

GLOBAL VILLAGE ACADEMY-NORTHGLENN

BASIC FINANCIAL STATEMENTS

June 30, 2016



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**JOHN CUTLER
& ASSOCIATES**

Board of Directors
Global Village Academy - Northglenn
Northglenn, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Global Village Academy -Northglenn (the "Academy"), a component unit of the Adams 12 Five Star Schools, School District in Adams County, Colorado, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy'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. 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 -Northglenn as of and for the year ended 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.

John Luttrell & Associates, LLC

September 14, 2016

Global Village Academy Northglenn Charter School-Northglenn

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2016

Introduction

As management of Global Village Academy-Northglenn (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 fifth year of operations for the Academy. As of June 30, 2016, net position decreased to (\$4,313,066) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated. 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 State School Finance Act (the "Act"). State categorical revenue for the year was \$6,396,055.

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. As a government entity, the Academy has elected to combine the statement of net position and balance sheet for the governmental funds and to combine the statement of activities and statement of revenues, expenditures, and changes in fund balance with each statement linked by a reconciliation column.

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 as of year-end).

Global Village Academy Northglenn Charter School-Northglenn

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2016

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. 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, and one proprietary fund, the Building Fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund, the general fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Internal Service Fund. The Global Village Academy-Northglenn Building Corporation (the "Corporation") is considered a component unit of the charter school, has one fund, an enterprise fund and is presented with the statement of net position, changes in net position and a statement of cash flows.

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. Please reference pages 9-28.

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 (\$4,313,066). Of the net position, \$198,378 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 Northglenn Charter School-Northglenn
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

School's Net Position
Governmental and Business-Type Activities

	June 30, 2016	June 30, 2015
Assets		
Cash and Investments	\$1,387,935	\$ 736,679
Accounts Receivables & Due From	7,223	38,270
Security Deposit	30,000	30,000
Prepaid Items		47,500
Capital Assets, Not Depreciated		54,879
Capital Assets, Net	1,237,582	1,314,048
Total Assets	2,663,010	2,221,376
Deferred Outflows of Resources- Related to Pensions	2,869,489	1,671,755
Liabilities		
Accounts Payable and Other Current Liabilities	153,333	166,679
Accrued Salaries and Benefits	270,305	202,686
Deferred Revenue	2,003	5,882
Debt Due Within One Year	432,888	405,784
Due in More Than One Year	554,118	987,007
Net Pension Liability	8,315,066	6,141,105
Total Liabilities	9,727,713	7,909,143
Deferred Inflows of Resources- Related to Pensions	117,852	344
Net Position		
Net Investment in capital assets	250,846	(23,864)
Restricted for TABOR	198,378	161,000
Unrestricted	(4,762,290)	(4,153,492)
Total Net Position	\$ (4,313,066)	\$ (4,016,356)

Global Village Academy Northglenn Charter School-Northglenn
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

School's Change in Net Position
For the Years Ended June 30, 2016 and June 30, 2015
Governmental and Business-Type Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues		
Program Revenues		
Operating Grants and Contributions	\$331,058	\$ 344,888
Capital Grants and Contributions	231,350	126,631
Charges for Services	204,120	184,497
General Revenues		
Categorical Revenue	6,396,055	5,129,363
Interest	16,082	37,026
	<hr/>	<hr/>
Total revenues	7,178,665	5,822,405
Expenditures/expenses		
Current		
Instruction	4,688,933	3,427,381
Support Services	2,717,690	2,305,890
Interest and Fiscal Charges	68,752	90,495
	<hr/>	<hr/>
Total Expenses	7,475,375	5,823,766
Increase in Net Position	(296,710)	(1,361)
Net Position, Beginning of Year	(4,016,356)	(4,014,995)
Net Position, End of Year	\$ (4,313,066)	\$ (4,016,356)

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 was able to increase Fund Balance to \$999,517 at year-end. Of the General *Fund Balance*, Tabor in the amount of \$198,378 has been reserved which is supported by the current assets at June 30.

General Fund Budgetary Highlights

The Academy budgeted General Fund expenditures of \$6,924,435 for the year ended June 30, 2016. Actual expenditures were \$6,656,350.

**Global Village Academy Northglenn Charter School-Northglenn
Management’s Discussion and Analysis
As of and for the Year Ended June 30, 2016**

Capital Assets and Debt Administration

The Academy is party to a facilities operating lease. The facility lease is with North Express, LLC. \$570,417 was paid to North Express during FY16. \$454,079 in debt service was paid to the Charter School Development Corporation (CSDC) for improvements made to the School. The interest rate on the CSDC loan is 6.5%. The original loan included a balloon payment due in June 2016. The Board negotiated with CSDC to restructure the loan and spread out the balloon payments over 3 years beginning in FY16.

The asset capitalization threshold is \$5,000. During FY 2015-16, capital asset additions of \$188,914 were made for Leasehold Improvements. The total depreciation expense of \$265,110 is being recognized on all assets.

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. Funded Pupil Count (FPC) was as follows:

Fiscal Year	FPC	
2013 / 2014	679.72	
2014 / 2015	749.92	
2015 / 2016	894.96	
2016 / 2017	928.56	Projected

This factor was considered in preparing the Academy’s budget for fiscal year 2016/17. Enrollment will continue to grow as the growth plan is executed. As the State’s economic environment improves, the Academy is optimistic K-12 funding will improve in the near term. The adopted budget FY 16/17 reflects a 1% increase in per pupil revenue from state funding in an effort to be fiscally conservative.

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 - NORTHGLENN

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 1,387,935	\$ 736,679
Accounts Receivable	7,223	38,270
Deposits	30,000	30,000
Prepaid Items	-	47,500
Capital Assets, Not Depreciated	-	54,879
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>1,237,852</u>	<u>1,314,048</u>
TOTAL ASSETS	<u>2,663,010</u>	<u>2,221,376</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>2,869,489</u>	<u>1,671,755</u>
LIABILITIES		
Accounts Payable	153,333	166,679
Accrued Salaries and Benefits	270,305	202,686
Unearned Revenue	2,003	5,882
Noncurrent Liabilities		
Due Within One Year	432,888	405,784
Due in More Than One Year	554,118	987,007
Net Pension Liability	<u>8,315,066</u>	<u>6,141,105</u>
TOTAL LIABILITIES	<u>9,727,713</u>	<u>7,909,143</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>117,852</u>	<u>344</u>
NET POSITION		
Investment in Capital Assets	250,846	(23,864)
Restricted for Emergencies	198,378	161,000
Unrestricted	<u>(4,762,290)</u>	<u>(4,153,492)</u>
TOTAL NET POSITION	<u>\$ (4,313,066)</u>	<u>\$ (4,016,356)</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net Expense (Revenue) and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	\$ 4,688,933	\$ 93,783	\$ -	\$ -	\$ (4,595,150)	\$ (3,348,185)
Supporting Services	2,717,690	110,337	331,058	231,350	(2,044,945)	(1,729,070)
Interest and Fiscal Charges	68,752	-	-	-	(68,752)	(90,495)
Total Governmental Activities	<u>\$ 7,475,375</u>	<u>\$ 204,120</u>	<u>\$ 331,058</u>	<u>\$ 231,350</u>	<u>(6,708,847)</u>	<u>(5,167,750)</u>
GENERAL REVENUES						
Per Pupil Revenue					6,396,055	5,129,363
Interest Income					16,082	37,026
TOTAL GENERAL REVENUES					<u>6,412,137</u>	<u>5,166,389</u>
CHANGE IN NET POSITION					(296,710)	(1,361)
NET POSITION, Beginning					<u>(4,016,356)</u>	<u>(4,014,995)</u>
NET POSITION, Ending					<u>\$ (4,313,066)</u>	<u>\$ (4,016,356)</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

BALANCE SHEET
GENERAL FUND
June 30, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 1,387,935	\$ 736,679
Accounts Receivable	7,223	38,270
Prepaid Expenses	-	47,500
Deposits	<u>30,000</u>	<u>30,000</u>
 TOTAL ASSETS	 <u>\$ 1,425,158</u>	 <u>\$ 852,449</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 67,047	\$ 95,474
Accrued Expenses	86,286	71,205
Accrued Salaries and Benefits	270,305	202,686
Unearned Revenues	<u>2,003</u>	<u>5,882</u>
 TOTAL LIABILITIES	 <u>425,641</u>	 <u>375,247</u>
FUND BALANCES		
Nonspendable	30,000	77,500
Restricted for Emergencies	198,378	161,000
Unassigned	<u>771,139</u>	<u>238,702</u>
 TOTAL FUND BALANCES	 999,517	 477,202
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.	534,236	530,625
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.	(260,550)	(511,132)
Long-term liabilities and related assets are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$8,315,066), deferred outflows related to pensions \$2,869,489, deferred inflows related to pensions (\$117,852) and capital leases payable (\$22,840).	<u>(5,586,269)</u>	<u>(4,513,051)</u>
Net position of governmental activities	<u>\$ (4,313,066)</u>	<u>\$ (4,016,356)</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
REVENUES		
Local Sources	\$ 6,626,824	\$ 5,424,559
State and Federal Sources	<u>551,841</u>	<u>397,846</u>
TOTAL REVENUES	<u>7,178,665</u>	<u>5,822,405</u>
EXPENDITURES		
Instruction	3,686,167	3,168,751
Supporting Services	<u>2,970,183</u>	<u>2,669,040</u>
TOTAL EXPENDITURES	<u>6,656,350</u>	<u>5,837,791</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>522,315</u>	<u>(15,386)</u>
OTHER FINANCING SOURCES		
Proceeds from Capital Lease	<u>-</u>	<u>65,357</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>65,357</u>
NET CHANGE IN FUND BALANCES	522,315	49,971
FUND BALANCES, Beginning	<u>477,202</u>	<u>427,231</u>
FUND BALANCES, Ending	<u>\$ 999,517</u>	<u>\$ 477,202</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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	\$ 522,315
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 that capital outlay \$134,035 exceeded depreciation expense (\$130,424) for the year.	3,611
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the capital lease principal payment for the year.	20,517
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.	250,582
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>(1,093,735)</u>
Change in net position of governmental activities	<u>\$ (296,710)</u>

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

GLOBAL VILLAGE ACADEMY NORTHGLENN

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 June 30, 2016

	Governmental Activities- Internal Service Fund	
	2016	2015
ASSETS		
Current Assets		
Due from General Fund	\$ -	\$ -
Total Current Assets	-	-
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	703,616	838,302
Total Long-term Assets	703,616	838,302
TOTAL ASSETS	703,616	838,302
LIABILITIES		
Current Liabilities		
Note Payable - Current Portion	410,048	385,267
Total Current Liabilities	410,048	385,267
Long-Term Liabilities		
Note Payable	554,118	964,167
TOTAL LIABILITIES	964,166	1,349,434
NET POSITION		
Invested in Capital Assets, Net of Related Debt	(260,550)	(511,132)
Unrestricted	-	-
TOTAL NET POSITION	\$ (260,550)	\$ (511,132)

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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	\$ 1,071,966	\$ 728,557
TOTAL OPERATING REVENUES	1,071,966	728,557
OPERATING EXPENSES		
Purchased Services	617,946	560,417
Depreciation	134,686	134,686
Amortization	-	-
TOTAL OPERATING EXPENSES	752,632	695,103
OPERATING INCOME	319,334	33,454
NON-OPERATING REVENUES (EXPENSES)		
Interest Expense	(68,752)	(90,495)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(68,752)	(90,495)
NET INCOME (LOSS)	250,582	(57,041)
NET ASSETS, Beginning	(511,132)	(454,091)
NET ASSETS, Ending	\$ (260,550)	\$ (511,132)

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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

	Governmental Activities	
	Internal Service	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	\$ 1,071,966	\$ 728,557
Cash Paid to Suppliers	(617,946)	(560,417)
Net Cash Provided by Operating Activities	<u>454,020</u>	<u>168,140</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Expense	(68,752)	(90,495)
Principal Payments on Loan	(385,268)	(77,645)
Net Cash Used by Financing Activities	<u>(454,020)</u>	<u>(168,140)</u>
NET INCREASE IN CASH	-	-
CASH, Beginning	<u>-</u>	<u>-</u>
CASH, Ending	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 319,334	\$ 33,454
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	134,686	134,686
Total Adjustments	<u>134,686</u>	<u>134,686</u>
Net Cash Provided by Operating Activities	<u>\$ 454,020</u>	<u>\$ 168,140</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Global Village Academy (the “Academy”) was formed in 2011 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the Academy 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 Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy 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 Academy.

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

Global Village Building Corporation

The Global Village Academy-Northglenn Building Corporation (the “Corporation”) is considered to be financially accountable to the Academy. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy’s financial statements as an internal service fund. Separate financial statements are not available.

The Academy is a component unit of the Adams 12 Five Star Schools District in Adam County, 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 Academy. 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 - NORTHGLENN

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 Academy.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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 Academy's policy to use restricted resources first and the unrestricted resources as they are needed.

The Academy reports the following major governmental funds:

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

Additionally, the Academy 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

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 Academy 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.

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 10 years.

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unearned Revenues – The unearned revenues includes deposits for fees received but not yet available for expenditure until the following year.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Position– The government-wide 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 Academy 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 Academy 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 Academy has reported its deposit as nonspendable as of June 30, 2016.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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 Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- 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 Academy did not have any committed 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 Academy 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 Academy 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 Academy carries commercial insurance for these risks of loss. Settled claims have not exceeded coverage in the last three years.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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. The Academy did not adopt a budget for the Building Corporation.

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.

Accountability

The Building Corporation Fund has a deficit net position of \$260,550. This deficit is expected to be eliminated when the debt is paid.

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investment categories in this footnote are as follows:

Cash Deposits	\$ 1,387,185
Petty Cash	<u>750</u>
Total Cash and Investments	<u>\$ 1,387,935</u>

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 Academy 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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

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 Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the Academy had deposits with financial institutions with a carrying amount of \$1,387,185. The bank balances with the financial institutions were \$1,399,077. Of this amount, \$250,000 was covered by federal depository insurance and \$1,149,077 was covered by collateral held by authorized escrow agents in the financial institutions name (PDDPA).

Investments

At June 30, 2016 the Academy had no investments to report.

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>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 54,879	\$ -	\$ 54,879	\$ -
Capital Assets, Depreciated				
Equipment	125,845	-	-	125,845
Leasehold Improvements	<u>1,802,617</u>	<u>188,914</u>	-	<u>1,991,531</u>
Total Capital Assets, Depreciated	<u>1,928,462</u>	<u>188,914</u>	-	<u>2,117,376</u>
Accumulated Depreciation				
Equipment	26,557	27,835	-	54,392
Leasehold Improvements	<u>587,857</u>	<u>237,275</u>	-	<u>825,132</u>
Total Accumulated Depreciation	<u>614,414</u>	<u>265,110</u>	-	<u>879,524</u>
Total Capital Assets, Depreciated, Net	<u>1,314,048</u>	<u>(76,196)</u>	-	<u>1,237,852</u>
Net Capital Assets	<u>\$ 1,368,927</u>	<u>\$ (76,196)</u>	<u>\$ 54,879</u>	<u>\$ 1,237,852</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 an Academy year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$270,305 in the General Fund.

NOTE 6: LONG-TERM DEBT

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2016</u>	Due In <u>One Year</u>
Building Loan	\$ 1,349,434	\$ -	\$ 385,268	\$ 964,166	\$ 410,048
Capital Lease	<u>43,357</u>	<u>-</u>	<u>20,517</u>	<u>22,840</u>	<u>22,840</u>
Building Loan	<u>\$ 1,392,791</u>	<u>\$ -</u>	<u>\$ 405,785</u>	<u>\$ 987,006</u>	<u>\$ 432,888</u>

Building Loan

In February, 2011, the Charter School Development Authority, "CSDC", issued a note payable in the amount of \$1,585,000 to the Building Corporation for the purposes of leasehold improvements on a building that the school leases as its educational facility. The Academy is obligated to make monthly lease payments to the Corporation for repayment of this debt. The Corporation is required to make equal debt payments to the CSDC, for payment of the outstanding note. Interest on the note stated in the agreement at an interest rate of 1.8% over the CSDC's costs of funds. The current rate on the note is at 6.77%. The original note term was 15 years with a balloon payment at the end of maturity in June 2016. In June 2016, the Building Corporation revised and extended its repayment terms through June 2018.

Revised future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 410,048	\$ 43,972	\$ 454,020
2018	<u>554,118</u>	<u>17,600</u>	<u>571,718</u>
Total	<u>\$ 964,166</u>	<u>\$ 61,572</u>	<u>\$ 1,025,738</u>

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: LONG-TERM DEBT (Continued)

Capital Lease

In August 2014, the Academy entered into a capital lease agreement to purchase computer equipment which will be paid from revenues of the General Fund. The lease requires annual payments of \$25,425, beginning in August 2015. This lease bears interest at a rate of 10% and will mature in August 2016.

Future Debt Service Requirements

Following is a schedule of the future minimum lease payments required under the capital lease obligation at June 30, 2016:

Year Ended December 31,

2017	\$ 25,425
Less: Interest	<u>(2,585)</u>
Present Value of Minimum Lease Payments	<u>\$ 22,840</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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.

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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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.

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:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	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) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates 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 \$483,386 for the year ended June 30, 2016.

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 \$8,315,066 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 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.05437%, which was an increase of 0.00906% from its proportion measured as of December 31, 2014.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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)

For the year ended June 30, 2016 the School recognized pension expense of \$1,577,121. At June 30, 2016, 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	\$ 109,801	\$ 346
Net difference between projected and actual earnings on pension plan investments	\$ 707,014	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 1,794,308	N/A
Changes in assumptions and other inputs	N/A	\$ 117,506
Contributions subsequent to the measurement date	\$ 258,366	N/A
Total	\$ 2,869,489	\$ 117,852

\$258,366 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:

Year ended June 30,	
2017	\$973,466
2018	\$973,529
2019	\$401,294
2020	\$144,982

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90%-10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
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, 2014 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.

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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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)

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.

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%.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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)

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.
- 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).

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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)

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.

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%, 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	\$10,778,756	\$8,315,066	\$6,265,736

Pension plan fiduciary net position. Detailed information about the SCHDTF’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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Academy 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.

Funding Policy – The Academy 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 Academy 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 Academy's contributions to the HCTF were \$26,269, \$22,124 and \$16,745, respectively, equal to their required contributions for each year.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES

Operating Lease

The Academy has entered into a non-cancellable operating lease for its building. This agreement requires monthly payments ranging from \$28,333 to \$52,292. The final payment is due June 30, 2021. The future minimum lease payments are as follows:

Year Ended	
<u>June 30</u>	
2017	\$ 627,500
2018	627,500
2019	627,500
2020	627,500
2021	<u>627,500</u>
Total	<u>\$ 3,137,500</u>

Total rent expense for the year ended June 30, 2016 for the lease was \$622,708.

Special Education Reserve

Per the Charter Agreement the Academy has agreed to fund a special education reserve in the amount of \$125,000. The Academy's TABOR reserve may be counted toward this reserve requirement. For the year ended June 30, 2016 the Academy has recorded \$198,378 as a restriction of fund balance as required by the TABOR Amendment. The Academy believes it is in compliance with the special education reserve requirement.

Charter Collaborative Contract

On March 25, 2011, the Academy, along with Global Village Academy – Aurora ("GVA-Aurora") 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. For the year ended June 30, 2016, the Academy paid the Collaborative \$683,246 under the terms of this contract. The Collaborative owes the Academy \$6,946 at June 30, 2016.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Claims and Judgments

The Academy 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 Academy may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

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 Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2016, the reserve of \$198,378 was recorded as a reservation of net position in the General Fund.

NOTE 9: **SUBSEQUENT EVENTS**

The Academy has evaluated subsequent events through the date which the financial statements were issued. There were no material subsequent events that required recognition or additional disclosure.

NOTE 10: **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$4,313,066 due to the School including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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	\$ 6,136,828	\$ 6,370,262	\$ 6,396,055	\$ 25,793	\$ 5,129,363
Pupil Activities	137,642	95,142	93,783	(1,359)	79,196
Charges for Services	115,000	106,000	110,337	4,337	105,301
Grants and Donations	5,000	5,000	10,567	5,567	73,673
Other Revenue	1,350	6,350	16,082	9,732	37,026
State and Federal Sources					
Grants and Donations	416,695	503,742	551,841	48,099	397,846
TOTAL REVENUES	6,812,515	7,086,496	7,178,665	92,169	5,822,405
EXPENDITURES					
Instruction					
Salaries	2,744,607	2,823,476	2,671,317	152,159	2,242,276
Employee Benefits	834,838	704,699	699,851	4,848	512,709
Purchased Services	53,356	61,125	74,931	(13,806)	102,158
Supplies and Materials	186,500	149,500	149,075	425	190,220
Property	60,425	20,000	8,129	11,871	121,388
Other	28,328	70,000	82,864	(12,864)	-
Total Instruction	3,908,054	3,828,800	3,686,167	142,633	3,168,751
Supporting Services					
Salaries	277,562	256,139	248,720	7,419	262,529
Employee Benefits	95,340	70,438	65,110	5,328	83,768
Purchased Services	1,869,762	2,289,948	2,270,674	19,274	1,753,043
Supplies and Materials	140,115	129,615	120,370	9,245	157,153
Property	229,000	289,425	254,027	35,398	401,851
Other	7,000	60,070	11,282	48,788	10,696
Total Supporting Services	2,618,779	3,095,635	2,970,183	125,452	2,669,040
TOTAL EXPENDITURES	6,526,833	6,924,435	6,656,350	268,085	5,837,791
EXCESS OF REVENUES OVER EXPENDITURES					
	285,682	162,061	522,315	360,254	(15,386)
OTHER FINANCING SOURCES (USES)					
Proceeds from Capital Lease	-	-	-	-	65,357
NET CHANGE IN FUND BALANCE	285,682	162,061	522,315	360,254	49,971
FUND BALANCE, Beginning	462,864	477,202	477,202	-	427,231
FUND BALANCE, Ending	\$ 748,546	\$ 639,263	\$ 999,517	\$ 360,254	\$ 477,202

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.034%	0.045%	0.054%
School's Net Pension Liability	\$ 4,332,988	\$ 6,141,106	\$ 8,315,066
School's covered-employee payroll	\$ 1,367,747	\$ 1,898,191	\$ 2,575,434
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.8%	323.5%	322.9%
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 - NORTHGLENN

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	\$ 279,550	\$ 388,778	\$ 483,386
Contributions in relation to the Statutorily required contributions	<u>279,550</u>	<u>388,778</u>	<u>483,386</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,641,683	\$ 2,169,003	\$ 2,575,434
Contributions as a percentage of covered-employee payroll	17.03%	17.92%	18.77%

See the accompanying independent auditors' report.