



Dave Yost • Auditor of State

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Global Village Academy
Cuyahoga County
5720 State Road
Parma, Ohio 44134

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Global Village Academy, Cuyahoga County, Ohio, (the Academy), as of and for the year ended June 30, 2015, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Global Village Academy, Cuyahoga County, Ohio, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 21, 2017

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management's discussion and analysis of the Global Village Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position was a deficit of \$656,976 at June 30, 2015. The Academy restated net position from 2014 as described in Note 15.
- The Academy had operating revenues of \$989,475, operating expenses of \$919,533 and non-operating revenues of \$131,071 for fiscal year 2015. The total change in net position for the fiscal year was an increase of \$201,013 over fiscal year 2014's restated net position.

Using the Basic Financial Statements

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during fiscal year 2015?" These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-31 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's net pension liability. The required supplementary information can be found on pages 32 through 35 of this report.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table below provides a summary of the Academy's net position at June 30, 2015 and 2014. Net position at June 30, 2014 has been restated as described in Note 15.

	Net Position	
	<u>2015</u>	<u>Restated 2014</u>
<u>Assets</u>		
Current assets	\$ 490,409	\$ 293,344
Capital assets, net	<u>13,709</u>	<u>15,456</u>
Total assets	<u>504,118</u>	<u>308,800</u>
<u>Deferred outflows of resources</u>		
	<u>71,317</u>	<u>56,076</u>
<u>Liabilities</u>		
Current liabilities	86,037	69,674
Long-term liabilities:		
Net pension liability	<u>969,794</u>	<u>1,153,191</u>
Total liabilities	<u>1,055,831</u>	<u>1,222,865</u>
<u>Deferred inflows of resources</u>		
	<u>176,580</u>	<u>-</u>
<u>Net Position</u>		
Investment in capital assets	13,709	15,456
Restricted	8,050	4,827
Unrestricted (deficit)	<u>(678,735)</u>	<u>(878,272)</u>
Total net position (deficit)	<u>\$ (656,976)</u>	<u>\$ (857,989)</u>

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$239,126 to \$(857,989).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Academy's net position was a deficit of \$656,976.

Current assets represent cash and cash equivalents, accounts receivable, intergovernmental receivables and prepayments. Current liabilities represent accounts payable, accrued wages and benefits, pension and postemployment benefits payable, and intergovernmental payables during fiscal year 2015.

Current assets increased during fiscal year 2015 due primarily to an increase in cash and cash equivalents as a result of increased enrollment. Current liabilities increased during fiscal year 2015 due to increases in accrued wages and benefits.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2015 and 2014. Net position at June 30, 2014 has been restated as described in Note 15.

	Change in Net Position	Restated
	<u>2015</u>	<u>2014</u>
<u>Operating Revenues:</u>		
State foundation	\$ 946,168	\$ 852,406
Other revenues	<u>43,307</u>	<u>28,982</u>
Total operating revenues	<u>989,475</u>	<u>881,388</u>
<u>Operating Expenses:</u>		
Salaries and wages	450,982	440,406
Fringe benefits	131,108	79,048
Purchased services	261,518	204,199
Materials and supplies	59,347	38,049
Other	<u>16,578</u>	<u>13,834</u>
Total operating expenses	<u>919,533</u>	<u>775,536</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	124,021	101,306
Interest revenues	7,050	6,750
Contributions and donations	<u>-</u>	<u>1,005</u>
Total non-operating revenues	<u>131,071</u>	<u>109,061</u>
Change in net position	201,013	214,913
Net position (deficit) at beginning of year (restated)	<u>(857,989)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ (656,976)</u>	<u>\$ (857,989)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$56,076 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$40,062. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

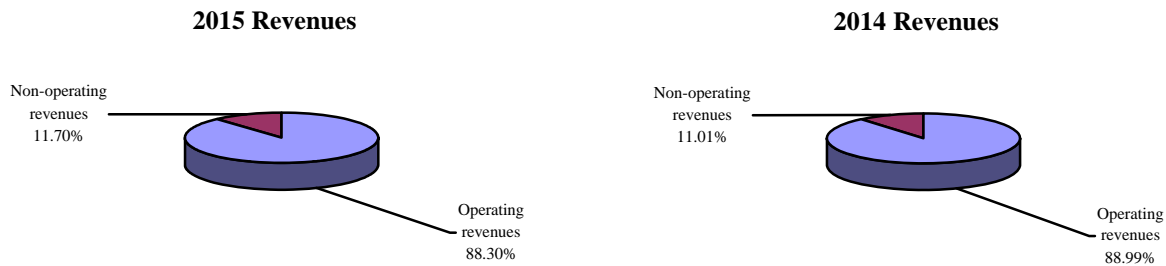
Total 2015 expenses under GASB 68	\$ 919,533
Pension expense under GASB 68	(40,062)
2015 contractually required contributions	<u>62,120</u>
Adjusted 2015 program expenses	941,591
Total 2014 expenses under GASB 27	<u>775,536</u>
Increase in expenses not related to pension	<u>\$ 166,055</u>

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

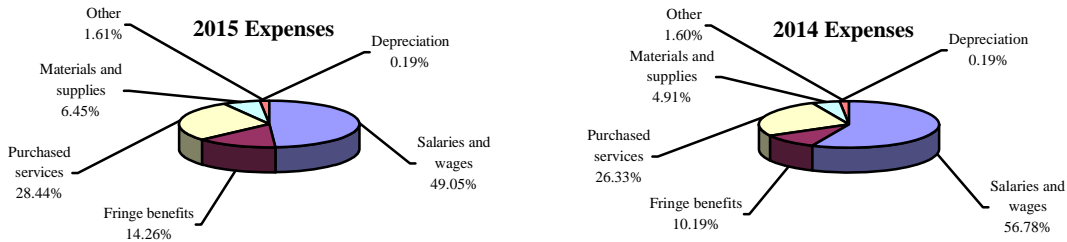
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State foundation program. Foundation payments were 84.44% of total operating and non-operating revenues during fiscal year 2015. Due to an increase in the number of students at the Academy as the Academy continues to expand, revenues and expenditures saw large increases during fiscal year 2015. Total operating and non-operating revenues exceeded expenses during fiscal year 2015 as a result of the Academy's effort to maintain financial stability through conservative spending.

The chart below illustrates the revenues for the Academy for fiscal year 2015 and 2014.



The chart below illustrates the expenses for the Academy for fiscal year 2015 and 2014.



Capital Assets

At June 30, 2015, the Academy had \$13,709 in furniture and equipment, net of accumulated depreciation. See Note 5 to the basic financial statements for detail on capital assets.

Debt Administration

As of June 30, 2015, the Academy had no outstanding debt.

Current Financial Related Activities

Global Village Academy, Inc. is an independent, non-profit Ohio public community school, sponsored by the Portage County Educational Service Center through April 27, 2015. The Ohio Department of Education terminated the sponsorship authority of the Portage County Education Service Center effective on that date. The Ohio Department of Education, Office of School Sponsorship took over the legal authority of the Global Village Academy on April 28, 2015. They remain the sponsor of the Global Village Academy through July 21, 2017.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The Academy is funded through the State's foundation program, as it has no tax base to draw upon and cannot charge tuition, levy taxes, or issue bonds secured by tax revenues. The Academy may apply for grants and solicit funding support from public and private sources.

Students benefit to a great degree from federal programs, which enhance the overall curriculum. The Academy will aggressively pursue adequate funding to secure the financial stability of the Academy.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Deborah Herrmann, Treasurer, Global Village Academy, 5720 State Road, Parma, Ohio 44134-2594.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:	
Current assets:	
Cash and cash equivalents	\$ 464,517
Receivables:	
Accounts	3
Intergovernmental	14,538
Prepayments	11,351
Total current assets	<u>490,409</u>
Non-current assets:	
Depreciable capital assets, net	<u>13,709</u>
Total non-current assets	<u>13,709</u>
Total assets	<u>504,118</u>
Deferred outflows of resources:	
Pension - STRS	60,369
Pension - SERS	10,948
Total deferred outflows of resources	<u>71,317</u>
Liabilities:	
Current liabilities:	
Accounts payable	218
Accrued wages and benefits	73,725
Pension and postemployment benefits payable	10,056
Intergovernmental payable	2,038
Total current liabilities	<u>86,037</u>
Non-current liabilities:	
Net pension liability	<u>969,794</u>
Total non-current liabilities	<u>969,794</u>
Total liabilities	<u>1,055,831</u>
Deferred inflows of resources:	
Pension - STRS	156,308
Pension - SERS	20,272
Total deferred inflows of resources	<u>176,580</u>
Net position:	
Investment in capital assets	13,709
Restricted for:	
Restricted for federal programs	3,016
Restricted for other purposes	5,034
Unrestricted (deficit)	<u>(678,735)</u>
Total net position (deficit)	<u>\$ (656,976)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating revenues:	
Foundation revenue	\$ 946,168
Classroom materials and fees.	31,180
Charges for services	8,145
Other	3,982
Total operating revenues	989,475
Operating expenses:	
Salaries and wages	450,982
Fringe benefits	131,108
Purchased services	261,518
Materials and supplies	59,347
Other	14,831
Depreciation	1,747
Total operating expenses	919,533
Operating income	69,942
Non-operating revenues:	
Federal and state grants.	124,021
Interest revenue	7,050
Total nonoperating revenues	131,071
Change in net position	201,013
Net position (restated) at beginning of year (deficit)	(857,989)
Net position at end of year (deficit)	\$ (656,976)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Cash received from state foundation payments	\$ 940,951
Cash received from classroom materials and fees	31,180
Cash received from charges for services	8,142
Cash received from other operations	3,982
Cash payments for personal services	(585,738)
Cash payments for contractual services	(273,397)
Cash payments for materials and supplies	(60,653)
Cash payments for other expenses	(14,606)
	49,861
Net cash provided by operating activities	49,861
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	126,326
	126,326
Net cash provided by noncapital financing activities.	126,326
Cash flows from investing activities:	
Interest received	7,050
	7,050
Net cash provided by investing activities	7,050
Net increase in cash and cash equivalents	183,237
Cash and cash equivalents at beginning of year	281,280
Cash and cash equivalents at end of year	\$ 464,517
	464,517
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 69,942
Adjustments:	
Depreciation	1,747
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Increase in deferred outflows - pension	(15,241)
Decrease in accounts receivable	204
Increase in intergovernmental receivable	(6,781)
Increase in prepayments	(9,556)
Decrease in accounts payable.	(3,611)
Increase in accrued wages and benefits	18,594
Increase in intergovernmental payable	82
Increase in pension and postemployment benefits payable	1,298
Decrease in net pension liability	(183,397)
Increase in deferred inflows - pension	176,580
	176,580
Net cash provided by operating activities	\$ 49,861

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Global Village Academy (the “Academy”) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Sections 3314.02 and 3314.03 to develop a conversion school alternative educational program for elementary school age students, specifically for those interested in preparing for communicating, collaborating, and contributing in a global society. The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status.

On May 4, 2011, the Portage County Educational Service Center (the “Sponsor”) accepted sponsorship of the Academy. The Academy became established as a non-profit corporation on May 11, 2011 and was approved under a five year contract with the Sponsor commencing July 1, 2011 through June 30, 2016. On April 28, 2015, the Ohio Department of Education assumed sponsorship of the Academy from the Portage County Educational Service Center. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. See Note 9 for future detail on the sponsor contract.

The Board of Directors, which consists of a minimum of five members, is responsible for the operations of the Academy. The Board of Directors is responsible for carrying out provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards. The Board of Directors controls the Academy’s one instructional/support facility staffed by 8 full-time certified employees, 2 part-time certified employee, and two full-time classified employees who provide services to 147 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy’s significant accounting policies are described below.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows and liabilities and deferred inflows is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources have been reported for the following two items related the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the Academy's net pension liability.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in their contract with their Sponsor. The contract between the Academy and its sponsor, Portage County Educational Service Center, prescribes a budgetary process that requires the Academy to provide the Sponsor with budgetary information detailing annual revenues and expenses on or before June 30 of each fiscal year of the sponsorship agreement. The Sponsor also reserves the right to request further breakdown of the Academy's anticipated revenues and expenses as it deems necessary.

F. Cash and Cash Equivalents

All monies received by the Academy are deposited in a demand deposit account and recorded on the statement of net position as "cash and cash equivalents".

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$750. The Academy does not have any infrastructure. Capital asset improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated, which is computed using the straight-line method. Furniture and equipment is depreciated over ten years.

H. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restricted for other purposes represent amounts restricted for food service.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Inventory

On the financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. The Academy did not report any inventory at June 30, 2015.

K. Intergovernmental Revenue

The Academy currently participates in the State foundation program. The Academy also participates in Federal grant programs including IDEA-Part B, Title I and various other state and federal grant programs. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year. State foundation revenue for fiscal year 2015 totaled \$946,168 and is recognized as operating revenue.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for fiscal year 2015 totaled \$124,021.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. For the Academy, these revenues are primarily payments from the State foundation program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

M. Estimates

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

NOTE 3 - DEPOSITS

At June 30, 2015, the carrying amount of the Academy's deposits was \$464,517. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$232,821 of the Academy's bank balance of \$482,821 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy's investment policy does not specifically address custodial risk beyond the requirement in State statute.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, consisted of accounts (billings for user charged services) and intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of the receivables follows:

	<u>Amount</u>
Accounts	\$ 3
Intergovernmental	14,538
Total	\$ 14,541

All receivables are expected to be collected in the subsequent year.

NOTE 5 - CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2015 follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 17,473	\$ -	\$ -	\$ 17,473
Total capital assets, being depreciated	17,473	-	-	17,473
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(2,017)	(1,747)	-	(3,764)
Total accumulated depreciation	(2,017)	(1,747)	-	(3,764)
Capital assets, net	\$ 15,456	\$ (1,747)	\$ -	\$ 13,709

NOTE 6 - RELATED PARTY TRANSACTION

The Academy had the following related party transactions:

- The Superintendent received wages of \$39,083 and reimbursements of \$7,785 for supply and maintenance purchases made in fiscal year 2015.
- The spouse of the Superintendent served as the Academy's Principal and custodial cleaner. She received wages of \$52,738 for serving as Principal and custodial cleaner in fiscal year 2015 and \$79 in supply reimbursements in fiscal year 2015.
- The daughter of the Superintendent was employed as an administrative assistant and as Food Service Coordinator. She received payments involving payroll of \$36,500, and reimbursements totaling \$885 for mileage and office supply reimbursements in fiscal year 2015.
- The sister of the Superintendent served as the Academy's substitute secretary and substitute teacher. She received wages of \$3,440 for serving as a substitute secretary and substitute teacher in fiscal year 2015.

**GLOBAL VILLAGE ACADEMY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - RELATED PARTY TRANSACTION - (Continued)

- Board Member Roman Fedkiw received wages of \$1,875 for his attendance at 11 Board Meetings in fiscal year 2015.
- The mother of Board Member, Roman Fedkiw served as the Academy's tutor and substitute teacher. She received wages of \$480 for serving in fiscal year 2015.

Board Member Roman Fedkiw did not participate in the discussion or vote of the hiring of Marie Fedkiw.

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2015, the Academy contracted with Ohio Casualty Insurance Company for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$3,000,000 annual aggregate, a \$0 deductible for general liability insurance, and a \$1,000 deductible for professional liability insurance. The Academy acquired blanket and building personal property insurance with a limit of \$51,500 and a \$1,000 deductible. The Academy also acquired umbrella liability insurance with a limit of \$5,000,000 each occurrence and aggregate and a \$1,000 deductible. Settled claims have not exceeded commercial coverage in the past three years.

B. Workers' Compensation

For fiscal year 2015, the Academy participated in the OASBO/OSBA CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Academy by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Benefits

The Academy participates in the Portage Area Schools Consortium through the sponsorship agreement with Portage County Educational Service Center to provide employee medical benefits for full-time employees. The Academy pays 70% of the monthly premium for single and family health coverage. The Academy also provides Board paid life insurance of \$40,000 to full-time employees.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2015, purchased services expenses were as follows:

Professional and technical services	\$ 127,230
Property services	67,518
Training	3,076
Postage and advertising	4,115
Utilities	24,649
Contracted trade services	34,698
Other purchased services	<u>232</u>
Total	<u>\$ 261,518</u>

NOTE 9 - SPONSOR CONTRACTS

The Academy has entered into a five-year contract commencing on July 1, 2011 and continuing through June 30, 2016 with Portage County Educational Service Center (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitoring the Academy's compliance with the laws applicable to the Academy and with the terms of the contract;
- Monitoring and evaluating the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Providing reasonable technical assistance to the Academy in complying with the contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the Academy);
- Taking steps to intervene in the Academy's operations at the Sponsor's discretion to correct problems in the Academy's overall performance, declare the Academy to be on probationary status pursuant to ORC Section 3314.073, suspend operation of the Academy pursuant to ORC Section 3314.072, or terminate or non-renew the contract pursuant to ORC Section 3314.07, as determined necessary by the Sponsor;
- Establishing and/or requiring a plan of action to be undertaken if the Academy experiences financial difficulties or closes before the end of the school year. Such plan or requirements for such plan shall be set out by the Sponsor as and when financial difficulties arise in a customized tailored manner to address the source of difficulties; and
- Reporting on an annual basis the results of the annual financial evaluation performed on the Academy by the Sponsor.

On April 28, 2015, the Ohio Department of Education assumed sponsorship of the Academy from the Portage County Educational Service Center.

During fiscal year 2015, the Academy paid \$48,866 to the Portage County Educational Service Center and \$3,621 to the Ohio Department of Education for fiscal services and sponsorship fees.

**GLOBAL VILLAGE ACADEMY
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NOTE 10 - OPERATING LEASE

The Sponsor entered into a lease agreement on March 1, 2014 with the Ukrainian Catholic Eparchy of St. Josaphat to lease classroom space located at the St. Josaphat Ukrainian School building in Parma, Ohio. The agreement is for twenty-four months, ending on July 31, 2016 and requiring a monthly lease payment of \$4,333 per month through July 31, 2015 and \$4,642 per month beginning August 1, 2015 through July 31, 2016. Lease payments are based on the rates set within the contract for the respective year. The Sponsor then entered into a sublease agreement with the Academy for the same classroom space with the same terms and lease payments. In accordance with the lease agreement, the Academy shall have use of the equipment and furnishings located on the lease premises. The Academy makes payments related to the lease agreement directly to the Ukrainian Catholic Eparchy of St. Josaphat. Lease payments in fiscal year 2015 totaled \$53,652.

NOTE 11 - CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no matters in litigation with the Academy as defendant.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the first review after fiscal year end, the Academy was owed \$1,488 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements. As a result of the second review after fiscal year end, the Academy was owed \$3,729 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability represents the Academy’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy’s obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description –Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**GLOBAL VILLAGE ACADEMY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$9,885 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$52,235 for fiscal year 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 124,904	\$ 844,890	\$ 969,794
Proportion of the net pension liability	0.00246800%	0.00347356%	
Pension expense	\$ 7,288	\$ 32,774	\$ 40,062

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,063	\$ 8,134	\$ 9,197
Academy contributions subsequent to the measurement date	9,885	52,235	62,120
Total deferred outflows of resources	\$ 10,948	\$ 60,369	\$ 71,317
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 20,272	\$ 156,308	\$ 176,580
Total deferred inflows of resources	\$ 20,272	\$ 156,308	\$ 176,580

\$62,120 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	\$ (4,802)	\$ (37,043)	\$ (41,845)
2017	(4,802)	(37,043)	(41,845)
2018	(4,802)	(37,043)	(41,845)
2019	(4,803)	(37,045)	(41,848)
Total	\$ (19,209)	\$ (148,174)	\$ (167,383)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$ 178,201	\$ 124,904	\$ 80,077

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$ 1,209,552	\$ 844,890	\$ 536,509

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Academy's surcharge obligation was \$1,318.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,869, \$1,646, and \$373, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$3,672, and \$3,112 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC)

SPARCC is a jointly governed organization created as a regional council of governments pursuant to State Statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. Payments to SPARCC for services in fiscal year 2015 totaled \$3,761.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - JOINTLY GOVERNED ORGANIZATION - (Continued)

SPARCC is governed by a Board of Directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the Board of Directors. The continued existence of SPARCC is not dependent on the Academy's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

NOTE 15 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Academy's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented on pages 32-35.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 239,126
Deferred outflows - payments subsequent to measurement date	56,076
Net pension liability	<u>(1,153,191)</u>
Restated net position at July 1, 2014	<u>\$ (857,989)</u>

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	2014	2013
Academy's proportion of the net pension liability	0.00246800%	0.00246800%
Academy's proportionate share of the net pension liability	\$ 124,904	\$ 146,764
Academy's covered-employee payroll	\$ 71,710	\$ 45,824
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.18%	320.28%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	2014	2013
Academy's proportion of the net pension liability	0.00347356%	0.00347356%
Academy's proportionate share of the net pension liability	\$ 844,890	\$ 1,006,427
Academy's covered-employee payroll	\$ 354,900	\$ 311,162
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	323.44%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 9,885	\$ 9,939	\$ 6,342	\$ 3,071
Contributions in relation to the contractually required contribution	<u>(9,885)</u>	<u>(9,939)</u>	<u>(6,342)</u>	<u>(3,071)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 75,000	\$ 71,710	\$ 45,824	\$ 22,833
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

Note: Information prior to fiscal year 2012 was unavailable as fiscal year 2012 was the first year of the Academy.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 52,235	\$ 46,137	\$ 40,451	\$ 21,042
Contributions in relation to the contractually required contribution	<u>(52,235)</u>	<u>(46,137)</u>	<u>(40,451)</u>	<u>(21,042)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 373,107	\$ 354,900	\$ 311,162	\$ 161,862
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

Note: Information prior to fiscal year 2012 was unavailable as fiscal year 2012 was the first year of the Academy.

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Dave Yost • Auditor of State

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

Global Village Academy
Cuyahoga County
5720 State Road
Parma, Ohio 44134

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Global Village Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 21, 2017, wherein we noted the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 21, 2017



Dave Yost • Auditor of State

GLOBAL VILLAGE ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 29, 2017**