

**GLOBAL VILLAGE ACADEMY-NORTHGLENN**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

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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, 2019, 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, 2019, 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 Academy's proportionate share, and schedule of the Academy's contributions on pages 44-48 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 Cutler & Associates, LLC*

October 16, 2019

## **Global Village Academy - Northglenn Management's Discussion and Analysis**

As management of Global Village Academy - Northglenn (GVA-Northglenn or the School), we offer readers of Global Village Academy - Northglenn's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019.

### **Financial Highlights**

The year ended June 30, 2019 is the eighth year of operations for GVA-Northglenn. As of June 30, 2019, net position increased by \$923,713 to \$(11,003,521). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Numbers 68 and 75. Further information about GASB 68 and 75 is provided in Notes 7 and 8 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was \$6,568,473. At the close of the fiscal year, Global Village Academy - Northglenn's governmental fund reported an ending fund balance of \$3,100,084, an increase of \$1,061,860 from prior year. This increase is the result of closely monitoring spending throughout the year.

### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial 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 School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Colorado Charter School Institute). The governmental activities of the School include instruction and supporting services.

### ***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 School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The School has one governmental fund. 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 adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for the governmental fund has been provided herein.

**Proprietary Funds.** The School also maintains a proprietary fund to record the activity of the Global Village Academy-Northglenn Building Corporation (the Corporation). The Corporation was formed to provide a mechanism to issue and pay debt on behalf of the GVA-Northglenn.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9-43.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Global Village Academy - Northglenn, liabilities exceeded assets resulting in a net position of \$(11,003,521) in FY 2018-2019. Again, this is directly related to the Pension Plan and the Defined Benefit Other Post Employment Benefit (OPEB) liabilities reporting requirements under GASB 68 and 75. Of the School's total net position, \$229,815 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 the school's general operating expenses.

**Global Village Academy - Northglenn's Net Position  
Governmental Activities**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>ASSETS</b>		
Cash and Investments	\$ 3,318,173	\$ 2,345,030
Restricted Cash and Investments	368,032	-
Accounts Receivable	187,468	204,989
Prepaid Expenses	35,689	9,060
Deposits	32,500	32,500
Capital Assets, not Depreciated	2,303,827	-
Capital Assets, Net of Accum Depreciation	551,748	849,337
<b>Total Assets</b>	<b>6,797,437</b>	<b>3,440,916</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	3,671,216	6,190,122
Related to OPEB	51,218	18,140
<b>Total Deferred Outflows of Resources</b>	<b>3,722,434</b>	<b>6,208,262</b>
<b>LIABILITIES</b>		
Accounts Payable	159,222	128,424
Accrued Salaries & Benefits	314,524	417,248
Unearned Revenue	-	7,683
Accrued Interest Payable	78,379	-
Noncurrent Liabilities		
Due in More Than One Year	2,780,000	-
Net Pension Liability	10,095,156	19,739,851
Net OPEB Liability	503,787	449,353
<b>Total Liabilities</b>	<b>13,931,068</b>	<b>20,742,559</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	7,576,171	807,187
Related to OPEB	16,153	26,666
<b>Total Deferred Inflows of Resources</b>	<b>7,592,324</b>	<b>833,853</b>
<b>NET POSITION</b>		
Investment in Capital Assets	(2,804)	849,337
Restricted for Emergencies	229,815	226,000
Unrestricted	(11,230,532)	(13,002,571)
<b>Total Net Position</b>	<b>\$ (11,003,521)</b>	<b>\$ (11,927,234)</b>

The largest portion of the School's assets is in cash and investments, at 54% of total assets in 2019.

**Global Village Academy - Northglenn's Change in Net Position  
Governmental Activities**

	June 30, 2019	June 30, 2018
Program Revenue:		
Charges for Services	\$ 166,276	\$ 144,079
Operating Grants and Contributions	689,475	696,163
Capital Grants and Contributions	249,146	253,168
<b>Total Program Revenue</b>	<b>1,104,897</b>	<b>1,093,410</b>
General Revenue:		
Per Pupil Revenue	6,568,473	6,553,333
Mill Levy Override	273,250	
Interest Income	3,035	30,125
<b>Total General Revenue</b>	<b>6,844,758</b>	<b>6,583,458</b>
Other Revenue	53,992	-
<b>Total Revenue</b>	<b>8,003,647</b>	<b>7,676,868</b>
Expenses:		
Current:		
Instruction	3,881,827	8,701,409
Supporting Services	3,119,728	3,018,037
Interest and Fiscal Charges	78,379	1,852
<b>Total Expenses</b>	<b>7,079,934</b>	<b>11,721,298</b>
<b>Increase/(Decrease) in Net Position</b>	923,713	(4,044,430)
<b>Net Position, Beginning</b>	<b>(11,927,234)</b>	<b>(7,882,804)</b>
<b>Net Position, Ending</b>	<b>\$ (11,003,521)</b>	<b>\$ (11,927,234)</b>

The largest portion of the School's revenues came from per pupil revenue – 82%, respectively in 2019.

**Financial Analysis of the Government's Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$3,100,084, an increase of \$1,061,860 from prior year.

### **General Fund Budgetary Highlights**

The School approves a final general fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had some variances between its final budgeted and actual activities. Overall, the School recognized \$146,693 more revenue than expected and spent \$(736,588) less than planned, when compared to the final budget. One budget amendment was made during FY 2018-2019.

### **Capital Assets & Long-Term Debt**

The School has invested in capital assets for equipment to support the School's educational program, improvements to the School's current educational facility, and land for the School's future educational facility. Depreciation expenses for capital assets are booked under Supporting Services of the School's operations. More information regarding capital assets may be found in Note 4 to the financial statements.

The School has long-term debt in the form of 2018 Charter School Revenue Bonds issued by the Colorado Educational and Facilities Authority (CECFA). Proceeds of bonds were used to purchase land for a future educational facility. More information regarding long-term debt may be found in Note 6 to the financial statements.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for Global Village Academy - Northglenn is student enrollment. Enrollment for the 2018-2019 school year was 830.86 funded students. This information was analyzed as part of the 2019-2020 budget which is projecting an 850.00 funded student count.

## **Requests for Information**

This financial report is designed to provide a general overview of Global Village Academy - Northglenn's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

Global Village Academy - Northglenn  
555 W. 112th Ave  
Northglenn, CO 80234

## **BASIC FINANCIAL STATEMENTS**

GLOBAL VILLAGE ACADEMY - NORTHGLENN

STATEMENT OF NET POSITION

June 30, 2019

	GOVERNMENTAL ACTIVITIES	
	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 3,318,173	\$ 2,345,030
Restricted Cash and Investments	368,032	-
Accounts Receivable	187,468	204,989
Prepaid Expenses	35,689	9,060
Deposits	32,500	32,500
Capital Assets, not Depreciated	2,303,827	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	551,748	849,337
<b>TOTAL ASSETS</b>	<b>6,797,437</b>	<b>3,440,916</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	3,671,216	6,190,122
Related to OPEB	51,218	18,140
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,722,434</b>	<b>6,208,262</b>
<b>LIABILITIES</b>		
Accounts Payable	159,222	128,424
Accrued Salaries and Benefits	314,524	417,248
Unearned Revenue	-	7,683
Accrued Interest Payable	78,379	-
Noncurrent Liabilities		
Due Within One Year	-	-
Due In More Than One Year	2,780,000	-
Net Pension Liability	10,095,156	19,739,851
Net OPEB Liability	503,787	449,353
<b>TOTAL LIABILITIES</b>	<b>13,931,068</b>	<b>20,742,559</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	7,576,171	807,187
Related to OPEB	16,153	26,666
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,592,324</b>	<b>833,853</b>
<b>NET POSITION</b>		
Investment in Capital Assets	(2,804)	849,337
Restricted for Emergencies	229,815	226,000
Unrestricted	(11,230,532)	(13,002,571)
<b>TOTAL NET POSITION</b>	<b>\$ (11,003,521)</b>	<b>\$ (11,927,234)</b>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

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	
					2019	2018
<b>PRIMARY GOVERNMENT</b>						
Governmental Activities						
Instruction	\$ 3,881,827	\$ 74,461	\$ 306,938	\$ -	\$ (3,500,428)	\$ (8,634,730)
Supporting Services	3,119,728	91,815	382,537	249,146	(2,396,230)	(1,991,306)
Interest and Fiscal Charges	78,379	-	-	-	(78,379)	(1,852)
Total Governmental Activities	<u>\$ 7,079,934</u>	<u>\$ 166,276</u>	<u>\$ 689,475</u>	<u>\$ 249,146</u>	<u>(5,975,037)</u>	<u>(10,627,888)</u>
GENERAL REVENUES						
Per Pupil Revenue					6,568,473	6,553,333
Mill Levy Override					273,250	-
Interest Income					3,035	30,125
Other					53,992	-
TOTAL GENERAL REVENUES					<u>6,898,750</u>	<u>6,583,458</u>
CHANGE IN NET POSITION					923,713	(4,044,430)
NET POSITION, Beginning					<u>(11,927,234)</u>	<u>(7,882,804)</u>
NET POSITION, Ending					<u>\$ (11,003,521)</u>	<u>\$ (11,927,234)</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

BALANCE SHEET  
GENERAL FUND  
June 30, 2019

	GENERAL FUND	
	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 3,318,173	\$ 2,345,030
Accounts Receivable	187,468	204,989
Prepaid Expenses	35,689	9,060
Deposits	32,500	32,500
<b>TOTAL ASSETS</b>	<b>\$ 3,573,830</b>	<b>\$ 2,591,579</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 159,222	\$ 128,424
Accrued Salaries and Benefits	314,524	417,248
Unearned Revenues	-	7,683
<b>TOTAL LIABILITIES</b>	<b>473,746</b>	<b>553,355</b>
<b>FUND BALANCES</b>		
Nonspendable	68,189	41,560
Restricted for Emergencies	229,815	226,000
Unassigned	2,802,080	1,770,664
<b>TOTAL FUND BALANCES</b>	<b>3,100,084</b>	<b>2,038,224</b>
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.	252,190	415,093
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.	113,038	434,244
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 (\$10,095,156), net OPEB liability (\$503,787), deferred outflows related to pensions \$3,671,216, deferred outflows related to OPEB \$51,218, deferred inflows related to pensions (\$7,576,171), and deferred inflows related to OPEB (\$16,153).	(14,468,833)	(14,814,795)
<b>Net position of governmental activities</b>	<b>\$ (11,003,521)</b>	<b>\$ (11,927,234)</b>

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, 2019

	<u>GENERAL FUND</u>	
	<u>2019</u>	<u>2018</u>
REVENUES		
Local Sources	\$ 7,063,515	\$ 6,752,857
State and Federal Sources	930,005	924,011
	<u>7,993,520</u>	<u>7,676,868</u>
TOTAL REVENUES		
EXPENDITURES		
Instruction	4,173,092	4,114,598
Supporting Services	2,758,568	3,218,649
	<u>6,931,660</u>	<u>7,333,247</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCES	1,061,860	343,621
FUND BALANCES, Beginning	<u>2,038,224</u>	<u>1,694,603</u>
FUND BALANCES, Ending	<u><u>\$ 3,100,084</u></u>	<u><u>\$ 2,038,224</u></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, 2019

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

Net change in fund balances - total governmental funds	\$ 1,061,860
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.	(162,903)
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.	(321,206)
Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>345,962</u>
Change in net position of governmental activities	<u><u>\$ 923,713</u></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, 2019

	Governmental Activities-	
	Internal Service Fund	
	2019	2018
<b>ASSETS</b>		
Current Assets		
Restricted Cash and Investments	\$ 368,032	\$ -
Total Current Assets	368,032	-
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	2,603,385	434,244
Total Long-term Assets	2,603,385	434,244
<b>TOTAL ASSETS</b>	<b>2,971,417</b>	<b>434,244</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accrued Interest Payable	78,379	-
Bond Payable - Current Portion	-	-
Total Current Liabilities	78,379	-
Long-Term Liabilities		
Bond Payable	2,780,000	-
<b>TOTAL LIABILITIES</b>	<b>2,858,379</b>	<b>-</b>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	(176,615)	434,244
Unrestricted	289,653	-
<b>TOTAL NET POSITION</b>	<b>\$ 113,038</b>	<b>\$ 434,244</b>

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, 2019

	Governmental Activities	
	Internal Service Fund	
	2019	2018
OPERATING REVENUES		
Rent	\$ 768,220	\$ 1,218,992
TOTAL OPERATING REVENUES	768,220	1,218,992
OPERATING EXPENSES		
Purchased Services	687,134	663,022
Depreciation	134,686	134,686
TOTAL OPERATING EXPENSES	821,820	797,708
OPERATING INCOME	(53,600)	421,284
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	3,035	-
Debt Issuance Costs	(192,262)	-
Interest Expense	(78,379)	(1,852)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(267,606)	(1,852)
NET INCOME (LOSS)	(321,206)	419,432
NET ASSETS, Beginning	434,244	14,812
NET ASSETS, Ending	\$ 113,038	\$ 434,244

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, 2019  
 Increase (Decrease) in Cash

	Governmental Activities	
	Internal Service	
	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Rental Operations	\$ 768,220	\$ 1,218,992
Cash Paid to Suppliers	(687,134)	(663,022)
Net Cash Provided by Operating Activities	<u>81,086</u>	<u>555,970</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(2,303,827)	-
Payment of Debt Issuance Costs	(192,262)	-
Interest Payments on Long Term Debt	-	(1,852)
Principal Payments on Loan	-	(554,118)
Proceeds from Debt Issuance	2,780,000	-
Net Cash Used by Financing Activities	<u>283,911</u>	<u>(555,970)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	<u>3,035</u>	-
<b>NET INCREASE IN CASH</b>	368,032	-
CASH, Beginning	-	-
CASH, Ending	<u>\$ 368,032</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (53,600)	\$ 421,284
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>\$ 81,086</u>	<u>\$ 555,970</u>

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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, 2019

**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, 2019

**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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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 10 years.

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

*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 Academy Board has the unrestricted right to revisit or alter these managerial decisions.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

*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 prepaid expenses and deposits as nonspendable as of June 30, 2019.
- 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, 2019.
- 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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

**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.

**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.

**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:

Petty Cash	\$ 750
Deposits	3,317,423
Investments	<u>368,032</u>
Total Cash and Investments	<u><b>\$ 3,686,205</b></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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

At June 30, 2019, 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.

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, 2019, the Academy had deposits with financial institutions with a carrying amount of \$3,317,423. The bank balances with the financial institutions were \$3,344,958. Of this amount, \$250,000 was covered by federal depository insurance and \$3,094,958 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

**Local Government Investment Pool**

The Academy had invested \$368,032 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust 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.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

**Restricted Cash**

Cash in the amount of \$368,062 is restricted for debt service in the Internal Service Fund.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 4**      **CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2019 is summarized below.

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ -	\$ 2,303,827	\$ -	\$ 2,303,827
Capital Assets, Depreciated				
Equipment	\$ 125,845	\$ -	\$ -	\$ 125,845
Buildings and Improvements	114,660	-	-	114,660
Leasehold Improvements	<u>2,045,216</u>	<u>-</u>	<u>-</u>	<u>2,045,216</u>
Total Capital Assets, Depreciated	<u>2,285,721</u>	<u>-</u>	<u>-</u>	<u>2,285,721</u>
Accumulated Depreciation				
Equipment	91,907	6,049	-	97,956
Buildings and Improvements	23,888	38,220	-	62,108
Leasehold Improvements	<u>1,320,588</u>	<u>253,320</u>	<u>-</u>	<u>1,573,909</u>
Total Accumulated Depreciation	<u>1,436,384</u>	<u>297,589</u>	<u>-</u>	<u>1,733,973</u>
Total Capital Assets, Depreciated, Net	<u>849,337</u>	<u>(297,589)</u>	<u>-</u>	<u>551,748</u>
Net Capital Assets	<u>\$ 849,337</u>	<u>\$ 2,006,238</u>	<u>\$ -</u>	<u>\$ 2,855,575</u>

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

**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, 2019, were \$314,524 in the General Fund.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2019:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2019</u>	Due In <u>One Year</u>
Bonds Payable	\$ -	\$ 2,780,000	\$ -	\$ 2,780,000	\$ -

**Bonds Payable**

In December 20108 the Colorado Educational and Facilities Authority (CECFA) issued \$2,540,000 Charter School Revenue Bonds, Series 2018A and \$240,000 in Charter School Revenue Bonds, Series 2018B. The maximum amount of the Series 2018A Bonds that may be issued pursuant to the Indenture is \$20,080,000. The Series 2018A bonds were initially issued as subseries Series 2018A-1. If certain conditions are met, the subsequent subseries 2018A bonds may be issued in an amount not to exceed \$17,540,000 and no later than June 30, 2020. Proceeds from the bonds were used to finance the cost of land to construct an educational facility in the future. The facility will be constructed using proceeds of the subsequent subseries 2018A bonds if proceeds from this issuance are available.

The Academy is required to make lease payments to the Building Corporation for the land. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate ranging from 5.350% to 6.250% per year. Interest payments are due semi-annually on July 1 and January 1 beginning on January 1, 2019. Principal payments are due annually through July 1, 2025. Series 2018A-1 Bonds are subject to mandatory sinking fund redemption beginning July 1, 2022. Series 2018B bonds are due on July 1, 2021.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 156,758	\$ 156,758
2021	-	150,890	150,890
2022	240,000	143,390	383,390
2023	45,000	134,686	179,686
2024	45,000	132,279	177,279
2025	50,000	129,738	179,738
2025	<u>2,400,000</u>	<u>64,200</u>	<u>2,464,200</u>
Total	<u>\$ 2,780,000</u>	<u>\$ 911,941</u>	<u>\$ 3,691,941</u>

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Defined Benefit Pension Plan**

**Summary of Significant Accounting Policies**

*Pensions.* The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

**Summary of Significant Accounting Policies** (Continued)

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the Academy 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2018.* 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

*Contributions provisions as of June 30, 2019:* Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	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)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.13%</b>	<b>19.13%</b>

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were \$616,974 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the Academy reported a liability of \$10,095,156 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Academy were as follows:

Academy's proportionate share of the net pension liability	\$10,095,156
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy	\$ 1,380,372
Total	\$11,475,528

At December 31, 2018, the Academy proportion was 0.05701 percent, which was a decrease of 0.00403 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized pension expense of \$349,246 and revenue of \$89,077 for support from the State as a nonemployer contributing entity. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$342,43	N/A
Changes of assumptions or other inputs	\$1,884,305	\$6,278,101
Net difference between projected and actual earnings on pension plan investments	\$550,249	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$587,290	\$1,298,070
Contributions subsequent to the measurement date	\$306,933	N/A
Total	\$3,671,216	\$7,576,171

\$306,933 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, 2020. 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>	
2020	(\$718,520)
2021	(\$2,201,920)
2022	(\$1,592,444)
2023	\$ 300,996

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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)

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (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 - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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 7.25%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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)

- 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 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include the 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.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**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)

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates 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 of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

*Sensitivity of the Academy 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$12,834,264	\$10,095,156	\$7,796,583

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

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

*OPEB.* The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the Academy are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

*DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Academy were \$32,896 for the year ended June 30, 2019.

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

At June 30, 2019, the Academy reported a liability of \$503,787 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

At December 31, 2018, the Academy's proportion was 0.003703 percent, which was an increase of 0.00245 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized OPEB expense of \$43,739. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,828	\$767
Changes of assumptions or other inputs	\$3,534	N/A
Net difference between projected and actual earnings on OPEB plan investments	\$2,897	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$26,593	\$15,386
Contributions subsequent to the measurement date	\$16,366	N/A
Total	\$51,218	\$16,153

\$16,366 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Year ended June 30, 2019:	
2020	\$2,731
2021	\$2,731
2022	\$2,732
2023	\$4,743
2024	\$ 5,527
Thereafter	\$ 235

*Actuarial assumptions.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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 7.25%.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

(Continued)

*Sensitivity of the Academy's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$489,876	\$503,787	\$519,788

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- 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 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

(Continued)

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the Academy's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$563,694	\$503,787	\$452,573

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

**NOTE 9: 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:

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 9: COMMITMENTS AND CONTINGENCIES** (Continued)

**Operating Lease** (Continued)

Year Ended

June 30

2020	\$ 627,500
2021	<u>627,500</u>
Total	<b><u>\$ 1,255,000</u></b>

Total rent expense for the year ended June 30, 2019 for the lease was \$768,345.

**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, 2019 the Academy has recorded \$229,815 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 Academy's educational programs. The Collaborative is financed by the Academies through fees and assessments. For the year ended June 30, 2019, the Academy paid the Collaborative \$508,960 under the terms of this contract. The Collaborative owes the Academy \$87,816 at June 30, 2019.

**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, 2019, 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.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

**NOTE 9: COMMITMENTS AND CONTINGENCIES** (Continued)

**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, 2019, the reserve of \$229,815 was recorded as a restriction of fund balance in the General Fund.

**NOTE 10: SUBSEQUENT EVENTS**

**Construction of the New Facility**

The Academy intends to construct the land that was purchased using the 2018 bond proceeds. The Academy currently intends to construct the new facility for an amount equal to approximately \$36,000,000 one half of which is anticipated to be financed with proceeds from the subsequent subseries of Series 2018A bonds and the second half of which is anticipated to be funded from a state grant awarded through the BEST grant program. In the event the Academy is not awarded grant funding, the Academy may proceed with construction of the new facility and adjust the design thereof such that the cost of construction is equal to approximately \$18,000,000.

**NOTE 11: DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$11,003,521 due to the Academy including the Net Pension Liability per GASB No. 68 and Net OPEB Liability per GASB No. 75.

**REQUIRED SUPPLEMENTARY INFORMATION**

GLOBAL VILLAGE ACADEMY - NORTHGLENN

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 Year Ended June 30, 2019

	2019			VARIANCE Positive (Negative)	2018 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Operating Revenue	\$ 6,459,643	\$ 6,568,472	\$ 6,568,473	\$ 1	\$ 6,553,333
Mill Levy Override	241,529	247,529	273,250	25,721	-
Pupil Activities	89,556	90,882	74,461	(16,421)	66,679
Charges for Services	75,000	79,700	91,815	12,115	77,400
Grants and Donations	5,000	5,000	1,524	(3,476)	25,320
Other Revenue	13,500	13,500	53,992	40,492	30,125
State and Federal Sources					
Grants and Donations	821,263	841,744	930,005	88,261	924,011
<b>TOTAL REVENUES</b>	<b>7,705,491</b>	<b>7,846,827</b>	<b>7,993,520</b>	<b>146,693</b>	<b>7,676,868</b>
EXPENDITURES					
Current					
Salaries	3,641,934	3,685,431	3,644,253	41,178	3,556,558
Employee Benefits	1,086,935	1,060,420	1,073,772	(13,352)	888,942
Purchased Services	2,091,652	2,160,286	1,813,910	346,376	2,419,554
Supplies and Materials	256,520	282,520	215,130	67,390	240,587
Property	140,000	140,000	70,527	69,473	167,774
Other	402,500	339,591	114,068	225,523	59,832
<b>TOTAL EXPENDITURES</b>	<b>7,619,541</b>	<b>7,668,248</b>	<b>6,931,660</b>	<b>736,588</b>	<b>7,333,247</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>85,950</b>	<b>178,579</b>	<b>1,061,860</b>	<b>883,281</b>	<b>343,621</b>
FUND BALANCE, Beginning	1,035,890	2,038,224	2,038,224	-	1,694,603
FUND BALANCE, Ending	<u>\$ 1,121,840</u>	<u>\$ 2,216,803</u>	<u>\$ 3,100,084</u>	<u>\$ 883,281</u>	<u>\$ 2,038,224</u>

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE  
SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Academy's proportionate share of the Net Pension Liability	0.034%	0.045%	0.054%	0.064%	0.061%	0.057%
Academy's Net Pension Liability	\$ 4,332,988	\$ 6,141,106	\$ 10,095,156	\$ 19,036,892	\$ 19,739,851	\$ 10,095,156
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	1,380,372
Total portion of the Net Pension Liability associated with the School	<u>4,332,988</u>	<u>6,141,106</u>	<u>10,095,156</u>	<u>19,036,892</u>	<u>19,739,851</u>	<u>11,475,528</u>
Academy's covered payroll	\$ 1,367,747	\$ 1,898,191	\$ 2,575,434	\$ 2,869,660	\$ 2,807,066	\$ 3,198,916
Academy's proportionate share of the Net Pension Liability as a percentage of its covered payroll	316.8%	323.5%	392.0%	663.4%	703.2%	358.7%
Plan fiduciary net position as a percentage of the total pension liability	64.07%	62.80%	59.16%	43.10%	43.96%	57.01%

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS  
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 279,550	\$ 388,778	\$ 483,386	\$ 596,253	\$ 616,974
Contributions in relation to the Statutorily required contributions	<u>279,550</u>	<u>388,778</u>	<u>483,386</u>	<u>596,253</u>	<u>616,974</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,641,683	\$ 2,169,003	\$ 2,575,434	\$ 3,073,055	\$ 3,225,174
Contributions as a percentage of covered payroll	17.03%	17.92%	18.77%	19.40%	19.13%

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE  
HEALTH CARE TRUST FUND

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Academy's proportionate share of the Net OPEB Liability	0.036%	0.035%	0.037%
Academy's Net OPEB Liability	\$ 471,202	\$ 449,353	\$ 503,787
Academy's covered payroll	\$ 2,869,660	\$ 2,869,660	\$ 3,198,916
Academy's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.4%	15.7%	15.7%
Plan fiduciary net position as a percentage of the total OPEB liability	16.72%	17.53%	17.03%

See the accompanying independent auditors' report.

GLOBAL VILLAGE ACADEMY - NORTHGLENN

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS  
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contributions	\$ 31,345	\$ 30,658	\$ 32,896
Contributions in relation to the Statutorily required contributions	<u>31,345</u>	<u>30,658</u>	<u>32,896</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 3,073,055	\$ 3,073,055	\$ 3,225,174
Contributions as a percentage of covered payroll	1.02%	1.00%	1.02%

See the accompanying independent auditors' report.