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2016	2015
OPERATING REVENUES		
Rent	\$ 1,278,513	\$ 708,042
Investment Income	8,642	4,890
TOTAL OPERATING REVENUES	1,287,155	712,932
OPERATING EXPENSES		
Purchased Services	2,997	1,909
Depreciation	280,848	138,376
TOTAL OPERATING EXPENSES	283,845	140,285
OPERATING INCOME	1,003,310	572,647
NON-OPERATING REVENUES (EXPENSES)		
Interest Expense	(1,035,227)	(827,874)
Bond Issuance Costs	(313,460)	(246,971)
Transfers In	223,535	200,330
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,125,152)	(874,515)
NET INCOME (LOSS)	(121,842)	(301,868)
NET POSITION, Beginning	(1,465,206)	(1,163,338)
NET POSITION, Ending	\$ (1,587,048)	\$ (1,465,206)

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 Year Ended June 30, 2016  
 Increase (Decrease) in Cash

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Rental Operations	\$ 1,278,513	\$ 708,042
Cash Paid to Suppliers	(2,997)	(1,909)
Investment Income	8,642	4,890
Net Cash Provided by Operating Activities	<u>1,284,158</u>	<u>711,023</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(7,353,924)	(2,814,086)
Interest Expense	(1,035,227)	(810,202)
Proceeds from Issuance of Debt	6,580,000	6,870,000
Principal Payments on Loan	(135,000)	(90,000)
Bond Issuance Costs	(313,460)	(246,971)
Transfer from General Fund	223,535	200,330
Net Cash Provided (Used) by Financing Activities	<u>(2,034,076)</u>	<u>3,109,071</u>
NET INCREASE (DECREASE) IN CASH	(749,918)	3,820,094
CASH, Beginning	<u>4,636,117</u>	<u>816,023</u>
CASH, Ending	<u>\$ 3,886,199</u>	<u>\$ 4,636,117</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income	<u>\$ 1,003,310</u>	<u>\$ 572,647</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation Expense	280,848	138,376
Capital Assets purchased by Accounts and Retainage Payable	869,752	(1,977,480)
Changes in Assets and Liabilities		
Prepaid Expenses	(220,469)	-
Accounts Payable	(650,142)	1,735,015
Retainage Payable	(219,610)	242,465
Due to General Fund	220,469	-
Total Adjustments	<u>280,848</u>	<u>138,376</u>
Net Cash (Used) by Operating Activities	<u>\$ 1,284,158</u>	<u>\$ 711,023</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Global Village Academy – Aurora (the “School”) was formed in 2006 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

Based upon the application of these criteria, the following organization is included in the School’s reporting entity.

Global Village Building Corporation

The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s financial statements as an internal service fund. As part of its ongoing responsibilities, the Building Corporation provides the School with monthly financial statements. Separate financial statements are not available.

The School is a component unit of the Joint School District No. 28 J of the Counties of Adams and Arapahoe, Colorado.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources as they are needed.

The School reports the following major governmental funds:

*General Fund* – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the School reports the following fund types:

The *Internal Service Fund* is used to account for activity of the Building Corporation.

**Assets, Liabilities and Fund Balance/Net Position**

*Investments* – Investments are recorded at fair value.

*Receivables* – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

*Prepaid Expenses* - Payments for goods and services to be received in the near future. An expenditure is reported in the year in which the goods or services are received.

*Inventory* – Payments made to vendors for school uniforms that will be used in future periods are recorded as inventory. An expenditure is reported in the year in which the goods are consumed.

*Deposits* – This amount represents a security deposit per the lease agreement for their building.

*Capital Assets* – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: leasehold improvements 9 years, equipment 5 years.

*Unearned Revenues* – The unearned revenues include amounts received but not yet available for expenditure.

*Net Position*– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School has reported its deposits and prepaid items as nonspendable as of June 30, 2016.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Other funds classified as restricted are the Special Education Legal Reserves which are required by the contract between the School and the District and the Operating Reserves which is required by the bond agreements.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2016.
- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The School did not have any assigned resources as of June 30, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss. Settled claims have not exceeded any coverages in the last three years.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

**NOTE 3: CASH AND INVESTMENTS**

Cash and Investments at June 30, 2016 consisted of the following:

Cash on Hand	\$ 1,000
Deposits	652,735
Investments	<u>5,371,210</u>
Total	<u>\$ 6,024,945</u>

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of \$652,735. The bank balances with the financial institutions were \$758,417. Of these balances \$300,011 were covered by federal depository insurance and \$458,406 were covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

**Investments**

The School had invested \$5,371,210 in the Colorado Surplus Asset Fund Trust (CSAFE) which has a credit rating of AAAm by Standard and Poor's. CSAFE is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

Restricted Cash and Investments

Investments in the amount of \$3,886,199 are restricted for bond construction projects and bond debt service.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 4**      **CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2016 is summarized below.

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ 1,101,789	-	-	1,101,789
Construction in Progress	4,791,566	1,176,840	4,791,566	1,176,840
Total Capital Assets, Not Depreciated	<u>5,893,355</u>	<u>1,176,840</u>	<u>4,791,566</u>	<u>2,278,629</u>
Capital Assets, Depreciated				
Building	5,535,055	10,098,898	-	15,633,953
Building Improvements	338,815	-	338,815	-
Equipment	14,507	57,388	-	71,895
Total Capital Assets, Depreciated	<u>5,888,377</u>	<u>10,156,286</u>	<u>338,815</u>	<u>15,705,848</u>
Accumulated Depreciation				
Building	518,910	280,848	-	799,758
Building Improvements	247,063	-	247,063	-
Equipment	14,507	5,739	-	20,246
Total Accumulated Depreciation	<u>780,480</u>	<u>286,587</u>	<u>247,063</u>	<u>820,004</u>
Net Capital Assets, Depreciated	<u>5,107,897</u>	<u>9,869,699</u>	<u>91,752</u>	<u>14,885,844</u>
Net Capital Assets	<u>\$ 11,001,252</u>	<u>\$ 11,046,539</u>	<u>\$ 4,883,318</u>	<u>\$ 17,164,473</u>

Depreciation has been charged to the Supporting Services program of the School.

**NOTE 5:**      **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a School year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$437,576 in the General Fund.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2016:

	Balance			Balance		Due In
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>	<u>One Year</u>	
2011 Building Loan	\$ 8,120,000	\$ -	\$ 100,000	\$ 8,020,000	\$ 105,000	
2014 Building Loan	6,870,000	-	35,000	6,835,000	95,000	
2016 Building Loan	<u>-</u>	<u>6,580,000</u>	<u>-</u>	<u>6,580,000</u>	<u>-</u>	
<b>Total</b>	<b><u>\$ 14,990,000</u></b>	<b><u>\$ 6,580,000</u></b>	<b><u>\$ 135,000</u></b>	<b><u>\$ 21,435,000</u></b>	<b><u>\$ 200,000</u></b>	

**2011 Building Loan**

In January, 2011, the Public Finance Authority (Authority) issued \$8,365,000 Charter School Revenue Bonds (Global Village Academy Project), Series 2011. Proceeds of the bonds were used in the acquisition of the land and to construct and equip a new educational facility. The School is obligated to make monthly lease payments to the Corporation for use of the building. The Corporation is required to make equal debt service payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 7.5% to 8.5%. The lease matures in December 2040.

**2014 Building Loan**

In December, 2014, the Public Finance Authority (Authority) issued \$6,870,000 Charter School Revenue Bonds (Global Village Academy Project), Series 2014. Proceeds of the bonds were used to construct and equip a new educational facility. The School is obligated to make monthly lease payments to the Corporation for use of the building. The Corporation is required to make equal debt service payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 5.47% to 7.5%. The lease matures in December 2045.

**2016 Building Loan**

In June, 2016, the Public Finance Authority (Authority) issued \$6,580,000 Charter School Revenue Bonds (Global Village Academy Project), Series 2016. Proceeds of the bonds were used to purchase, improve, and equip a new educational facility. The School is obligated to make monthly lease payments to the Corporation for use of the building. The Corporation is required to make equal debt service payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 4.89% to 5.87%. The lease matures in December 2044.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: LONG-TERM DEBT** (Continued)

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 200,000	\$ 1,377,658	\$ 1,577,658
2018	325,000	1,370,462	1,695,462
2019	345,000	1,350,353	1,695,353
2020	365,000	1,328,976	1,693,976
2021	385,000	1,306,333	1,691,333
2022 – 2026	2,325,000	6,136,967	8,461,967
2027 – 2031	3,125,000	5,288,436	8,413,436
2032 – 2036	4,290,000	4,095,312	8,385,312
2037 – 2041	6,640,000	2,378,781	9,018,781
2042 – 2045	<u>3,435,000</u>	<u>446,669</u>	<u>3,881,669</u>
Total	<b><u>\$ 21,435,000</u></b>	<b><u>\$ 25,079,947</u></b>	<b><u>\$ 46,514,947</u></b>

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

*Benefits provided.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	17.33%	18.13%

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were \$611,124 for the year ended June 30, 2016.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

At June 30, 2016 the School reported a liability of \$10,764,973 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.07039%, which was an increase of 0.00540% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the School recognized pension expense of \$1,673,563. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$142,153	\$ 448
Net difference between projected and actual earnings on pension plan investments	\$ 915,325	N/A
Changes in assumptions and other inputs	N/A	\$152,128
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 1,189,066	N/A
Contributions subsequent to the measurement date	\$ 315,400	N/A
Total	\$ 2,561,944	\$ 152,576

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$315,400 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30</b>	
2017	\$ 826,830
2018	\$ 710,700
2019	\$ 368,738
2020	\$ 187,700

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

\* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 13,954,551	\$ 10,764,973	\$ 8,111,839

*Pension plan fiduciary net position.* Detailed information about the SCHD'TF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Other Post-Employment Benefits**

Health Care Trust Fund

*Plan Description* – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Other Post-Employment Benefits** (Continued)

*Funding Policy* – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the School’s contributions to the HCTF were \$33,238, \$29,283 and \$25,527, respectively, equal to their required contributions for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Operating Lease**

The School has entered into a non-cancellable operating lease for its building. This agreement requires monthly payments ranging from \$35,212 to \$50,453. The final payment is due July 31, 2017. However, in June 2016, the School purchased the building using proceeds from the 2016 bond issue. Total rent expense for the year ended June 30, 2016 for the lease was \$652,038.

**Charter Collaborative Contract**

On March 25, 2012, the School, along with Global Village Academy – Northglenn (“GVA-Northglenn”) entered into an agreement with Global Village Collaborative (the “Collaborative”). The purpose of this agreement is to advance and carry out the common educational mission of participating schools. The Collaborative serves as a central office to administer, manage, and support the implementation of the schools’ educational programs. The Collaborative is financed by the Schools through fees and assessments calculated per the contract. For the year ended June 30, 2016, the School paid the Collaborative \$1,202,546 under the terms of this contract. As of June 30, 2016, \$4,109 are due to the School from the Collaborative.

GLOBAL VILLAGE ACADEMY - AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8:**     **COMMITMENTS AND CONTINGENCIES** (Continued)

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of \$293,694 was recorded as a restriction of fund balance in the General Fund.

**NOTE 9:**     **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$8,029,875 due to the School including the Net Pension Liability per GASB No. 68.

**REQUIRED SUPPLEMENTARY INFORMATION**

GLOBAL VILLAGE ACADEMY - AURORA

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year Ended June 30, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Operating Revenue	\$ 8,121,583	\$ 8,105,307	\$ 8,102,438	\$ (2,869)	\$ 7,219,045
Mill Levy Override	484,802	581,520	581,520	-	458,933
Pupil Activities	100,500	179,153	170,774	(8,379)	10,871
Charges for Services	18,360	18,360	19,207	847	64,210
Grants and Donations	1,000	3,500	4,510	1,010	60,596
Earnings on Investments	750	3,500	5,256	1,756	1,182
Other Revenue	15,800	62,300	64,187	1,887	1,334
Federal and State Sources					
Grants and Donations	624,885	620,305	620,319	14	534,839
TOTAL REVENUES	<u>9,367,680</u>	<u>9,573,945</u>	<u>9,568,211</u>	<u>(5,734)</u>	<u>8,351,010</u>
EXPENDITURES					
Instruction					
Salaries	3,035,569	3,152,914	3,150,691	2,223	2,800,078
Employee Benefits	864,637	879,108	880,439	(1,331)	753,748
Purchased Services	757,130	390,000	454,689	(64,689)	538,064
Supplies and Materials	151,010	265,223	237,135	28,088	205,641
Property	5,000	5,000	3,210	1,790	188,284
Other	27,500	84,500	87,800	(3,300)	-
Total Instruction	<u>4,840,846</u>	<u>4,776,745</u>	<u>4,813,964</u>	<u>(37,219)</u>	<u>4,485,815</u>
Supporting Services					
Salaries	356,791	356,000	356,392	(392)	309,010
Employee Benefits	87,007	118,187	116,075	2,112	105,452
Purchased Services	3,703,320	3,926,568	3,898,353	28,215	2,703,264
Supplies and Materials	83,210	173,000	158,899	14,101	136,392
Property	137,200	204,200	210,491	(6,291)	-
Other	11,273	11,450	10,262	1,188	7,622
Total Supporting Services	<u>4,378,801</u>	<u>4,789,405</u>	<u>4,750,472</u>	<u>38,933</u>	<u>3,261,740</u>
TOTAL EXPENDITURES	<u>9,219,647</u>	<u>9,566,150</u>	<u>9,564,436</u>	<u>1,714</u>	<u>7,747,555</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>148,033</u>	<u>7,795</u>	<u>3,775</u>	<u>(4,020)</u>	<u>603,455</u>
OTHER FINANCING USES					
Transfers Out	-	(223,535)	(223,535)	-	(200,330)
NET CHANGE IN FUND BALANCES	148,033	(215,740)	(219,760)	(4,020)	403,125
FUND BALANCE, Beginning	<u>1,864,226</u>	<u>2,080,889</u>	<u>2,080,889</u>	<u>-</u>	<u>1,677,764</u>
FUND BALANCE, Ending	<u>\$ 2,012,259</u>	<u>\$ 1,865,149</u>	<u>\$ 1,861,129</u>	<u>\$ (4,020)</u>	<u>\$ 2,080,889</u>

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - AURORA

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
School's proportionate share of the Net Pension Liability	0.054%	0.065%	0.070%
School's proportionate share of the Net Pension Liability	\$ 6,855,978	\$ 8,808,818	\$ 10,764,973
School's covered-employee payroll	\$ 2,166,889	\$ 2,870,863	\$ 3,258,579
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	306.8%	330.4%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - AURORA  
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 425,960	\$ 514,037	\$ 611,124
Contributions in relation to the Statutorily required contributions	<u>425,960</u>	<u>514,037</u>	<u>61,124</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,000</u>
School's covered-employee payroll	\$ 2,502,659	\$ 2,870,863	\$ 3,258,579
Contributions as a percentage of covered-employee payroll	17.02%	17.91%	1.88%

See the accompanying independent auditors' report.

## **COMPLIANCE**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
Global Village Academy - Aurora  
Aurora, Colorado

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Global Village Academy - Aurora as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Global Village Academy - Aurora's basic financial statements, and have issued our report thereon dated September 16, 2016.

#### **Internal Control over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Global Village Academy - Aurora's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*John Luthr & Associates, LLC*

September 16, 2016