CYBER VILLAGE ACADEMY
ST. PAUL, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2016

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CYBER VILLAGE ACADEMY

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INTRODUCTORY SECTION

CYBER VILLAGE ACADEMY

Board and Administration
Year Ended June 30, 2016

BOARD

	Board Position
Justin Wewers	Chairperson
Robyn Consoer	Vice Chairperson
Cassie Lepp	Treasurer
Amanda Reding	Secretary
Christy Buxman	Member
Bilal Dameh	Member
Michael Itskovich	Member
Cheryl Neima	Member
Gretchen Tate	Member

ADMINISTRATION

David Glick	Director

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board and Management of
Cyber Village Academy
St. Paul, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, major fund, and aggregate remaining fund information of Cyber Village Academy (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Academy as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The introductory section and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the Academy.

The supplemental information and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

(continued)

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the Academy's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, major fund, and aggregate remaining fund information in our report dated November 16, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
October 18, 2016

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This section of Cyber Village Academy's (the Academy) annual financial statements presents management's discussion and analysis of the Academy's financial performance during the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the other components of the Academy's annual financial statements.

FINANCIAL HIGHLIGHTS

The Academy's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2016 by $152,070 (net position). The Academy's total net position increased $103,927 from operations during the fiscal year ended June 30, 2016.

At June 30, 2016, the Academy's General Fund reported an ending fund balance of $687,718, an increase of $77,850 from the beginning of the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis;
- Basic financial statements, including the entity-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information related to defined benefit pension plan liabilities and contributions; and
- Individual fund financial statements and schedules presented as supplemental information.

The following explains the two types of statements included in the basic financial statements:

Entity-Wide Financial Statements

The entity-wide financial statements (Statement of Net Position and Statement of Activities) report information about the Academy as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide financial statements report the Academy's *net position* and how it has changed. Net position—the difference between the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one measure of the Academy's financial health or *position*. Over time, increases or decreases in the Academy's net position are indicators of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the Academy requires consideration of additional non-financial factors, such as changes in the Academy's student population and the condition of academy buildings and other facilities.

In the entity-wide financial statements, the Academy's activities are all shown in one category titled "governmental activities." These activities, including elementary and secondary regular instruction, special education instruction, and administration, are primarily financed with state aids.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's *funds*, focusing on its most significant "major" funds, rather than the Academy as a whole. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. All of the funds currently maintained by the Academy are "governmental" fund types. Governmental funds generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the entity-wide financial statements, we provide additional information (reconciliation schedules) on the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 1 is a summarized view of the Academy's Statement of Net Position for the last two fiscal years:

Table 1
Summary of Net Position
as of June 30, 2016 and 2015

	2016	2015
Assets		
Current and other assets	$ 920,474	$ 772,876
Capital assets, net of depreciation	82,679	50,488
Total assets	**$ 1,003,153**	**$ 823,364**
Deferred outflow of resources		
Pension plan deferments – PERA and TRA	**$ 317,357**	**$ 146,742**
Liabilities		
Current and other liabilities	$ 232,756	$ 162,021
Net pension liability – PERA and TRA	1,143,226	799,859
Total liabilities	**$ 1,375,982**	**$ 961,880**
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	**$ 96,598**	**$ 264,223**
Net position		
Net investment in capital assets	$ 82,679	$ 34,702
Restricted for food service	–	987
Unrestricted	(234,749)	(291,686)
Total net position	**$ (152,070)**	**$ (255,997)**

The Academy's financial position is the product of many factors. For example, determination of the Academy's investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, may produce a significant difference in the calculated amounts. Unrestricted net position includes the Academy's long-term liability for pensions, which are not fully funded.

The Academy's total net position at June 30, 2016 was $103,927 higher than the prior year. Total assets and deferred outflows of resources increased $350,404, while total liabilities and deferred inflows of resources increased $246,477.

Table 2 presents a condensed version of the Academy's Change in Net Position for the last two years:

Table 2
Change in Net Position
for the Years Ended June 30, 2016 and 2015

	2016	2015
Revenue		
Program revenues		
Charges for services	$ 33,553	$ 26,279
Operating grants and contributions	875,321	718,998
General revenues		
General grants and aids	1,790,229	1,495,653
Other	14,900	9,892
Total revenue	2,714,003	2,250,822
Expenses		
Administration	152,757	126,905
District support services	240,189	187,558
Elementary and secondary regular instruction	1,000,972	749,456
Special education instruction	618,028	433,938
Instructional support services	115,606	36,493
Pupil support services	39,805	9,568
Sites and buildings	428,958	350,379
Fiscal and other fixed cost programs	10,918	12,546
Food service	2,843	1,321
Total expenses	2,610,076	1,908,164
Change in net position	**$ 103,927**	**$ 342,658**

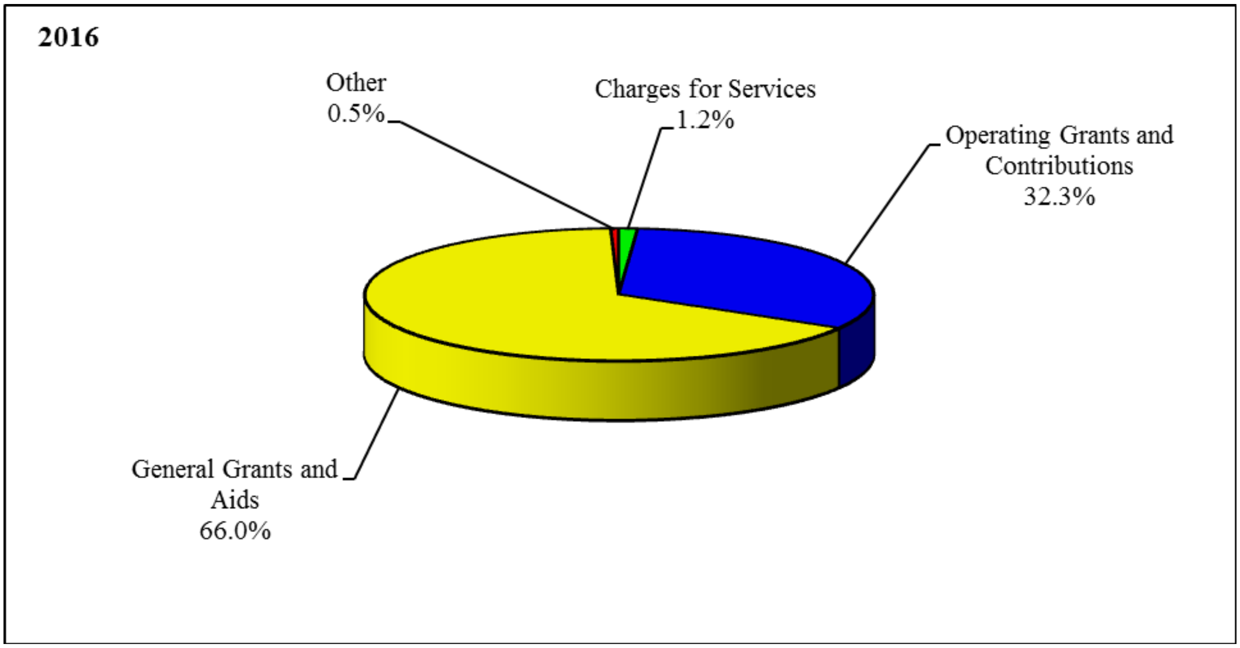
This format is presented on an accrual basis of accounting and it includes all of the governmental activities of the Academy. This statement includes depreciation expense, but excludes capital asset purchase costs.

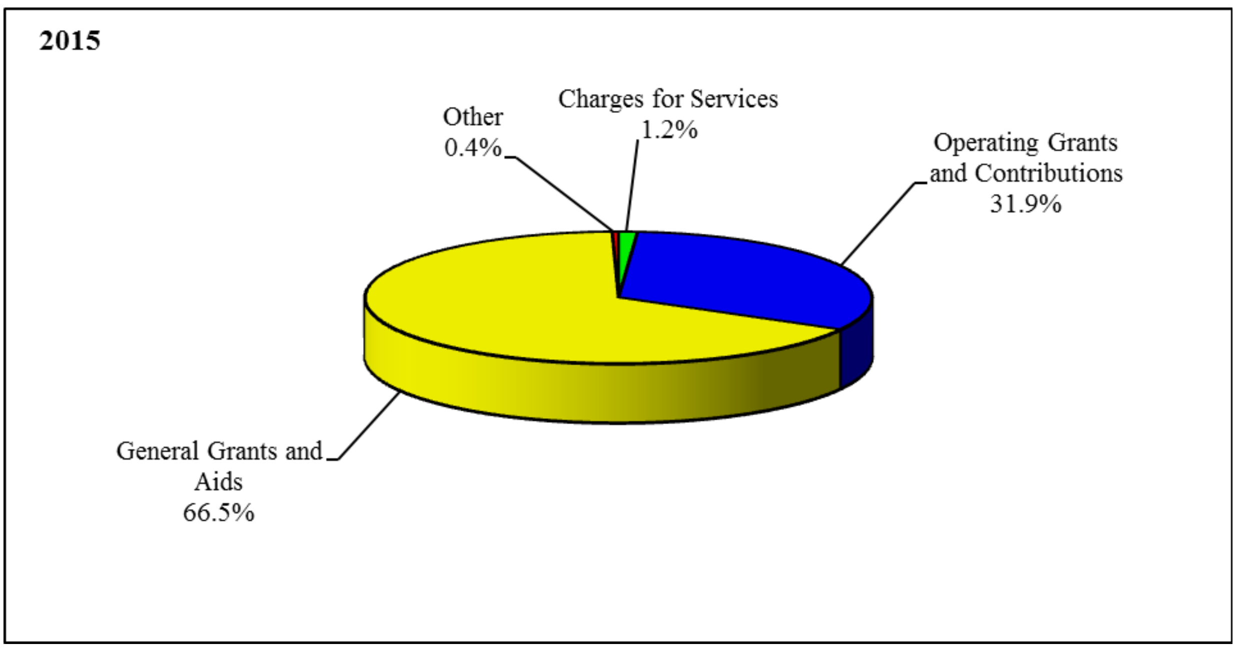
Total revenues increased 20.6 percent in 2016, mainly due to the Academy earning more state aid than last year. The Academy earned more general education aid (reported in general grants and aids) and charter school lease aid (reported in operating grants and contributions) this year due to the increased number of students served. The Academy also earned more special education state aid due to an increase in special education expenses.

Expenses increased 36.8 percent, mainly due to increased costs for elementary and secondary regular instruction, special education instruction, and instructional support services.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2016 and 2015

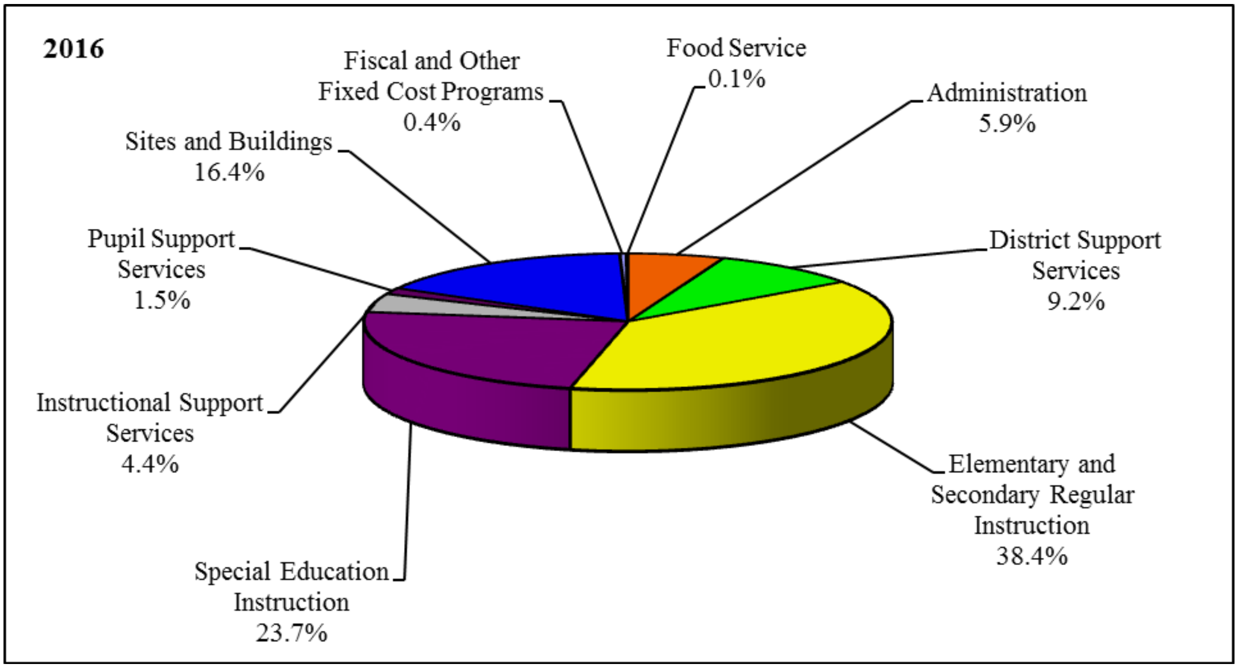


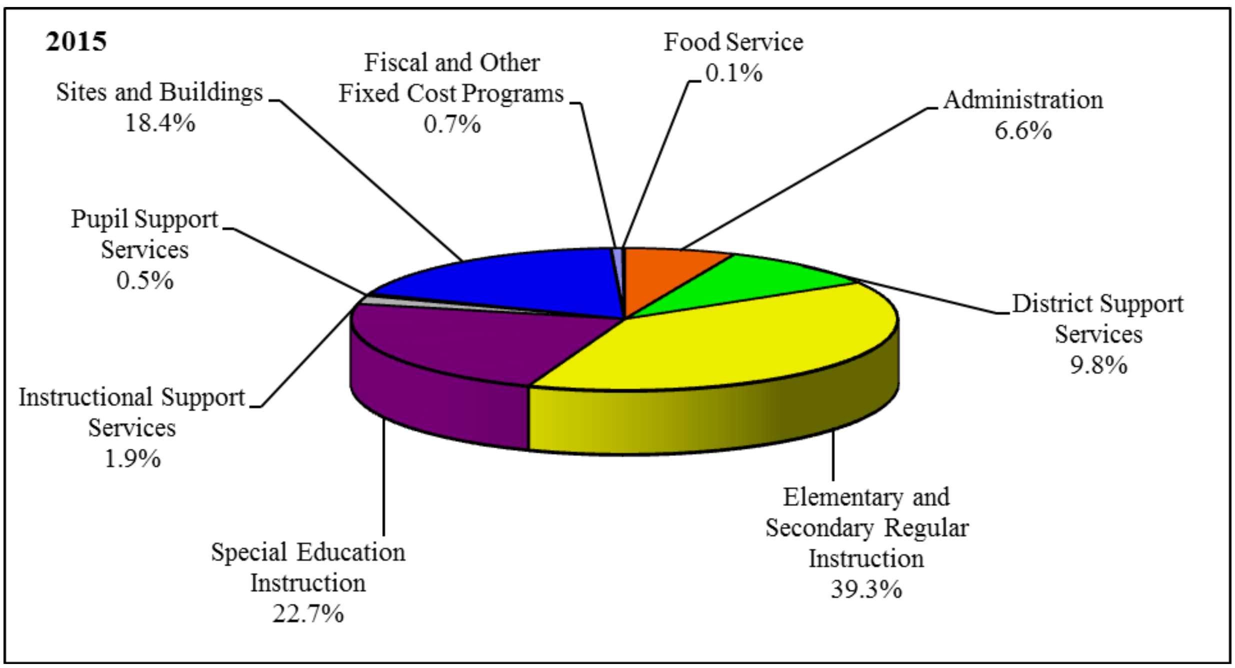


The largest share of the Academy's revenue is received from the state, including most of the general and operating grants. This significant reliance on the state for funding has placed tremendous pressure on charter schools as a result of unpredictable and inconsistent funding from the state.

The Academy's total revenues were $2,714,003 for the year ended June 30, 2016, which is an increase of $463,181 from the prior year.

Figure B – Expenses for Fiscal Years 2016 and 2015





The Academy's cost of all governmental activities for 2016 was $2,610,076, which is an increase of $701,912 from the prior year.

Approximately 66.5 percent of the Academy's 2016 expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, special education instruction, and instructional support services. An additional 16.4 percent of the Academy's expenses were related to leasing and maintaining the Academy's school site.

Analysis of the General Fund

Table 3 is a summarized view of the Academy's General Fund financial position for the last two years:

Table 3
Summary of General Fund Financial Position
as of June 30, 2016 and 2015

	2016	2015
Total assets	$ 920,421	$ 771,828
Total liabilities	232,703	161,960
Total fund balances	$ 687,718	$ 609,868

Total fund balance in the General Fund increased $77,850 during the year ended June 30, 2016.

Table 4 presents the Academy's General Fund activity for the last two years:

Table 4
Summary of General Fund Activity
for the Years Ended June 30, 2016 and 2015

	2016				2015
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Total revenue	$ 2,585,003	$ 2,603,092	$ 2,712,276	$ 109,184	$ 2,247,173
Total expenditures	2,525,472	2,586,457	2,634,297	47,840	1,978,245
Other financing (uses)	–	–	(129)	(129)	–
Net change in fund balances	$ 59,531	$ 16,635	$ 77,850	$ 61,215	$ 268,928

During the fiscal year ended June 30, 2016, the Academy adopted budget amendments to adjust revenue and expenditure appropriations in response to information and conditions existing at mid-year. General Fund revenue for fiscal 2016 was over the final budget by $109,184, mainly due to student enrollment and state revenue adjustments. General Fund expenditures were over budget by $47,840, mainly in purchased services, due to the need for additional contracted staffing personnel to serve the increased student population.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund is used to account for a school milk program, partially funded with federal grant dollars. Expenditures exceeded revenues by $1,116 in this fund for the year ended June 30, 2016, and a transfer of $129 from the General Fund left a year-end fund balance of $0.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 5 shows the Academy's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2016 and 2015:

Table 5
Capital Assets
as of June 30, 2016 and 2015

	2016	2015	Increase (Decrease)
Capital assets, not depreciated			
Construction in progress	$ –	$ 15,786	$ (15,786)
Capital assets, depreciated			
Furniture and equipment	136,089	107,583	28,506
Leasehold improvements	26,561	2,025	24,536
Total capital assets, depreciated	162,650	109,608	53,042
Less accumulated depreciation			
Furniture and equipment	(79,196)	(74,131)	(5,065)
Leasehold improvements	(775)	(775)	–
Total accumulated depreciation	(79,971)	(74,906)	(5,065)
Net capital assets, depreciated	$ 82,679	$ 34,702	$ 47,977
Total capital assets, net	$ 82,679	$ 50,488	$ 32,191
Depreciation expense	$ 5,065	$ 1,554	$ 3,511

Debt Administration

The Academy had no long-term debt as of June 30, 2016. The Academy does maintain a line of credit with a local bank for cash flow purposes. No draws were made on the line of credit during the year.

Additional details of the Academy's capital assets and debt administration can be found in the notes to basic financial statements.

FACTORS BEARING ON THE ACADEMY'S FUTURE

The Academy is dependent on the state of Minnesota for much of its revenue. In recent years, legislated revenue increases have made it difficult to meet the instructional program needs and increased costs due to inflation for Minnesota charter schools.

The general education program is the method by which charter schools receive the majority of their financial support. This source of funding is primarily state aid and, as such, charter schools rely heavily on the state of Minnesota for educational resources. The Legislature added $117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our customers, investors, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact Cyber Village Academy, 768 Hamline Avenue South, St. Paul, Minnesota 55116.

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BASIC FINANCIAL STATEMENTS

CYBER VILLAGE ACADEMY

Statement of Net Position
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	$ 423,234	$ 183,852
Receivables		
Accounts	–	110
Due from other governmental units	413,262	542,825
Prepaid items	83,978	46,089
Capital assets		
Not depreciated	–	15,786
Depreciated, net of accumulated depreciation	82,679	34,702
Total assets	1,003,153	823,364
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	317,357	146,742
Total assets and deferred outflows of resources	$ 1,320,510	$ 970,106
Liabilities		
Salaries and benefits payable	$ 186,884	$ 131,569
Accounts and contracts payable	13,515	28,063
Unearned revenue	32,357	2,389
Net pension liability – PERA and TRA	1,143,226	799,859
Total liabilities	1,375,982	961,880
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	96,598	264,223
Net position		
Net investment in capital assets	82,679	34,702
Restricted for food service	–	987
Unrestricted	(234,749)	(291,686)
Total net position	(152,070)	(255,997)
Total liabilities, deferred inflows of resources, and net position	$ 1,320,510	$ 970,106

See notes to basic financial statements

CYBER VILLAGE ACADEMY

Statement of Activities
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016				2015
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 152,757	$ –	$ –	$ (152,757)	$ (126,667)
District support services	240,189	–	–	(240,189)	(187,558)
Elementary and secondary regular instruction	1,000,972	32,910	22,314	(945,748)	(688,941)
Special education instruction	618,028	–	592,228	(25,800)	1,793
Instructional support services	115,606	–	–	(115,606)	(36,493)
Pupil support services	39,805	–	196	(39,609)	(9,156)
Sites and buildings	428,958	–	259,499	(169,459)	(103,626)
Fiscal and other fixed cost programs	10,918	–	–	(10,918)	(12,546)
Food service	2,843	643	1,084	(1,116)	307
Total governmental activities	$ 2,610,076	$ 33,553	$ 875,321	(1,701,202)	(1,162,887)
	General revenues				
	General grants and aids			1,790,229	1,495,653
	Other general revenues			14,900	9,892
	Total general revenues			1,805,129	1,505,545
	Change in net position			103,927	342,658
	Net position – beginning			(255,997)	(598,655)
	Net position – ending			$ (152,070)	$ (255,997)

See notes to basic financial statements

Balance Sheet
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	General Fund	Nonmajor Fund Food Service Special Revenue Fund	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets				
Cash and temporary investments	$ 423,234	$ –	$ 423,234	$ 183,852
Receivables				
Accounts	–	–	–	110
Due from other governmental units	413,135	127	413,262	542,825
Due from other funds	74	–	74	–
Prepaid items	83,978	–	83,978	46,089
Total assets	$ 920,421	$ 127	$ 920,548	$ 772,876
Liabilities and fund balances				
Liabilities				
Salaries and benefits payable	$ 186,884	$ –	$ 186,884	$ 131,569
Accounts and contracts payable	13,462	53	13,515	28,063
Due to other funds	–	74	74	–
Unearned revenue	32,357	–	32,357	2,389
Total liabilities	232,703	127	232,830	162,021
Fund balances				
Nonspendable for prepaid items	83,978	–	83,978	46,089
Restricted for food service	–	–	–	987
Unassigned	603,740	–	603,740	563,779
Total fund balances	687,718	–	687,718	610,855
Total liabilities and fund balances	$ 920,421	$ 127	$ 920,548	$ 772,876

See notes to basic financial statements

CYBER VILLAGE ACADEMY

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Total fund balances – governmental funds	$ 687,718	$ 610,855
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	162,650	125,394
Accumulated depreciation	(79,971)	(74,906)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Net pension liability – PERA	(165,840)	(140,925)
Net pension liability – TRA	(977,386)	(658,934)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	317,357	146,742
Deferred inflows – PERA and TRA pension plans	(96,598)	(264,223)
Total net position – governmental activities	$ (152,070)	$ (255,997)

See notes to basic financial statements

CYBER VILLAGE ACADEMY

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	General Fund	Nonmajor Fund Food Service Special Revenue Fund	Total Governmental Funds 2016	Total Governmental Funds 2015
Revenue				
Federal sources	$ 32,375	$ 1,084	$ 33,459	$ 47,349
State sources	2,626,076	–	2,626,076	2,153,985
Local sources				
Investment earnings	245	–	245	138
Other	53,580	643	54,223	47,329
Total revenue	2,712,276	1,727	2,714,003	2,248,801
Expenditures				
Current				
Administration	151,818	–	151,818	129,974
District support services	241,057	–	241,057	189,138
Elementary and secondary regular instruction	1,012,316	–	1,012,316	771,879
Special education instruction	617,489	–	617,489	443,537
Instructional support services	122,076	–	122,076	54,343
Pupil support services	39,805	–	39,805	9,568
Sites and buildings	438,818	–	438,818	367,260
Fiscal and other fixed cost programs	10,918	–	10,918	12,546
Food service	–	2,843	2,843	1,321
Total expenditures	2,634,297	2,843	2,637,140	1,979,566
Excess (deficiency) of revenue over expenditures	77,979	(1,116)	76,863	269,235
Other financing sources (uses)				
Transfers in	–	129	129	–
Transfers (out)	(129)	–	(129)	–
Total other financing sources (uses)	(129)	129	–	–
Net change in fund balances	77,850	(987)	76,863	269,235
Fund balances				
Beginning of year	609,868	987	610,855	341,620
End of year	$ 687,718	$ –	$ 687,718	$ 610,855

See notes to basic financial statements

CYBER VILLAGE ACADEMY

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016	2015
Total net change in fund balances – governmental funds	$ 76,863	$ 269,235
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	37,256	42,827
Depreciation expense	(5,065)	(1,554)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	(24,915)	22,397
Net pension liability – TRA	(318,452)	184,350
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	170,615	89,626
Deferred inflows – PERA and TRA pension plans	167,625	(264,223)
Change in net position – governmental activities	$ 103,927	$ 342,658

See notes to basic financial statements

CYBER VILLAGE ACADEMY

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Federal sources	$ 53,048	$ 32,112	$ 32,375	$ 263
State sources	2,486,755	2,532,780	2,626,076	93,296
Local sources				
Investment earnings	–	–	245	245
Other	45,200	38,200	53,580	15,380
Total revenue	2,585,003	2,603,092	2,712,276	109,184
Expenditures				
Current				
Administration	125,888	135,290	151,818	16,528
District support services	348,093	342,794	241,057	(101,737)
Elementary and secondary regular instruction	1,039,445	1,040,720	1,012,316	(28,404)
Special education instruction	525,679	564,286	617,489	53,203
Instructional support services	19,800	26,000	122,076	96,076
Pupil support services	9,100	9,600	39,805	30,205
Sites and buildings	449,087	459,387	438,818	(20,569)
Fiscal and other fixed costs programs	8,380	8,380	10,918	2,538
Total expenditures	2,525,472	2,586,457	2,634,297	47,840
Excess of revenue over expenditures	59,531	16,635	77,979	61,344
Other financing (uses)				
Transfers (out)	–	–	(129)	(129)
Net change in fund balances	$ 59,531	$ 16,635	77,850	$ 61,215
Fund balances				
Beginning of year			609,868	
End of year			$ 687,718	

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cyber Village Academy (the Academy) is an outcome-based charter school established June 16, 1997 in accordance with Minnesota Statute § 124D.10. The Academy is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school "authorizer." The authorizer monitors and evaluates the Academy's performance, and periodically determines whether to renew its charter. The Academy's authorizer is Innovative Quality Schools. Aside from its responsibilities as authorizer, Innovative Quality Schools has no authority or control over the Academy, and is not financially accountable for it. Therefore, the Academy is not considered to be a component unit of Innovative Quality Schools. The Academy's financial statements include all funds, departments, agencies, boards, commissions, and other organizations for which the Academy is considered to be financially accountable.

Extracurricular student activities, if any, are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the school board can elect to either control or not control extracurricular activities. The Academy's Board has elected to control extracurricular activities; therefore, any extracurricular student activity accounts are included in the Academy's General Fund.

Component units are legally separate entities for which the Academy (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the Academy.

B. Basis of Statement Presentation

As required by state law, the Academy operates as a nonprofit corporation under Minnesota Statute § 317A. However, state law also requires that the Academy comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts, which mandates the use of a governmental fund accounting structure.

C. Entity-Wide Financial Statement Presentation

The entity-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Academy. Generally, the effect of material interfund activity has been removed from the entity-wide financial statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for the governmental funds. Major governmental funds are reported in separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Academy generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt or other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Description of Funds

The existence of the various academy funds has been established by the MDE. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Major Governmental Fund

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Governmental Fund

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for the Academy’s child nutrition program.

E. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting

Each June, the Board adopts an annual budget for the following fiscal year for all governmental funds, which are prepared on the same modified accrual basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual General Fund and Food Service Special Revenue Fund expenditures exceeded budgeted appropriations by $47,840 and $1,343, respectively, in fiscal year 2016. The additional expenditures were funded with revenues in excess of budget, transfers, or available fund balance.

G. Cash and Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled balances are allocated to the respective funds on the basis of cash participation by each fund. Investments, if any, are reported at fair value. The Academy held no investments at June 30, 2016 or during the year then ended.

H. Receivables

When necessary, the Academy utilizes an allowance for uncollectible accounts to value its receivables. However, the Academy considers all of its current receivables to be collectible.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The Academy defines capital assets as those with an initial, individual cost of $500 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets are recorded in the entity-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed by the Academy, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 3 to 25 years for furniture, equipment, and leasehold improvements. Construction in progress is not depreciated.

K. Deferred Outflows/Inflows of Resources

In addition to assets, a statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the entity-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, the difference between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has one item which qualifies for reporting in this category. Deferred inflows of resources related to pensions are reported in the entity-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

L. Compensated Absences

Substantially all of the Academy's employees are entitled to personal leave at various rates. Employees cannot carryover and are not compensated for unused personal leave at year-end; therefore, no long-term liability for unused compensated absences has been recorded.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association (DTRFA) in 2015.

N. Interfund Transactions and Transfers

The General Fund has a receivable of $74 at year-end due from the Food Service Special Revenue Fund to cover the negative cash balance at year end in the Food Service Special Revenue Fund.

During fiscal year 2016, the General Fund transferred $129 to the Food Service Special Revenue Fund to finance milk program expenditures in excess of revenues.

Interfund balances and transfers between governmental funds reported in the fund financial statements are eliminated in the entity-wide financial statements.

O. Income Taxes

The Academy is exempt from federal and state income taxes under Internal Revenue Code (IRC) § 501(c)(3). The Academy is subject to tax on income from any unrelated business.

P. Risk Management

The Academy is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation. The Academy carries commercial insurance for these risks. Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in the Academy's insurance coverage in fiscal 2016.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

In the entity-wide financial statements, net position represents the residual of all other financial statement elements presented in the Statement of Net Position. Net position is displayed in three components:

- **Net Investment in Capital Assets –** Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position –** All other elements of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

R. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints established by Board resolution. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to commit those amounts.

- **Assigned –** Consists of internally imposed constraints on amounts intended to be used by the Academy for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority.

- **Unassigned –** The residual classification for the General Fund which also reflects any negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the Academy's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The Academy's Board has formally adopted a fund balance policy goal regarding the minimum unassigned fund balance for the General Fund. The policy establishes a goal to increase fund balance by 1.33 percent per year in the years where the Academy does not incur unforeseen expenditures and state holdback does not exceed 10.00 percent, with an ultimate fund balance goal of 20.00 percent of expenditures. The June 30, 2016 unassigned General Fund balance represented 22.90 percent of 2016 expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS

In accordance with applicable Minnesota Statutes, the Academy maintains deposits at depository banks authorized by the Board. The following is considered the most significant risk associated with deposits:

> **Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The Academy's policies do not further limit depository choices.

At June 30, 2016, the carrying value of the Academy's deposits was $423,234, and the bank balance was $451,326. At June 30, 2016, the Academy's deposits were covered by federal depository insurance or pledged collateral held by the Academy's agent in the Academy's name.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated					
Construction in progress	$ 15,786	$ 8,750	$ –	$ (24,536)	$ –
Capital assets, depreciated					
Furniture and equipment	107,583	28,506	–	–	136,089
Leasehold improvements	2,025	–	–	24,536	26,561
Total capital assets, depreciated	109,608	28,506	–	24,536	162,650
Less accumulated depreciation for					
Furniture and equipment	(74,131)	(5,065)	–	–	(79,196)
Leasehold improvements	(775)	–	–	–	(775)
Total accumulated depreciation	(74,906)	(5,065)	–	–	(79,971)
Net capital assets, depreciated	$ 34,702	$ 23,441	$ –	$ 24,536	$ 82,679
Total capital assets, net	$ 50,488	$ 32,191	$ –	$ –	$ 82,679

Depreciation expense for the year was charged to the following governmental functions:

District support services	$ 413
Elementary and secondary regular instruction	1,664
Special education instruction	2,863
Sites and buildings	125
Total depreciation expense	$ 5,065

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The Academy participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the IRC.

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the Academy other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the City of St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement (DCR) Plan administered by MnSCU.

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

- **PERA –** Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

The TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step Rate Formula	Percentage per Year
Basic Plan	
First 10 years	2.2 percent
All years after	2.7 percent
Coordinated Plan	
First 10 years if service years are prior to July 1, 2006	1.2 percent
First 10 years if service years are July 1, 2006 or after	1.4 percent
All other years of service if service years are prior to July 1, 2006	1.7 percent
All other years of service if service years are July 1, 2006 or after	1.9 percent

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the Academy was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan. The Academy's contributions to the GERF for the year ended June 30, 2016 were $23,308. The Academy's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Year Ended June 30,			
	2015		2016	
	Employee	Employer	Employee	Employer
Basic Plan	11.0%	11.5%	11.0%	11.5%
Coordinated Plan	7.5%	7.5%	7.5%	7.5%

The Academy's contributions to the TRA for the plan's fiscal year ended June 30, 2016, were $76,496. The Academy's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in the Schedule of Employer and Non-Employer Pension Allocations:

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$	340,207,590
Deduct employer contributions not related to future contribution efforts		(704,635)
Deduct TRA's contributions not included in allocation		(435,999)
Total employer contributions		339,066,956
Total non-employer contributions		41,587,410
Total contributions reported in Schedule of Employer and Non-Employer allocations	$	380,654,366

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. The TRA has rounded percentage amounts to the nearest ten thousandths.

D. Merger of Duluth Teachers Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the DTRFA with the TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	June 30, 2014 CAFR		Restated	
Total pension liability (a)	$	24,901,612,000	$	25,299,564,000
Plan fiduciary net position (b)		20,293,684,000		20,519,756,000
Net pension liability (a-b)	$	4,607,928,000	$	4,779,808,000

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the Academy reported a liability of $165,840 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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 contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the Academy's proportion was .0032 percent, which was an increase of .0002 percent from its proportion measured as of June 30, 2014.

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into the GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the Academy recognized pension expense of $20,498 for its proportionate share of the GERF's pension expense.

At June 30, 2016, the Academy reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,538	$ 8,361
Changes in actuarial assumptions	10,328	–
Differences between projected and actual investment earnings	–	14,763
Changes in proportion	8,116	–
Academy's contributions to the GERF subsequent to the measurement date	23,308	–
Total	$ 43,290	$ 23,124

A total of $23,308 reported as deferred outflows of resources related to pensions resulting from academy contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2017	$ (378)
2018	$ (378)
2019	$ (6,311)
2020	$ 3,925

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. TRA Pension Costs

At June 30, 2016, the Academy reported a liability of $977,386 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School Academy No. 1, Minneapolis Public Schools. The Academy's proportionate share was .0158 percent at the end of the measurement period and .0143 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the TRA. The amount recognized by the Academy as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the Academy were as follows:

Academy's proportionate share of net pension liability	$	977,386
State's proportionate share of the net pension liability associated with the Academy	$	119,629

For the year ended June 30, 2016, the Academy recognized pension expense of $84,579. It also recognized $21,194 as an increase to pension expense for the support provided by direct aid.

At June 30, 2016, the Academy reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 45,415	$ –
Difference between projected and actual investment earnings	–	58,454
Changes in actuarial assumptions	75,135	–
Changes in proportion and differences between contributions made and the Academy's proportionate share of contributions	77,021	15,020
Academy's contributions to the TRA subsequent to the measurement date	76,496	–
Total	$ 274,067	$ 73,474

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

A total of $76,496 reported as deferred outflows of resources related to pensions resulting from academy contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2017	$ 18,485
2018	$ 18,485
2019	$ 18,485
2020	$ 68,642

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2015, valuation for the GERF were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for the PERA's other plans, but assumptions are reviewed annually.

The actuarial assumptions used in the June 30, 2015, valuation for the TRA were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually with no increase to 2.5 percent projected. The prior year valuation assumed a 2.5 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.0 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERF and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal year 2016 contribution rates, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, each of the pension plan’s fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following table presents the Academy’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Academy’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
Academy’s proportionate share of the GERF net pension liability	$ 260,760	$ 165,840	$ 87,451
TRA discount rate	7.00%	8.00%	9.00%
Academy’s proportionate share of the TRA net pension liability	$ 1,487,708	$ 977,386	$ 551,508

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-2088; or by calling (651) 296-2409 or (800) 657-3669.

NOTE 5 – LINE OF CREDIT

On February 5, 2015, the Academy obtained a $300,000 line of credit for cash flow purposes through a local bank. The line of credit matured on January 17, 2016 and had a variable interest rate at prime, as quoted in the Wall Street Journal, plus 2.0 percent. On January 21, 2016, the Academy obtained a new line of credit for $300,000 under the same interest terms as the prior agreement that matures on January 17, 2017. The Academy did not draw on these lines of credit during the year ended June 30, 2016.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Space Leases

The Academy has an agreement with Talmud Torah of St. Paul to lease space at 768 Hamline Avenue South, St. Paul, Minnesota 55116 for a five-year period ending June 30, 2020. During the year ended June 30, 2016, the Academy paid $288,332 under the lease agreement. Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2017	$ 288,332
2018	288,332
2019	288,332
2020	288,332
	$ 1,153,328

B. Federal and State Revenues

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Academy's Proportionate Share of Net Pension Liability
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

Academy Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.0030%	$ 140,925	$ 155,964	90.36%	78.70%
6/30/2016	6/30/2015	0.0032%	$ 165,840	$ 187,902	88.26%	78.20%

Schedule of Academy Contributions
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

Academy Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	6/30/2015	$ 13,746	$ 13,746	$ –	$ 187,902	7.32%
6/30/2016	6/30/2016	$ 23,308	$ 23,308	$ –	$ 309,436	7.53%

Note 1: **Changes of Benefit Terms**. (1) The Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund on January 1, 2015. (2) Revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

Note 2: The Academy implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

CYBER VILLAGE ACADEMY

Schedule of Academy's and Non-Employer Proportionate Share of Net Pension Liability
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

Academy Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the Academy's Share of the State of Minnesota's Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.0143%	$ 658,934	$ 46,337	$ 705,271	$ 653,917	100.77%	81.50%
6/30/2016	6/30/2015	0.0158%	$ 977,386	$ 119,629	$ 1,097,015	$ 802,173	121.84%	76.80%

Schedule of Academy Contributions
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

Academy Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	6/30/2015	$ 60,163	$ 60,163	$ –	$ 802,173	7.50%
6/30/2016	6/30/2016	$ 76,496	$ 76,496	$ –	$ 1,043,431	7.33%

Note 1: **Changes of Benefit Terms**. The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions.** The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The Academy implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

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SUPPLEMENTAL INFORMATION

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CYBER VILLAGE ACADEMY

General Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 423,234	$ 183,078
Receivables		
Accounts	–	110
Due from other governmental units	413,135	542,551
Due from other funds	74	–
Prepaid items	83,978	46,089
Total assets	$ 920,421	$ 771,828
Liabilities and Fund Balances		
Liabilities		
Salaries and benefits payable	$ 186,884	$ 131,569
Accounts and contracts payable	13,462	28,002
Unearned revenue	32,357	2,389
Total liabilities	232,703	161,960
Fund balances		
Nonspendable for prepaid items	83,978	46,089
Unassigned	603,740	563,779
Total fund balances	687,718	609,868
Total liabilities and fund balances	$ 920,421	$ 771,828

CYBER VILLAGE ACADEMY

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Federal sources	$ 32,112	$ 32,375	$ 263	$ 46,256
State sources	2,532,780	2,626,076	93,296	2,153,985
Local sources				
Investment earnings	–	245	245	138
Other	38,200	53,580	15,380	46,794
Total revenue	2,603,092	2,712,276	109,184	2,247,173
Expenditures				
Current				
Administration				
Salaries	95,977	96,551	574	93,318
Employee benefits	20,963	23,950	2,987	20,342
Supplies and materials	350	–	(350)	14
Other expenditures	18,000	31,317	13,317	16,300
Total administration	135,290	151,818	16,528	129,974
District support services				
Salaries	202,210	107,019	(95,191)	81,231
Employee benefits	41,734	26,301	(15,433)	20,912
Purchased services	87,750	93,179	5,429	79,753
Supplies and materials	8,200	14,558	6,358	3,983
Other expenditures	2,900	–	(2,900)	3,259
Total district support services	342,794	241,057	(101,737)	189,138
Elementary and secondary regular instruction				
Salaries	737,187	725,645	(11,542)	538,523
Employee benefits	189,473	177,267	(12,206)	131,290
Purchased services	17,200	20,995	3,795	17,491
Supplies and materials	68,825	64,412	(4,413)	73,959
Capital expenditures	20,000	18,288	(1,712)	9,576
Other expenditures	8,035	5,709	(2,326)	1,040
Total elementary and secondary regular instruction	1,040,720	1,012,316	(28,404)	771,879
Special education instruction				
Salaries	325,477	339,930	14,453	251,796
Employee benefits	88,521	89,751	1,230	64,452
Purchased services	148,740	183,322	34,582	123,827
Supplies and materials	1,548	4,486	2,938	3,462
Total special education instruction	564,286	617,489	53,203	443,537

(continued)

CYBER VILLAGE ACADEMY

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	–	83,723	83,723	22,178
Employee benefits	–	19,047	19,047	3,590
Purchased services	2,000	322	(1,678)	1,653
Supplies and materials	11,000	9,560	(1,440)	7,657
Capital expenditures	10,000	9,424	(576)	16,215
Other expenditures	3,000	–	(3,000)	3,050
Total instructional support services	26,000	122,076	96,076	54,343
Pupil support services				
Purchased services	9,500	39,623	30,123	9,487
Supplies and materials	100	182	82	81
Total pupil support services	9,600	39,805	30,205	9,568
Sites and buildings				
Purchased services	437,387	420,485	(16,902)	349,123
Supplies and materials	10,000	8,141	(1,859)	1,101
Capital expenditures	12,000	10,192	(1,808)	17,036
Total sites and buildings	459,387	438,818	(20,569)	367,260
Fiscal and other fixed cost programs				
Purchased services	8,380	10,918	2,538	12,546
Total expenditures	2,586,457	2,634,297	47,840	1,978,245
Excess of revenue over expenditures	16,635	77,979	61,344	268,928
Other financing (uses)				
Transfers (out)	–	(129)	(129)	–
Net change in fund balances	$ 16,635	77,850	$ 61,215	268,928
Fund balances				
Beginning of year		609,868		340,940
End of year		$ 687,718		$ 609,868

CYBER VILLAGE ACADEMY

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ –	$ 774
Receivables		
Due from other governmental units	127	274
Total assets	$ 127	$ 1,048
Liabilities and Fund Balances		
Liabilities		
Accounts and contracts payable	$ 53	$ 61
Due to other funds	74	–
Total liabilities	127	61
Fund balances		
Restricted for food service	–	987
Total liabilities and fund balances	$ 127	$ 1,048

CYBER VILLAGE ACADEMY

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Years Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Federal sources	$ 1,500	$ 1,084	$ (416)	$ 1,093
Local sources				
Other – primarily milk sales	–	643	643	535
Total revenue	1,500	1,727	227	1,628
Expenditures				
Current				
Supplies and materials	1,500	2,843	1,343	1,321
Excess (deficiency) of revenue over expenditures	–	(1,116)	(1,116)	307
Other financing sources				
Transfers in	–	129	129	–
Net change in fund balances	$ –	(987)	$ (987)	307
Fund balances				
Beginning of year		987		680
End of year		$ –		$ 987

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OTHER REQUIRED REPORTS

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board and Management of
Cyber Village Academy
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and aggregate remaining fund information of Cyber Village Academy (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
October 18, 2016

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the Board and Management of
Cyber Village Academy
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and aggregate remaining fund information of Cyber Village Academy (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2016.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. Our audit included both of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Academy's noncompliance with the above referenced provisions.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
October 18, 2016

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

CYBER VILLAGE ACADEMY

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2016

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 2,712,276	$ 2,712,275	$ 1
Total expenditures		$ 2,634,297	$ 2,634,296	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 83,978	$ 83,978	$ –
Restricted				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ –	$ –	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
409	Alternative facilities program	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ –	$ –	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
445	Career and technical programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
450	Pre-Kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ –	$ –	$ –
Unassigned				
422	Unassigned fund balance	$ 603,740	$ 603,740	$ –
Food Service				
Total revenue		$ 1,727	$ 1,727	$ –
Total expenditures		$ 2,843	$ 2,843	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ –	$ –	$ –
432	ECFE	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ –	$ –	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

CYBER VILLAGE ACADEMY

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2016

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Internal Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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