

VILLAGE TECH SCHOOLS, INC.

**ANNUAL FINANCIAL AND
COMPLIANCE REPORTS**

FOR THE YEAR ENDED AUGUST 31, 2014

VILLAGE TECH SCHOOLS, INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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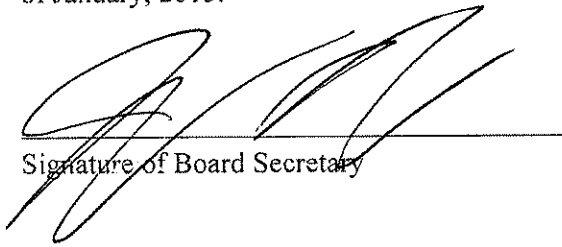
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VILLAGE TECH SCHOOLS, INC.
COUNTY-DISTRICT NO. 057847
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 45-5607359

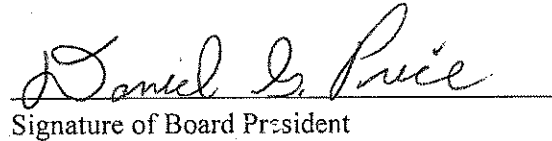
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

CERTIFICATE OF BOARD OF DIRECTORS

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Village Tech Schools, Inc. was reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the governing body of said charter holder on the 16 day of January, 2015.



Signature of Board Secretary



Signature of Board President

NOTE: If the governing body of the charter school does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Unmodified Opinion on Financial Statements

Board of Directors
Village Tech Schools, Inc.
Cedar Hill, Texas

Members of the Board of Directors:

Report on the Financial Statements

I have audited the accompanying financial statements of Village Tech Schools, Inc. listed in the table of contents as of and for the year ended August 31, 2014 and the related notes to the financial statements.

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

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village Tech Schools, Inc. as of August 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

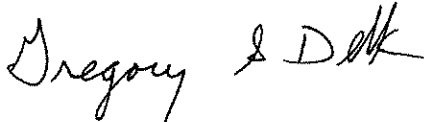
Other Matters

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2015 on my consideration of Village Tech Schools, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Village Tech Schools, Inc.'s internal control over financial reporting and compliance.



Gregory S. Delk, CPA
January 12, 2015

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

VILLAGE TECH SCHOOLS, INC.
Statement of Financial Position
August 31, 2014

Exhibit A-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 101,435.25
Due from State	276,227.92
Other Receivables	14,609.13
Prepaid Expenses	138,759.59
Total Current Assets	531,031.89

Property and Equipment

Land	573,325.21
Building and Improvements	1,315,248.69
Furniture and Equipment	164,186.28
Accumulated Depreciation	(102,733.43)
Total Property and Equipment	1,950,026.75

Other Assets

Other Assets	82,700.00
Total Other Assets	82,700.00

TOTAL ASSETS	\$ 2,563,758.64
--------------	-----------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 18,582.54
Loans Payable-Current Year	275,333.28
Payroll and Other Withholdings Payable	1,003.01
Deferred Revenue	9,388.40
Total Current Liabilities	304,307.23

Long Term Liabilities

Loans Payable-Current Year	1,721,148.87
Total Long Term Liabilities	1,721,148.87

Net Assets

Unrestricted Net Assets (Deficiency)	56,859.37
Temporarily Restricted Net Assets (Deficiency)	481,443.17
Total Net Assets	538,302.54

TOTAL LIABILITIES AND NET ASSETS	\$ 2,563,758.64
----------------------------------	-----------------

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

VILLAGE TECH SCHOOLS, INC.
Statement of Activities
For the Year Ended August 31, 2014

Exhibit A-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
Gifts and Bequests	\$ 36,722.51	\$	\$ 36,722.51
Transportation	3,497.00		3,497.00
After School Care	60,752.10		60,752.10
Other Revenues	61,082.83	20,847.76	81,930.59
Food Service Activity		22,825.56	22,825.56
Total Local Support	162,054.44	43,673.32	205,727.76
State Program Revenues--			
Foundation School Program		4,135,587.00	4,135,587.00
State Textbook Fund		4,987.47	4,987.47
Total State Program Revenues	0.00	4,140,574.47	4,140,574.47
Federal Program Revenues--			
School Breakfast Program		10,372.36	10,372.36
National School Lunch Program		59,035.87	59,035.87
Title I, Part A		29,485.08	29,485.08
IDEA-Part B Formula		21,445.41	21,445.41
Title II, Part A		2,525.00	2,525.00
Start Up Grant		481,753.17	481,753.17
Total Federal Program Revenues	0.00	604,616.89	604,616.89
Net Assets Released from Restrictions	4,117,621.73	(4,117,621.73)	0.00
Total Revenue and Other Support	4,279,676.17	671,242.95	4,950,919.12
<u>EXPENSES</u>			
Program Services:			
Instructional and Instructional Related Services	2,226,323.44	----	2,226,323.44
Instructional and School Leadership	216,053.88	----	216,053.88
Support Services:			
Administrative Support Services	287,298.40	----	287,298.40
Support Services-Non-Student Based	1,053,832.61	----	1,053,832.61
Support Services-Student (Pupil)	244,268.24	----	244,268.24
Community Services	74,904.53	----	74,904.53
Debt Service	126,200.02	----	126,200.02
Total Expenses	4,228,881.12	0.00	4,228,881.12
Change in Net Assets	50,795.05	671,242.95	722,038.00
Net Assets (Deficiency), Beginning of Year	6,064.32	(189,799.78)	(183,735.46)
Net Assets (Deficiency), End of Year	\$ 56,859.37	\$ 481,443.17	\$ 538,302.54

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

VILLAGE TECH SCHOOLS, INC.
Statement of Cash Flows
For the Year Ended August 31, 2014

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 4,534,634.43
Cash Received from Local Sources	205,727.76
Cash Paid to Suppliers for Goods and Services	(1,778,275.07)
Cash Paid to Employees for Services	(2,278,614.87)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(126,200.02)
Net Cash Provided By Operating Activities	<u>557,272.23</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	<u>(1,680,209.54)</u>
Net Cash Used By Investing Activities	<u>(1,680,209.54)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	2,062,000.00
Payments on Debt	<u>(1,095,229.85)</u>
Net Cash Provided By Financing Activities	<u>966,770.15</u>

Net Decrease in Cash	(156,167.16)
Cash at Beginning of Year	<u>257,602.41</u>
Cash at End of Year	<u><u>\$ 101,435.25</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 722,038.00
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	102,733.43
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(210,015.33)
Other Receivables	(8,917.10)
Prepaid Expenses	94,781.70
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(142,705.81)
Payroll and Other Withholdings Payable	(101.06)
Deferred Revenue	(541.60)
Net Adjustments	<u>(164,765.77)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 557,272.23</u></u>

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

**NOTES TO
FINANCIAL STATEMENTS**

VILLAGE TECH SCHOOLS, INC.

Notes To Financial Statements For the Year Ended August 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities –

Village Tech Schools, Inc. provides an alternative learning environment for students. The School operates under an open enrollment charter granted by the State of Texas Board of Education. This charter was issued for a period of five years starting in 2012 and is subject to review and renewal periodically. The School is part of the public school system of the State of Texas and is therefore entitled to distribution from the State's available school fund. The School does not have the authority to impose ad valorem taxes or to charge tuition. There is not currently any additional financial activity outside of the charter school.

The School was incorporated in 2012 and has been recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. Accounting Policies –

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

To insure observance of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with Financial Accounting Standards Board Statement No. 117.

The statement of financial position reports the amounts of each of three classes of net assets: temporarily restricted, unrestricted net assets and permanently restricted (currently zero).

- ❖ Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor imposed stipulations that can be fulfilled and removed by actions of the School pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- ❖ Unrestricted net assets are the remaining part of the School's net assets that is neither permanently restricted nor temporarily restricted by donor imposed stipulations. Property and equipment are included in unrestricted net assets.
- ❖ Permanently restricted net assets result from contributions and other inflows of assets that are required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

VILLAGE TECH SCHOOLS, INC.

Notes To Financial Statements For the Year Ended August 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents –

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks and includes highly liquid investments with an original maturity of three months or less.

D. Fixed Assets and Depreciation –

All assets acquired with a value of \$5,000.00 or greater and an estimated useful life of three years or more are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight line basis. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

E. Revenues –

Revenues from the State of Texas available school fund are earned based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support, in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*.

- ❖ Contributions with donor imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- ❖ Contributions without donor imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

F. Donated Goods and Services –

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in kind contributions and expenses of a like amount.

G. Personal Leave –

All employees earn five days of paid personal leave per year. However, unused balances do not accumulate; therefore, there is no liability accrued on the financial statements.

H. Estimates –

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimated useful lives of asset classes were used in the calculation of depreciation.

VILLAGE TECH SCHOOLS, INC.

Notes To Financial Statements For the Year Ended August 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Functional Allocation of Expenses –

The expense of the various programs and other activities has been presented on a functional basis in the statement of activities. Accordingly, certain expenses and supporting service costs have been allocated among the various programs.

2. BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of building improvements and equipment at August 31, 2014, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 573,325.21	-0-	573,325.21	
Building and Improvements	1,315,248.69	91,449.23	1,223,799.46	2.5%
Furniture & Equipment	164,186.28	11,284.20	152,902.08	14.29%
Total	\$ 2,052,760.18	102,733.43	1,950,026.75	

Depreciation expense for the year ended August 31, 2014 was \$102,733.43.

3. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan. The School pays \$331.00 towards the employee's premium and the employee pays the balance due plus premiums for dependent coverage through payroll deductions. All premiums were paid to licensed insurers.

4. PENSION PLAN

Plan Description

The School contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the State of Texas. The System provides service retirement and disability benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the School. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions of State law, plan members are required to contribute 6.4% of their annual covered salary (6.7% starting September 1, 2014) and the State of Texas contributes an amount equal to 6.0% of the School's covered payroll. Starting September 2014 The School also must contribute 1.5% of the covered salaries of employees. The School's employees' contributions to the System for the year ending August 31,

VILLAGE TECH SCHOOLS, INC.

Notes To Financial Statements For the Year Ended August 31, 2014

4. PENSION PLAN (continued)

2014 were \$145,292.37 and were equal to the required contributions. The State of Texas' contributions should approximate \$136,000.00.

5. DUE FROM STATE

At August 31, 2014, the Organization was due \$39,660.00 in State Foundation Funds, \$21,445.41 in IDEA-B Funds, \$2,525.00 in Title II, Part A Funds, \$29,485.08 in Title I, Part A Funds, \$183,112.43 that it had not yet received. These amounts will be received from the Texas Education Agency during the 2014-2015 school year.

6. OPERATING LEASES

The School has entered into a lease agreement for office and classroom space at 1010 East Parkerville Road, Cedar Hill, Texas at a monthly rate of \$21,500.00 through July 2015 and \$24,500.00 through July 2016. The School has entered into lease agreements for modular classrooms located on that site at a rate of \$15,836.00 through August 2016. There is also a copier lease for \$563.00 a month through August 2016.

Future minimum lease payments are as follows:

8/31/2015	\$ 457,788
8/31/2016	439,272

7. NOTES PAYABLE

The School purchased land and has started construction on a building that will house the school and offices. The location is 100 Carrell Street, Cedar Hill, Texas. The land purchase resulted in a \$562,000 note payable in one balloon payment on November 1, 2017. The note carries interest at 8% payable monthly. The School's construction loan of \$1,500,000.00 carries interest of 5% and is amortized over 60 months with a resulting monthly payment of \$28,359.89.

The note payments are scheduled as follows:

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	275,333.28	109,945.44	385,278.72
2016	288,922.75	96,355.97	385,278.72
2017	303,704.57	81,574.15	385,278.72
2018	881,242.66	32,316.03	913,558.69
2019	247,278.89	5,133.42	252,412.31
Totals	1,996,482.15	325,325.01	2,321,807.16

8. CASH DEPOSIT RISK

At August 31, 2014 and throughout the school year, the School's cash in bank accounts was not entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance but has been fully covered all year by pledged collateral held by the School's agent bank valued in excess of \$565,000.00

9. SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 12, 2015 for the purpose of evaluating the need for their inclusion in these notes. There have been no material subsequent events to note herein.

VILLAGE TECH SCHOOLS, INC.

Notes To Financial Statements For the Year Ended August 31, 2014

10. COMMITMENTS AND CONTINGENCIES

The School receives funds through state and federal programs which are governed by various rules and regulations of the grantor. Expenses charged to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, aside from the temporary restrictions on net assets as explained below, there are no contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

11. ECONOMIC DEPENDENCY

During the year the School received the majority of its revenues from the Texas Education Agency through a Charter Agreement and through federal grants available to charter schools. The loss of this Charter Agreement would have a material effect on the ability of the School to continue to provide the current level of services to its students.

12. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2014 the School had temporarily restricted net assets of \$481,443.17 that consisted of the following:

State Foundation Program	\$ 399,038.78
State Special Ed Program	55,369.60
State Textbooks Fund	3,496.04
State Compensatory Ed Program	15,362.88
State Bilingual Ed Program	2,467.40
Federal Title I, Part A Program	44.62
Federal School Breakfast Program	<u>5,663.85</u>
	<u>\$ 481,443.17</u>

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

VILLAGE TECH SCHOOLS, INC.
Statement of Financial Position
August 31, 2014

Exhibit B-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$	101,435.25
Due from State		276,227.92
Other Receivables		14,609.13
Prepaid Expenses		138,759.59
Total Current Assets		531,031.89

Property and Equipment

Land		573,325.21
Building and Improvements		1,315,248.69
Furniture and Equipment		164,186.28
Accumulated Depreciation		(102,733.43)
Total Property and Equipment		1,950,026.75

Other Assets

Other Assets		82,700.00
Total Other Assets		82,700.00

TOTAL ASSETS	\$	2,563,758.64
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	18,582.54
Loans Payable-Current Year		275,333.28
Payroll and Other Withholdings Payable		1,003.01
Deferred Revenue		9,388.40
Total Current Liabilities		304,307.23

Long Term Liabilities

Loans Payable-Current Year		1,721,148.87
Total Long Term Liabilities		1,721,148.87

Net Assets

Unrestricted Net Assets (Deficiency)		56,859.37
Temporarily Restricted Net Assets (Deficiency)		481,443.17
Total Net Assets		538,302.54

TOTAL LIABILITIES AND NET ASSETS	\$	2,563,758.64
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The accompanying notes are an integral part of these financial statements.

VILLAGE TECH SCHOOLS, INC.
Statement of Activities
For the Year Ended August 31, 2014

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
5744 Gifts and Bequests	\$ 36,722.51	\$	\$ 36,722.51
5747 Transportation	3,497.00		3,497.00
5748 After School Care	60,752.10		60,752.10
5749 Other Revenues	61,082.83	20,847.76	81,930.59
5751 Food Service Activity		22,825.56	22,825.56
Total Local Support	162,054.44	43,673.32	205,727.76
State Program Revenues--			
5812 Foundation School Program		4,135,587.00	4,135,587.00
5829 State Textbook Fund		4,987.47	4,987.47
Total State Program Revenues	0.00	4,140,574.47	4,140,574.47
Federal Program Revenues--			
5921 School Breakfast Program		10,372.36	10,372.36
5922 National School Lunch Program		59,035.87	59,035.87
5929 Title I, Part A		29,485.08	29,485.08
5929 IDEA-Part B Formula		21,445.41	21,445.41
5929 Title II, Part A		2,525.00	2,525.00
5929 Start Up Grant		481,753.17	481,753.17
Total Federal Program Revenues	0.00	604,616.89	604,616.89
Net Assets Released from Restrictions	4,117,621.73	(4,117,621.73)	0.00
Total Revenue and Other Support	4,279,676.17	671,242.95	4,950,919.12
<u>EXPENSES</u>			
11 Instruction	2,088,861.04	----	2,088,861.04
13 Curriculum Dev. & Instructional Staff Dev.	137,462.40	----	137,462.40
23 School Leadership	216,053.88	----	216,053.88
31 Guidance, Counseling and Evaluation Svcs.	64,987.08	----	64,987.08
33 Health Services	37,709.00	----	37,709.00
34 Student (Pupil) Transportation	815.33	----	815.33
35 Food Services	126,903.53	----	126,903.53
36 Cocurricular/Extracurricular Activities	13,853.30	----	13,853.30
41 General Administration	287,298.40	----	287,298.40
51 Plant Maintenance and Operations	801,750.84	----	801,750.84
52 Security and Monitoring Services	15,424.42	----	15,424.42
53 Data Processing Services	236,657.35	----	236,657.35
61 Community Services	74,904.53	----	74,904.53
71 Debt Services	126,200.02	----	126,200.02
Total Expenses	4,228,881.12	0.00	4,228,881.12
Change in Net Assets	50,795.05	671,242.95	722,038.00
Net Assets (Deficiency), Beginning of Year	6,064.32	(189,799.78)	(183,735.46)
Net Assets (Deficiency), End of Year	\$ 56,859.37	\$ 481,443.17	\$ 538,302.54

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

VILLAGE TECH SCHOOLS, INC.
Statement of Cash Flows
For the Year Ended August 31, 2014

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 4,534,634.43
Cash Received from Local Sources	205,727.76
Cash Paid to Suppliers for Goods and Services	(1,778,275.07)
Cash Paid to Employees for Services	(2,278,614.87)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(126,200.02)
Net Cash Provided By Operating Activities	<u>557,272.23</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(1,680,209.54)
Net Cash Used By Investing Activities	<u>(1,680,209.54)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	2,062,000.00
Payments on Debt	(1,095,229.85)
Net Cash Provided By Financing Activities	<u>966,770.15</u>

Net Decrease in Cash	(156,167.16)
Cash at Beginning of Year	<u>257,602.41</u>
Cash at End of Year	<u><u>\$ 101,435.25</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 722,038.00
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	102,733.43
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(210,015.33)
Other Receivables	(8,917.10)
Prepaid Expenses	94,781.70
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(142,705.81)
Payroll and Other Withholdings Payable	(101.06)
Deferred Revenue	(541.60)
Net Adjustments	<u>(164,765.77)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 557,272.23</u></u>

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

**SUPPLEMENTARY
SCHEDULES**

VILLAGE TECH SCHOOLS, INC.
Schedule of Expenses
For the Year Ended August 31, 2014

Exhibit C-1

<u>EXPENSES</u>	<u>Totals</u>
6100 Payroll Costs	\$ 2,506,084.22
6200 Professional and Contracted Services	928,360.34
6300 Supplies and Materials	419,308.56
6400 Other Operating Costs	248,927.98
6500 Debt Service Costs	126,200.02
Total Expenses and Other Losses	\$ <u>4,228,881.12</u>

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

VILLAGE TECH SCHOOLS, INC.
Schedule of Capital Assets
August 31, 2014

Exhibit D-1

<u>CAPITAL ASSETS</u>	<u>Ownership Interest</u>			<u>Totals</u>
	<u>Local</u>	<u>State</u>	<u>Federal</u>	
1110 Cash	\$ 56,859.37	\$ 38,867.41	\$ 5,708.47	\$ 101,435.25
1510 Land		573,325.21		573,325.21
1520 Buildings and Improvements		1,312,603.69	2,645.00	1,315,248.69
1539 Furniture and Equipment			164,186.28	164,186.28
Total Capital Assets	<u>\$ 56,859.37</u>	<u>\$ 1,924,796.31</u>	<u>\$ 172,539.75</u>	<u>\$ 2,154,195.43</u>

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

VILLAGE TECH SCHOOLS, INC.
Budgetary Comparison Schedule
For the Year Ended August 31, 2014

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE AND OTHER SUPPORT				
Local Support--				
5744 Gifts and Bequests	\$	\$ 36,723.00	\$ 36,722.51	\$ (0.49)
5747 Transportation		4,067.00	3,497.00	(570.00)
5748 After School Care		61,457.00	60,752.10	(704.90)
5749 Other Revenues	176,480.00	92,216.00	81,930.59	(10,285.41)
5751 Food Service Activity	131,544.00	23,179.00	22,825.56	(353.44)
Total Local Support	<u>308,024.00</u>	<u>217,642.00</u>	<u>205,727.76</u>	<u>(11,914.24)</u>
State Program Revenues--				
5812 Foundation School Program	3,896,000.00	4,095,927.00	4,135,587.00	39,660.00
5829 State Textbook Fund			4,987.47	4,987.47
Total State Program Revenues	<u>3,896,000.00</u>	<u>4,095,927.00</u>	<u>4,140,574.47</u>	<u>44,647.47</u>
Federal Program Revenues--				
5921 School Breakfast Program	10,044.00	10,373.00	10,372.36	(0.64)
5922 National School Lunch Program	46,332.00	59,036.00	59,035.87	(0.13)
5929 Title I, Part A			29,485.08	29,485.08
5929 IDEA-Part B Formula			21,445.41	21,445.41
5929 Title II, Part A			2,525.00	2,525.00
5929 Start Up Grant			481,753.17	481,753.17
Total Federal Program Revenues	<u>56,376.00</u>	<u>69,409.00</u>	<u>604,616.89</u>	<u>535,207.89</u>
Total Revenue and Other Support	4,260,400.00	4,382,978.00	4,950,919.12	567,941.12
EXPENSES				
11 Instruction	2,115,563.00	1,945,376.00	2,088,861.04	(143,485.04)
13 Curriculum Dev. & Instructional Staff Dev.	79,975.00	109,427.00	137,462.40	(28,035.40)
23 School Leadership	153,775.00	214,871.00	216,053.88	(1,182.88)
31 Guidance, Counseling and Evaluation Svcs.	60,299.00	65,310.00	64,987.08	322.92
33 Health Services	53,000.00	38,216.00	37,709.00	507.00
34 Student (Pupil) Transportation	35,000.00	816.00	815.33	0.67
35 Food Services	241,660.00	137,392.00	126,903.53	10,488.47
36 Cocurricular/Extracurricular Activities		6,663.00	13,853.30	(7,190.30)
41 General Administration	254,075.00	282,456.00	287,298.40	(4,842.40)
51 Plant Maintenance and Operations	1,497,497.00	818,418.00	801,750.84	16,667.16
52 Security and Monitoring Services		8,727.00	15,424.42	(6,697.42)
53 Data Processing Services	145,056.00	161,877.00	236,657.35	(74,780.35)
61 Community Services	94,500.00	82,098.00	74,904.53	7,193.47
71 Debt Service	60,000.00	125,398.00	126,200.02	(802.02)
Total Expenses	<u>4,790,400.00</u>	<u>3,997,045.00</u>	<u>4,228,881.12</u>	<u>(231,836.12)</u>
Change in Net Assets	(530,000.00)	385,933.00	722,038.00	336,105.00
Net Assets (Deficiency), Beginning of Year	<u>(183,735.46)</u>	<u>(183,735.46)</u>	<u>(183,735.46)</u>	<u>----</u>
Net Assets (Deficiency), End of Year	<u>\$ (713,735.46)</u>	<u>\$ 202,197.54</u>	<u>\$ 538,302.54</u>	<u>\$ 336,105.00</u>

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

COMPLIANCE AND INTERNAL CONTROL

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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

Board of Directors
Village Tech Schools, Inc.
Cedar Hill, Texas

Members of the Board of Directors:

I 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 Village Tech Schools, Inc. as of and for the year ended August 31, 2014, and the related notes to the financial statements, and have issued my report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Village Tech Schools, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village Tech Schools, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Village Tech Schools, Inc.'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 entity'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.

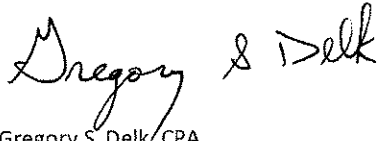
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village Tech Schools, Inc.'s financial statements are free from material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gregory S. Delk". The signature is written in a cursive style with a large initial 'G' and 'D'.

Gregory S. Delk, CPA
January 12, 2015

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Village Tech Schools, Inc.
Cedar Hill, Texas

Report on Compliance for Each Major Federal Program

I have audited Village Tech Schools, Inc. (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. Village Tech Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Village Tech Schools, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village Tech Schools, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major program. However, my audit does not provide a legal determination on Village Tech Schools, Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, Village Tech Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

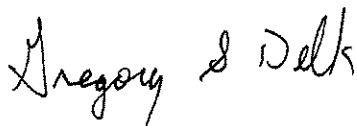
The management of Village Tech Schools, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Village Tech Schools, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Village Tech Schools, Inc. internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Gregory S. Delk, CPA
January 12, 2015

VILLAGE TECH SCHOOLS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Exhibit F-1

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA 84.282 Charter School Start Up Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None Identified

SECTION III – STATE AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Identified

VILLAGE TECH SCHOOLS, INC.

STATUS OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2014

No prior audit findings

VILLAGE TECH SCHOOLS, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

Exhibit G-1

No Corrective Action Plan Necessary

VILLAGE TECH SCHOOLS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended August 31, 2014

	Federal Catalog Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
School Breakfast/National Lunch Programs	10.553	71401401	80,424.03
	& 10.555	71301401	
Total U.S. Department of Education passed through State Dept. of Education			80,424.03
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>80,424.03</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education			
Title I, Part A Program	84.010	14610101057847	29,440.46
IDEA-B Program	84.027	146600010578476600	21,445.41
Charter School Start Up Grant	84.282	135900017110007	391,657.61
Title II, Part A Program	84.367	14694501057847	2,525.00
Total U.S. Department of Education passed through State Dept. of Education			445,068.48
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>445,068.48</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>525,492.51</u>

VILLAGE TECH SCHOOLS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2014

NOTE 1 – STANDARD FINANCIAL ACCOUNTING SYSTEM

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

NOTE 2 – BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented may differ from amounts presented in, or used in preparation of the basic financial statements.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Expenditures of federal financial assistance per accompanying schedule of expenditures of federal awards included in total expenses	\$525,492.51
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