



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 Global Village Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2014, 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 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 Global Village Academy, Cuyahoga County, Ohio as of June 30, 2014, 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.

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*, 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 March 17, 2015, 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

March 17, 2015

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position was \$239,126 at June 30, 2014.
- The Academy had operating revenues of \$881,388, operating expenses of \$775,536 and non-operating revenues of \$109,061 for fiscal year 2014. The total change in net position for the fiscal year was an increase of \$214,913.

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 2014?" 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 7 and 8 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 9 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 11-22 of this report.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below provides a summary of the Academy's net position for fiscal years 2014 and 2013.

	Net Position	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 293,344	\$ 92,713
Capital assets, net	<u>15,456</u>	<u>10,860</u>
 Total assets	 <u>308,800</u>	 <u>103,573</u>
<u>Liabilities</u>		
Current liabilities	<u>69,674</u>	<u>79,360</u>
 Total liabilities	 <u>69,674</u>	 <u>79,360</u>
<u>Net Position</u>		
Investment in capital assets	15,456	10,860
Restricted	4,827	19,208
Unrestricted (deficit)	<u>218,843</u>	<u>(5,855)</u>
 Total net position	 <u>\$ 239,126</u>	 <u>\$ 24,213</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position totaled \$239,126.

Current assets represent cash and cash equivalents, accounts receivable, intergovernmental receivables and prepayments. Current liabilities represent accounts payable, accrued wages and benefits, pension obligations payable, and intergovernmental payables during fiscal year 2014.

Current assets increased during fiscal year 2014 due primarily to an increase in cash and cash equivalents as a result of operations. Capital assets increased due to the Academy's acquisition of equipment during fiscal year 2014. Current liabilities decreased during fiscal year 2014 due to decreases in accrued wages and benefits and pension obligations.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

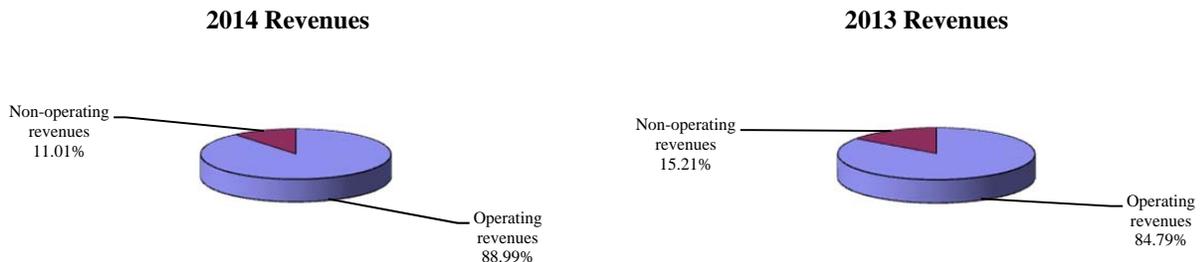
The table below shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
State foundation	\$ 852,406	\$ 606,009
Other revenues	<u>28,982</u>	<u>27,164</u>
Total operating revenues	<u>881,388</u>	<u>633,173</u>
<u>Operating Expenses:</u>		
Salaries and wages	440,406	382,732
Fringe benefits	79,048	75,136
Purchased services	204,199	163,315
Materials and supplies	38,049	46,109
Other	<u>13,834</u>	<u>14,807</u>
Total operating expenses	<u>775,536</u>	<u>682,099</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	101,306	112,520
Interest revenues	6,750	-
Contributions and donations	<u>1,005</u>	<u>1,087</u>
Total non-operating revenues	<u>109,061</u>	<u>113,607</u>
Change in net position	214,913	64,681
Net position (deficit) at beginning of year	<u>24,213</u>	<u>(40,468)</u>
Net position at end of year	<u>\$ 239,126</u>	<u>\$ 24,213</u>

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State foundation program. Foundation payments were 86.06% of total operating and non-operating revenues during fiscal year 2014. 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 2014. Total operating and non-operating revenues exceeded expenses during fiscal year 2014 as a result of the Academy's effort to maintain financial stability through conservative spending.

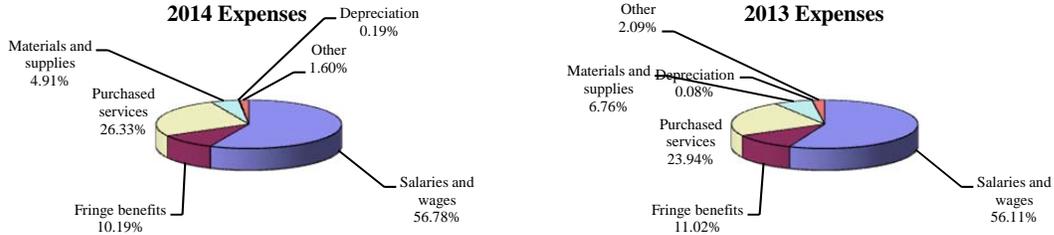
The chart below illustrates the revenues for the Academy for fiscal year 2014 and 2013.



**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The chart below illustrates the expenses for the Academy for fiscal year 2014 and 2013.



Capital Assets

At June 30, 2014, the Academy had \$15,456 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, 2014, 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.

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 Gregg Reink, Treasurer, Global Village Academy, 5720 State Road, Parma, Ohio 44134-2594.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current assets:	
Cash and cash equivalents	\$ 281,280
Receivables:	
Accounts	207
Intergovernmental	10,062
Prepayments	<u>1,795</u>
Total current assets	<u>293,344</u>
Non-current assets:	
Depreciable capital assets, net	<u>15,456</u>
Total non-current assets.	<u>15,456</u>
Total assets.	<u>308,800</u>
Liabilities:	
Current liabilities:	
Accounts payable.	3,829
Accrued wages and benefits	55,131
Pension obligation payable.	8,758
Intergovernmental payable	<u>1,956</u>
Total liabilities	<u>69,674</u>
Net position:	
Investment in capital assets.	15,456
Restricted for:	
Federally funded programs	4,827
Unrestricted	<u>218,843</u>
Total net position.	<u><u>\$ 239,126</u></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, 2014

Operating revenues:	
Foundation revenue	\$ 852,406
Classroom materials and fees.	19,356
Charges for services	5,378
Other	4,248
Total operating revenues	<u>881,388</u>
 Operating expenses:	
Salaries and wages.	440,406
Fringe benefits.	79,048
Purchased services.	204,199
Materials and supplies	38,049
Other.	12,389
Depreciation	1,445
Total operating expenses.	<u>775,536</u>
 Operating income	 <u>105,852</u>
 Non-operating revenues:	
Federal and state grants.	101,306
Interest revenue	6,750
Contributions and donations	1,005
Total nonoperating revenues	<u>109,061</u>
 Change in net position	 214,913
 Net position at beginning of year	 <u>24,213</u>
 Net position at end of year	 <u>\$ 239,126</u>

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, 2014

Cash flows from operating activities:	
Cash received from state foundation payments	\$ 852,406
Cash received from classroom materials and fees	19,356
Cash received from charges for services	6,116
Cash received from other operations	4,248
Cash payments for personal services	(531,517)
Cash payments for contractual services	(204,986)
Cash payments for materials and supplies	(36,680)
Cash payments for other expenses	(12,324)
Net cash provided by operating activities	<u>96,619</u>
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	103,802
Cash received from contributions and donations	1,005
Net cash provided by noncapital financing activities	<u>104,807</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,041)
Net cash used in capital and related financing activities	<u>(6,041)</u>
Cash flows from investing activities:	
Interest received	6,750
Net cash provided by investing activities	<u>6,750</u>
Net increase in cash and cash equivalents	202,135
Cash and cash equivalents at beginning of year	79,145
Cash and cash equivalents at end of year	<u>\$ 281,280</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 105,852
Adjustments:	
Depreciation	1,445
Changes in assets and liabilities:	
Decrease in accounts receivable	531
Decrease in intergovernmental receivable	272
Increase in prepayments	(1,795)
Increase in accounts payable	2,377
Decrease in accrued wages and benefits	(5,382)
Increase in intergovernmental payable	70
Decrease in pension obligation payable	(6,751)
Net cash provided by operating activities	<u>\$ 96,619</u>

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, 2014**

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. 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 9 full-time certified employees, 2 part-time certified employees, and one full-time classified employee who provide services to 133 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, 2014
(Continued)

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. 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.

E. 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".

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

F. 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.

G. 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 Academy did not have any amounts restricted for other purposes.

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

H. 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.

I. 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, 2014.

J. 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 2014 totaled \$852,406 and is recognized as operating revenue.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

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 2014 totaled \$101,306.

K. 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.

L. 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, 2014, the carrying amount of the Academy's deposits was \$281,280. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$66,333 of the School's bank balance of \$316,333 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.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, 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	\$ 207
Intergovernmental	<u>10,062</u>
Total	<u>\$ 10,269</u>

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

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 5 - CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2014 follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Capital assets:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 11,432	\$ 6,041	\$ -	\$ 17,473
Total capital assets, being depreciated	<u>11,432</u>	<u>6,041</u>	<u>-</u>	<u>17,473</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(572)	(1,445)	-	(2,017)
Total accumulated depreciation	<u>(572)</u>	<u>(1,445)</u>	<u>-</u>	<u>(2,017)</u>
Capital assets, net	<u>\$ 10,860</u>	<u>\$ 4,596</u>	<u>\$ -</u>	<u>\$ 15,456</u>

NOTE 6 - RELATED PARTY TRANSACTION

The Academy had the following related party transactions:

- The Superintendent served as the Board Chairman through November of 2013. He received no wages for serving as Superintendent through November of 2013.
- The spouse of the Superintendent served as the Academy's Principal and custodial cleaner. She received wages of \$42,929 for serving as Principal and custodial cleaner in fiscal year 2014.
- The daughter of the Superintendent was employed as an administrative assistant and as Food Service Coordinator. She received payments involving payroll and reimbursements totaling \$37,333 in fiscal year 2014.
- The sister of the Superintendent served as the Academy's substitute secretary and substitute teacher. She received wages of \$3,232 for serving as a substitute secretary and substitute teacher in fiscal year 2014.

The Board Chairman abstained from voting on the respective matters above.

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 2014, the Academy contracted with Ohio Casualty Insurance Company for general and professional liability insurance with a \$1,000,000 each occurrence limit, \$2,000,000 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 \$1,545,000 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.

**GLOBAL VILLAGE ACADEMY
CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 7 - RISK MANAGEMENT – (Continued)

B. Workers' Compensation

For fiscal year 2014, 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.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 69,064
Property services	76,369
Training	1,358
Postage and advertising	3,550
Utilities	26,544
Contracted trade services	26,949
Other purchased services	<u>365</u>
Total	<u>\$204,199</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;

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 9 – SPONSOR CONTRACTS - (Continued)

- 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.

During fiscal year 2014, the Academy paid \$47,509 to the Sponsor for fiscal services and sponsorship fees.

NOTE 10 - OPERATING LEASE

The Sponsor entered into a lease agreement on August 1, 2013 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 twelve months, ending on July 31, 2014 and requiring a monthly lease payment of \$2,000 for the months of July and August. For the months of September through November, the monthly lease payments were \$4,000, for the month of December, the lease payment was \$4,910 and for the months January through June the monthly lease payments were \$4,455. Lease payments fluctuate due to the number of students enrolled in the Academy. 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 2014 totaled \$47,640.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 11 – CONTINGENCIES – (Continued)

B. Litigation

The Academy is not party to any legal proceedings.

C. State Foundation Funding

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$9,590, \$6,003 and \$2,900, respectively; 86.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 12 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$47,735, \$40,451 and \$21,042, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Directors have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Academy Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,646, \$373 and \$126, respectively; 86.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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CUYAHOGA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$542, \$339 and \$171, respectively; 86.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,672, \$3,112 and \$1,619, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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 2014 totaled \$2,970.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 15 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

NOTE 16 – SUBSEQUENT EVENTS

On January 28, 2015 Portage County Educational Service Center; the sponsor, notified Global Village Academy that it may be advisable to seek a replacement sponsor to assume the schools' contract beginning July 1, 2015 due to developments at the Portage County Educational Service Center. Global Village Academy is currently in the process of searching for a new sponsor and expects to have a replacement sponsor in place before July 1, 2015.



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 Global Village Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 17, 2015.

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

March 17, 2015



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
MARCH 31, 2015**