

**VILLAGE TECH SCHOOLS, INC.**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORTS**

**FOR THE YEAR ENDED AUGUST 31, 2017**

**VILLAGE TECH SCHOOLS, INC.**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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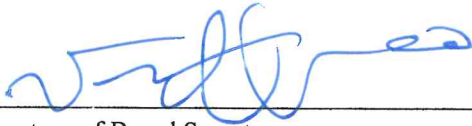
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VILLAGE TECH SCHOOLS, INC.  
COUNTY-DISTRICT NO. 057847  
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 45-5607359

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2017

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) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2017, at a meeting of the governing body of said charter holder on the 22 day of January, 2018.



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***

We 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, 2017 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***

Our responsibility is to express an opinion on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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.

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

### ***Opinion***

In our 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, 2017, 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***

Other Information

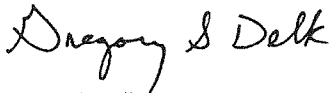
Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information (supplementary schedules) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility 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

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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 our 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*, we have also issued our report dated January 16, 2018 on our consideration of Village Tech Schools, Inc.'s internal control over financial reporting and on our 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 our 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 16, 2018

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

**VILLAGE TECH SCHOOLS, INC.**  
**Statement of Financial Position**  
**August 31, 2017**

Exhibit A-1

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$	696,638.48
Due from State		99,480.58
Prepaid Expenses		81,807.52
Total Current Assets		877,926.58

**Property and Equipment**

Land		573,325.21
Building and Improvements		2,964,473.22
Vehicles		62,879.67
Furniture and Equipment		167,290.00
Accumulated Depreciation		(763,729.00)
Total Property and Equipment		3,004,239.10

**Other Assets**

Other Assets		92,700.00
Total Other Assets		92,700.00

TOTAL ASSETS	\$	3,974,865.68
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$	44,285.27
Loans Payable-Current Year		415,560.31
Payroll and Other Withholdings Payable		20,147.37
Due to State		6,950.00
Deferred Revenue		3,333.87
Total Current Liabilities		490,276.82

**Long Term Liabilities**

Loans Payable-Current Year		1,076,035.18
Total Long Term Liabilities		1,076,035.18

**Net Assets**

Unrestricted Net Assets (Deficiency)		170,129.21
Temporarily Restricted Net Assets (Deficiency)		2,238,424.47
Total Net Assets		2,408,553.68

TOTAL LIABILITIES AND NET ASSETS	\$	3,974,865.68
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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, 2017**

Exhibit A-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
Gifts and Bequests	\$ 686.26	\$	\$ 686.26
Transportation	2,571.50		2,571.50
After School Care	47,202.77		47,202.77
Other Revenues		169,263.56	169,263.56
Food Service Activity		12,572.01	12,572.01
Athletic Activity		17,004.28	17,004.28
Enterprise Service Revenue		70,727.72	70,727.72
Total Local Support	50,460.53	269,567.57	320,028.10
State Program Revenues--			
Foundation Per Capita Allotment		267,829.00	267,829.00
Foundation School Program		5,906,063.00	5,906,063.00
Pre-K Funding		1,606.00	1,606.00
School Lunch Matching		682.93	682.93
Instructional Materials Fund		4,747.50	4,747.50
Total State Program Revenues	0.00	6,180,928.43	6,180,928.43
Federal Program Revenues--			
School Breakfast Program		3,924.78	3,924.78
National School Lunch Program		28,883.82	28,883.82
Title I, Part A		52,073.60	52,073.60
IDEA-Part B Formula		116,331.75	116,331.75
Title II, Part A		3,100.00	3,100.00
Total Federal Program Revenues	0.00	204,313.95	204,313.95
Net Assets Released from Restrictions	6,138,268.69	(6,138,268.69)	0.00
Total Revenue and Other Support	6,188,729.22	516,541.26	6,705,270.48
<b><u>EXPENSES</u></b>			
Program Services:			
Instructional and Instructional Related Services	3,152,000.00	----	3,152,000.00
Instructional and School Leadership	536,278.42	----	536,278.42
Support Services:			
Administrative Support Services	420,445.80	----	420,445.80
Support Services-Non-Student Based	1,448,442.70	----	1,448,442.70
Support Services-Student (Pupil)	361,690.38	----	361,690.38
Community Services	20,452.67	----	20,452.67
Debt Service	104,801.25	----	104,801.25
Fundraising	114,610.14	----	114,610.14
Total Expenses	6,158,721.36	0.00	6,158,721.36
<b>Change in Net Assets</b>	<b>30,007.86</b>	<b>516,541.26</b>	<b>546,549.12</b>
Net Assets (Deficiency), Beginning of Year	140,121.35	1,721,883.21	1,862,004.56
Net Assets (Deficiency), End of Year	\$ 170,129.21	\$ 2,238,424.47	\$ 2,408,553.68

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, 2017**

Exhibit A-3

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Government Contracts/Grants	\$ 6,421,527.71
Cash Received from Local Sources	320,028.10
Cash Paid to Suppliers for Goods and Services	(2,281,946.38)
Cash Paid to Employees for Services	(3,426,137.69)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(104,801.25)
Net Cash Provided By Operating Activities	<u>928,670.49</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	(507,333.62)
Net Cash Used By Investing Activities	<u>(507,333.62)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Debt	(395,940.39)
Net Cash Used By Financing Activities	<u>(395,940.39)</u>
Net Increase in Cash	25,396.48
Cash at Beginning of Year	<u>671,242.00</u>
Cash at End of Year	<u><u>\$ 696,638.48</u></u>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 546,549.12
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	272,612.00
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	26,535.56
Other Receivables	2,553.00
Prepaid Expenses	30,270.82
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	43,157.64
Payroll and Other Withholdings Payable	(2,757.42)
Due to State	6,950.00
Deferred Revenue	2,799.77
Net Adjustments	<u>382,121.37</u>
Net Cash Provided By Operating Activities	<u><u>\$ 928,670.49</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, 2017**

**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 2013 and is subject to review and renewal periodically. The charter meets the expedited renewal criteria and expects the charter will automatically renew for another 10 years. 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.

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.

**VILLAGE TECH SCHOOLS, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

J. Pension –

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## VILLAGE TECH SCHOOLS, INC.

Notes To Financial Statements  
For the Year Ended August 31, 2017

### 2. BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of building improvements and equipment at August 31, 2017, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 573,325.21	-0-	573,325.21	
Building and Improvements	2,964,473.22	643,700.00	2,320,773.22	6.67%
Vehicles	62,879.67	22,876.00	40,003.67	20.00%
Furniture & Equipment	167,290.00	97,153.00	70,137.00	20.00%
Total	\$ 3,767,968.10	763,729.00	3,004,239.10	

Depreciation expense for the year ended August 31, 2017 was \$272,612.00.

### 3. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan. The School pays \$275.00 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 Organization participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. No part of the plan is subject to a collective bargaining agreement.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Charter Schools are legally separate entities from the State and each other. Funds contributed by any one Charter School or ISD may be used to satisfy the obligations of all the Charter Schools and ISDs in the System. The unfunded obligations are shared by the other Charter Schools and ISDs. There are no withdrawal penalties for leaving the TRS System.

Detailed information about the Teacher Retirement System is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3

# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2017

### 4. PENSION PLAN (continued)

percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

#### Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**VILLAGE TECH SCHOOLS, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2017**

**4. PENSION PLAN (continued)**

**Statutorily Determined Contribution Rates**

	<u>2017</u>	<u>2016</u>
<b>Member</b>	7.7%	7.2%
<b>Non-Employer Contributing Entity (State)</b>	6.8%	6.8%
<b>Employers</b>	6.8%	6.8%

The Organization's FYE 8/31/2017 Contributions to the Plan were \$318,225.74 and did not represent more than 5% of the total contributions to the plan.

There have been no changes which would affect the comparison of employer contributions from year to year.

**Plan Assets and Obligations**

Total Plan assets and obligations for the year 8/31/2017 are as follows:

Total Plan Assets	\$165,379,341,964
Total Accumulated Benefit Obligations	\$179,336,534,819
Total Plan Fiduciary Net Position	\$147,361,922,120

The Plan is 82.17% funded.

**5. DUE FROM STATE**

At August 31, 2017, the Organization was due \$37,380.66 in Title I, Part A Funds, \$62,091.71 in IDEA-B Funds, \$8.21 in School Lunch Matching that it had not yet received. These amounts will be received from the Texas Education Agency during the 2017-2018 school year.

**6. DUE TO STATE**

At August 31, 2017, the Organization had been overpaid in State Foundation Program funding by \$6,950.00. This amount will be recovered by the Texas Education Agency during the 2017-2018 school year.

**7. 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 \$26,500.00 through July 2018. The School has entered into a lease agreement for modular classrooms located on that site at a rate of \$14,275.80 through July 2018. The School has entered into a lease agreement for modular classrooms located on that site at a rate of \$2,438.00 through August 2018. The School has entered into a lease agreement for classroom space at 535 S. Clark Road, Cedar Hill, Texas at a rate of \$916.67 per month until July 2018.

Future minimum lease payments are as follows:

8/31/2018	\$ 490,777.17
8/31/2019	-0-
8/31/2020	-0-
8/31/2021	-0-
8/31/2022	-0-
Thereafter	-0-
Total future minimum lease payments	<u>\$ 490,777.17</u>

# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2017

### 8. 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 originally payable in one balloon payment on November 1, 2017. The note carries interest at 8% payable monthly. The note was restructured on August 29, 2017 to extend the interest only payments until November 1, 2018 and starting December 1, 2018 monthly payments of \$5,051.41 of principal and interest at 7% will be payable for 180 months ending November 1, 2033. The School's construction loan of \$1,500,000.00 (currently \$568,385.67) carries interest of 5% and is amortized over 60 months with a resulting monthly payment of \$28,359.89. The School obtained a loan for additional building improvements for \$496,700.00 (currently \$361,209.82) due in 60 monthly payments of \$9,621.91 including interest at 6.00%. Also see note 14 regarding subsequent events.

The note payments are scheduled as follows:

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	415,560.31	85,181.29	500,741.60
2019	367,933.13	58,564.59	426,497.72
2020	131,826.75	44,253.09	176,079.84
2021	78,592.00	36,696.00	115,288.00
2022	26,622.46	33,994.46	60,616.92
Thereafter	471,060.84	210,879.51	681,940.35
Totals	1,491,595.49	469,568.94	1,961,164.43

### 9. CASH DEPOSIT RISK

At August 31, 2017 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.

### 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.



# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2017

### 12. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2017 the School had temporarily restricted net assets of \$2,238,424.47 that consisted of the following:

Local Restricted Funds	\$ 44,261.65
State Foundation Program	1,313,398.81
State Advanced Placement Incentives	1,545.00
State Instructional Materials Fund	4,198.54
State Career & Technical Program	310,412.27
State Special Education Program	72,374.29
State Compensatory Ed Program	365,770.46
State Bilingual Ed Program	15,541.76
State High School Allotment	106,601.00
Federal IDEA-B Program	4,320.69
	<u>\$ 2,238,424.47</u>

### 13. SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 16, 2018 for the purpose of evaluating the need for their inclusion in these notes. The Organization is expecting steady growth and is undertaking a facilities expansion project in order to facilitate that growth. A non-profit organization, Newark Higher Education Finance Corporation has issued bond series 2017A and 2017B (November 2017) for the purpose of loaning the proceeds to Village Tech to pay off two existing construction loans (approximately \$830,690) and to begin construction expanding the Main Campus located at 1010 Parkerville Road, Cedar Hill, Texas, the Early Childhood Center located at 535 South Clark Road, Cedar Hill, Texas, and to purchase land and construct buildings for a new campus located at 402 W. Daniieldale Road, Duncanville, Texas. In addition the loan will fund the costs of the bond issuance and fund a debt service reserve.

The sources and uses of funds is as follows:

#### Sources of Funds

	Bond Series 2017A	Bond Series 2017B	Total
Par Amount:	\$18,620,000.00	\$1,895,000.00	\$20,515,000.00
Original Issue Discount	<u>(298,301.35)</u>		<u>(298,301.35)</u>
Total Sources of Funds	<u>\$18,321,698.65</u>	<u>\$1,895,000.00</u>	<u>\$20,216,698.65</u>

#### Uses of Funds

Project Fund Deposits			
Payment of Mortgage Note for Duncanville Campus	\$ 5,100,000.00		\$ 5,100,000.00
Payment of Existing Debt on Main Campus and ECC		\$ 830,690.00	830,690.00
Deposit to Construction Fund for Construction Project	11,115,419.00		11,115,419.00
Site Restoration Costs		500,000.00	500,000.00
Furniture, Fixtures & Equipment	<u>500,000.00</u>		<u>500,000.00</u>
Total Project Fund Deposits	16,715,419.00	1,330,690.00	18,046,109.00
Debt Service Reserve Fund	1,237,148.80	125,907.46	1,363,056.26
Cost of Issuance	366,433.97	435,203.81	801,637.78
Contingency Funds	<u>2,696.88</u>	<u>3,198.73</u>	<u>5,895.61</u>
Total Uses of Funds	<u>\$18,321,698.65</u>	<u>\$1,895,000.00</u>	<u>\$20,216,698.65</u>

**VILLAGE TECH SCHOOLS, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2017**

**13. SUBSEQUENT EVENTS (continued)**

The following table of bond debt service requirements is also the loan payments required of Village Tech

Period Ending	Series 2017A Bonds		Series 2017B Bonds		Total
	Principal	Interest	Principal	Interest	
8/31/18	\$ -	\$658,706.67	\$ -	\$ 74,115.56	\$ 732,822.23
8/31/19	-	926,306.26	330,000.00	104,225.00	1,360,531.26
8/31/20	-	926,306.26	350,000.00	86,075.00	1,362,381.26
8/31/21	-	926,306.26	365,000.00	66,825.00	1,358,131.26
8/31/22	-	926,306.26	390,000.00	46,750.00	1,363,056.26
8/31/23	-	926,306.26	410,000.00	25,300.00	1,361,606.26
8/31/24	380,000.00	926,306.26	50,000.00	2,750.00	1,359,056.26
8/31/25	450,000.00	909,681.26			1,359,681.26
8/31/26	470,000.00	889,993.76			1,359,993.76
8/31/27	490,000.00	869,431.26			1,359,431.26
8/31/28	515,000.00	847,993.76			1,362,993.76
8/31/29	535,000.00	825,462.50			1,360,462.50
8/31/30	560,000.00	802,056.26			1,362,056.26
8/31/31	585,000.00	774,056.26			1,359,056.26
8/31/32	615,000.00	744,806.26			1,359,806.26
8/31/33	645,000.00	714,056.26			1,359,056.26
8/31/34	680,000.00	681,806.26			1,361,806.26
8/31/35	715,000.00	647,806.26			1,362,806.26
8/31/36	750,000.00	612,056.26			1,362,056.26
8/31/37	785,000.00	574,556.26			1,359,556.26
8/31/38	825,000.00	535,306.26			1,360,306.26
8/31/39	870,000.00	493,025.00			1,363,025.00
8/31/40	910,000.00	448,437.50			1,358,437.50
8/31/41	960,000.00	401,800.00			1,361,800.00
8/31/42	1,010,000.00	352,600.00			1,362,600.00
8/31/43	1,060,000.00	300,837.50			1,360,837.50
8/31/44	1,115,000.00	246,512.50			1,361,512.50
8/31/45	1,170,000.00	189,368.76			1,359,368.76
8/31/46	1,230,000.00	129,406.26			1,359,406.26
8/31/47	1,259,000.00	66,368.76			1,361,368.76
	<u>\$18,620,000.00</u>	<u>\$19,273,969.39</u>	<u>\$1,895,000.00</u>	<u>\$406,040.56</u>	<u>\$40,195,009.95</u>

After the issuance of the bonds, Village Tech will also still have the Land Purchase Note on the Carrell Street property of \$562,000.00.

**SPECIFIC-PURPOSE  
FINANCIAL STATEMENTS**

/

**VILLAGE TECH SCHOOLS, INC.**  
**Statement of Financial Position**  
**August 31, 2017**

Exhibit B-1

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$	696,638.48
Due from State		99,480.58
Prepaid Expenses		81,807.52
Total Current Assets		877,926.58

**Property and Equipment**

Land		573,325.21
Building and Improvements		2,964,473.22
Vehicles		62,879.67
Furniture and Equipment		167,290.00
Accumulated Depreciation		(763,729.00)
Total Property and Equipment		3,004,239.10

**Other Assets**

Other Assets		92,700.00
Total Other Assets		92,700.00

TOTAL ASSETS	\$	3,974,865.68
--------------	----	--------------

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$	44,285.27
Loans Payable-Current Year		415,560.31
Payroll and Other Withholdings Payable		20,147.37
Due to State		6,950.00
Deferred Revenue		3,333.87
Total Current Liabilities		490,276.82

**Long Term Liabilities**

Loans Payable-Less Current Portion		1,076,035.18
Total Long Term Liabilities		1,076,035.18

**Net Assets**

Unrestricted Net Assets (Deficiency)		170,129.21
Temporarily Restricted Net Assets (Deficiency)		2,238,424.47
Total Net Assets		2,408,553.68

TOTAL LIABILITIES AND NET ASSETS	\$	3,974,865.68
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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, 2017**

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
5744 Gifts and Bequests	\$ 686.26	\$	\$ 686.26
5747 Transportation	2,571.50		2,571.50
5748 After School Care	47,202.77		47,202.77
5749 Other Revenues		169,263.56	169,263.56
5751 Food Service Activity		12,572.01	12,572.01
5752 Athletic Activity		17,004.28	17,004.28
5755 Enterprise Service Revenue		70,727.72	70,727.72
Total Local Support	50,460.53	269,567.57	320,028.10
State Program Revenues--			
5811 Foundation Per Capita Allotment		267,829.00	267,829.00
5812 Foundation School Program		5,906,063.00	5,906,063.00
5820 Pre-K Funding		1,606.00	1,606.00
5829 School Lunch Matching		682.93	682.93
5829 Instructional Materials Fund		4,747.50	4,747.50
Total State Program Revenues	0.00	6,180,928.43	6,180,928.43
Federal Program Revenues--			
5921 School Breakfast Program		3,924.78	3,924.78
5922 National School Lunch Program		28,883.82	28,883.82
5929 Title I, Part A		52,073.60	52,073.60
5929 IDEA-Part B Formula		116,331.75	116,331.75
5929 Title II, Part A		3,100.00	3,100.00
Total Federal Program Revenues	0.00	204,313.95	204,313.95
Net Assets Released from Restrictions	6,138,268.69	(6,138,268.69)	0.00
Total Revenue and Other Support	6,188,729.22	516,541.26	6,705,270.48
<b><u>EXPENSES</u></b>			
11 Instruction	3,020,955.80	----	3,020,955.80
13 Curriculum Dev. & Instructional Staff Dev.	131,044.20	----	131,044.20
21 Instructional Leadership	22,919.24	----	22,919.24
23 School Leadership	513,359.18	----	513,359.18
31 Guidance, Counseling and Evaluation Svcs.	131,171.91	----	131,171.91
33 Health Services	29,057.72	----	29,057.72
35 Food Services	107,399.59	----	107,399.59
36 Cocurricular/Extracurricular Activities	94,061.16	----	94,061.16
41 General Administration	420,445.80	----	420,445.80
51 Plant Maintenance and Operations	1,319,188.84	----	1,319,188.84
52 Security and Monitoring Services	6,158.77	----	6,158.77
53 Data Processing Services	123,095.09	----	123,095.09
61 Community Services	20,452.67	----	20,452.67
71 Debt Services	104,801.25	----	104,801.25
81 Fundraising	114,610.14	----	114,610.14
Total Expenses	6,158,721.36	0.00	6,158,721.36
<b>Change in Net Assets</b>	<b>30,007.86</b>	<b>516,541.26</b>	<b>546,549.12</b>
Net Assets (Deficiency), Beginning of Year	140,121.35	1,721,883.21	1,862,004.56
Net Assets (Deficiency), End of Year	\$ 170,129.21	\$ 2,238,424.47	\$ 2,408,553.68

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, 2017**

Exhibit B-3

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Government Contracts/Grants	\$ 6,421,527.71
Cash Received from Local Sources	320,028.10
Cash Paid to Suppliers for Goods and Services	(2,281,946.38)
Cash Paid to Employees for Services	(3,426,137.69)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(104,801.25)
Net Cash Provided By Operating Activities	<u>928,670.49</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	<u>(507,333.62)</u>
Net Cash Used By Investing Activities	(507,333.62)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Debt	<u>(395,940.39)</u>
Net Cash Used By Financing Activities	<u>(395,940.39)</u>
Net Increase in Cash	25,396.48
Cash at Beginning of Year	<u>671,242.00</u>
Cash at End of Year	<u><u>\$ 696,638.48</u></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 546,549.12
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	272,612.00
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	26,535.56
Other Receivables	2,553.00
Prepaid Expenses	30,270.82
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	43,157.64
Payroll and Other Withholdings Payable	(2,757.42)
Due to State	6,950.00
Deferred Revenue	2,799.77
Net Adjustments	<u>382,121.37</u>
Net Cash Provided By Operating Activities	<u><u>\$ 928,670.49</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, 2017**

Exhibit C-1

<b><u>EXPENSES</u></b>	<b><u>Totals</u></b>
6100 Payroll Costs	\$ 3,745,089.43
6200 Professional and Contracted Services	1,557,771.04
6300 Supplies and Materials	282,202.51
6400 Other Operating Costs	468,857.13
6500 Debt Service Costs	104,801.25
Total Expenses and Other Losses	<u>\$ 6,158,721.36</u>

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



**VILLAGE TECH SCHOOLS, INC.**  
**Schedule of Capital Assets**  
**August 31, 2017**

Exhibit D-1

<u><b>CAPITAL ASSETS</b></u>	<u><b>Ownership Interest</b></u>			<u><b>Totals</b></u>
	<u><b>Local</b></u>	<u><b>State</b></u>	<u><b>Federal</b></u>	
1110 Cash	\$ 44,261.65	\$ 648,056.14	\$ 4,320.69	\$ 696,638.48
1510 Land		573,325.21		573,325.21
1520 Buildings and Improvements		2,961,828.22	2,645.00	2,964,473.22
1531 Vehicles	30,690.47	32,189.20		62,879.67
1539 Furniture and Equipment		29,745.00	137,545.00	167,290.00
Total Capital Assets	<u>\$ 74,952.12</u>	<u>\$ 4,245,143.77</u>	<u>\$ 144,510.69</u>	<u>\$ 4,464,606.58</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, 2017**

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUE AND OTHER SUPPORT</u></b>				
Local Support--				
5744 Gifts and Bequests	\$ 20,000.00	\$ 686.00	\$ 686.26	\$ 0.26
5747 Transportation	3,000.00	2,572.00	2,571.50	(0.50)
5748 After School Care	22,000.00	47,203.00	47,202.77	(0.23)
5749 Other Revenues	77,954.00	138,760.00	169,263.56	30,503.56
5751 Food Service Activity	20,000.00	12,030.00	12,572.01	542.01
5752 Athletic Activity	23,895.00	16,905.00	17,004.28	99.28
5755 Enterprise Service Revenue		70,833.00	70,727.72	(105.28)
Total Local Support	<u>166,849.00</u>	<u>288,989.00</u>	<u>320,028.10</u>	<u>31,039.10</u>
State Program Revenues--				
5811 Foundation Per Capita Allotment	267,238.00	267,829.00	267,829.00	0.00
5812 Foundation School Program	5,983,493.00	5,913,013.00	5,906,063.00	(6,950.00)
5820 Pre-K Funding		1,606.00	1,606.00	0.00
5829 School Lunch Matching	550.00	675.00	682.93	7.93
5829 Instructional Materials Fund			4,747.50	4,747.50
Total State Program Revenues	<u>6,251,281.00</u>	<u>6,183,123.00</u>	<u>6,180,928.43</u>	<u>(2,194.57)</u>
Federal Program Revenues--				
5921 School Breakfast Program	11,000.00	6,192.00	3,924.78	(2,267.22)
5922 National School Lunch Program	60,000.00	26,617.00	28,883.82	2,266.82
5929 Title I, Part A		51,703.00	52,073.60	370.60
5929 IDEA-Part B Formula		168,479.00	116,331.75	(52,147.25)
5929 Title II, Part A		11,514.00	3,100.00	(8,414.00)
Total Federal Program Revenues	<u>71,000.00</u>	<u>264,505.00</u>	<u>204,313.95</u>	<u>(60,191.05)</u>
Total Revenue and Other Support	6,489,130.00	6,736,617.00	6,705,270.48	(31,346.52)
<b><u>EXPENSES</u></b>				
11 Instruction	3,000,951.00	3,065,801.00	3,020,955.80	44,845.20
13 Curriculum Dev. & Instructional Staff Dev.	143,853.00	137,449.00	131,044.20	6,404.80
21 Instructional Leadership	20,510.00	22,919.00	22,919.24	(0.24)
23 School Leadership	503,761.00	512,660.00	513,359.18	(699.18)
31 Guidance, Counseling and Evaluation Svcs.	117,398.00	129,498.00	131,171.91	(1,673.91)
33 Health Services	31,134.00	29,192.00	29,057.72	134.28
34 Student (Pupil) Transportation			0.00	0.00
35 Food Services	123,547.00	108,147.00	107,399.59	747.41
36 Cocurricular/Extracurricular Activities	36,395.00	97,479.00	94,061.16	3,417.84
41 General Administration	408,927.00	403,836.00	420,445.80	(16,609.80)
51 Plant Maintenance and Operations	1,266,831.00	1,259,450.00	1,319,188.84	(59,738.84)
52 Security and Monitoring Services	12,288.00	6,159.00	6,158.77	0.23
53 Data Processing Services	103,343.00	117,641.00	123,095.09	(5,454.09)
61 Community Services	29,000.00	25,453.00	20,452.67	5,000.33
71 Debt Service	339,483.00	107,348.00	104,801.25	2,546.75
81 Fundraising	133,590.00	114,614.00	114,610.14	3.86
Total Expenses	<u>6,271,011.00</u>	<u>6,137,646.00</u>	<u>6,158,721.36</u>	<u>(21,075.36)</u>
<b>Change in Net Assets</b>	<b>218,119.00</b>	<b>598,971.00</b>	<b>546,549.12</b>	<b>(52,421.88)</b>
Net Assets (Deficiency), Beginning of Year	<u>1,862,004.56</u>	<u>1,862,004.56</u>	<u>1,862,004.56</u>	<u>----</u>
Net Assets (Deficiency), End of Year	<u>\$ 2,080,123.56</u>	<u>\$ 2,460,975.56</u>	<u>\$ 2,408,553.68</u>	<u>\$ (52,421.88)</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:

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 Village Tech Schools, Inc. as of and for the year ended August 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2018.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we 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 our 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, we 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.

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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Village Tech Schools, Inc.'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 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.

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WWW.GSDELK.COM

*Gregory S Delk*

Gregory S. Delk, CPA  
January 16, 2018

VILLAGE TECH SCHOOLS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2017

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 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

Identification of major programs: None

Dollar threshold used to distinguish between type A and type B programs: N/A

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, 2017**

**No prior audit findings**

**VILLAGE TECH SCHOOLS, INC.**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Exhibit G-1

**No Corrective Action Plan Necessary**