

**VILLAGE TECH SCHOOLS, INC.**

**ANNUAL FINANCIAL AND**  
**COMPLIANCE REPORTS**

**FOR THE YEAR ENDED AUGUST 31, 2019**

VILLAGE TECH SCHOOLS, INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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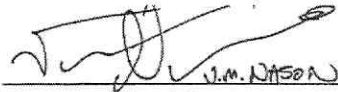
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VILLAGE TECH SCHOOLS, INC.  
COUNTY-DISTRICT NO. 057847  
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 45-5607359

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019, at a meeting of the governing body of said charter holder on the 23 day of January, 2020.

  
\_\_\_\_\_  
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

Board of Directors  
Village Tech Schools, Inc.  
Duncanville, Texas

Members of the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Village Tech Schools, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance 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 as a whole. The accompanying specific purpose financial statements and supplementary information including the Schedule of Expenses, Schedule of Capital Assets, and Budgetary Comparison Schedule are presented for purposes of additional analysis as required by the Texas Education Agency and are 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2020 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 and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village Tech Schools, Inc.'s internal control over financial reporting and compliance.



Gregory S. Delk, CPA  
January 22, 2020

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

VILLAGE TECH SCHOOLS, INC.

Exhibit A-1

Statement of Financial Position

August 31, 2019

ASSETS

**Current Assets**

Cash in Banks and On Hand	\$ 736,754.86
Due from State	726,560.00
Due from Federal Agencies	156,498.34
Other Receivables	2,071.25
Prepaid Expenses	92,521.44
Total Current Assets	<u>1,714,405.89</u>

**Property and Equipment**

Land	2,077,145.21
Building and Improvements	17,647,812.27
Vehicles	62,879.67
Furniture and Equipment	581,656.61
Accumulated Depreciation	(3,402,975.00)
Construction in Progress	6,365,788.66
Total Property and Equipment	<u>23,332,307.42</u>

**Other Assets**

Escrowed Accounts-Long Term Debt Reserves	6,172,416.28
Other Assets	38,546.65
Total Other Assets	<u>6,210,962.93</u>

TOTAL ASSETS	<u>\$ 31,257,676.24</u>
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LIABILITIES AND NET ASSETS

**Current Liabilities**

Accounts Payable	\$ 70,978.40
Bonds Payable-Current Year	480,000.00
Loans Payable-Current Year	23,153.87
Interest Payable	38,178.12
Payroll and Other Withholdings Payable	21,789.73
Due to State	405,545.00
Deferred Revenue	9,590.15
Total Current Liabilities	<u>1,049,235.27</u>

**Long Term Liabilities**

Bonds Payable-Less Current Portion, Net of Original Issue Discount Less Amortization and Net of Issuance Costs Less Amortization	26,801,235.37
Loans Payable-Current Year	522,510.97
Total Long Term Liabilities	<u>27,323,746.34</u>

**Net Assets**

Without Donor Restrictions	203,226.98
With Donor Restrictions	2,681,467.65
Total Net Assets	<u>2,884,694.63</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,257,676.24</u>
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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, 2019**

Exhibit A-2

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
Earnings from Investments	\$	\$ 133,238.07	\$ 133,238.07
Gifts and Bequests		24,016.45	24,016.45
Transportation	4,678.22		4,678.22
After School Care	46,346.40		46,346.40
Other Revenues	199.24	234,173.82	234,373.06
Food Service Activity		48,228.64	48,228.64
Athletic Activity		26,812.91	26,812.91
Enterprise Service Revenue		2,728.25	2,728.25
Total Local Support	51,223.86	469,198.14	520,422.00
State Program Revenues--			
Foundation Per Capita Allotment		415,545.00	415,545.00
Foundation School Program		9,571,576.00	9,571,576.00
MFS SPED Operations		6,541.05	6,541.05
Teacher Stipends		1,050.00	1,050.00
Total State Program Revenues	0.00	9,994,712.05	9,994,712.05
Federal Program Revenues--			
Title I, Part A		57,506.69	57,506.69
IDEA-Part B Formula		112,834.12	112,834.12
Title II, Part A		9,256.69	9,256.69
Title IV, Part A		5,552.26	5,552.26
Total Federal Program Revenues	0.00	185,149.76	185,149.76
Net Assets Released from Restrictions	9,648,101.16	(9,648,101.16)	0.00
Total Revenue and Other Support	9,699,325.02	1,000,958.79	10,700,283.81
<b><u>EXPENSES</u></b>			
Program Services:			
Instructional and Instructional Related Services	4,837,797.90	----	4,837,797.90
Instructional and School Leadership	678,696.00	----	678,696.00
Support Services:			
Administrative Support Services	516,872.04	----	516,872.04
Support Services-Non-Student Based	1,620,108.27	----	1,620,108.27
Support Services-Student (Pupil)	693,665.81	----	693,665.81
Community Services	26,294.27	----	26,294.27
Debt Service	1,169,158.90	----	1,169,158.90
Fundraising	131,791.49	----	131,791.49
Total Expenses	9,674,384.68	0.00	9,674,384.68
<b>Change in Net Assets</b>	<b>24,940.34</b>	<b>1,000,958.79</b>	<b>1,025,899.13</b>
Net Assets (Deficiency), Beginning of Year	178,286.64	1,680,508.86	1,858,795.50
Net Assets (Deficiency), End of Year	\$ 203,226.98	\$ 2,681,467.65	\$ 2,884,694.63

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



**VILLAGE TECH SCHOOLS, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2019**

Exhibit A-3

<b><u>EXPENSES</u></b>	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Totals</u></b>
Payroll Expenses:			
Salaries and Wages	\$ 5,001,089.37	\$ 410,438.82	\$ 5,411,528.19
Benefits	339,990.36	16,218.61	356,208.97
Payroll Taxes	71,628.48	6,174.88	77,803.36
Total Payroll Expenses	5,412,708.21	432,832.31	5,845,540.52
Non Payroll Expenses before Depreciation			
Professional Services		47,476.06	47,476.06
Contracted Services	544,400.72	175,797.51	720,198.23
Repairs and Maintenance	40,851.20	4,539.00	45,390.20
Utilities	113,168.77	12,574.00	125,742.77
Rent	394,150.64	43,795.00	437,945.64
General Supplies	406,421.84	7,688.04	414,109.88
Textbooks	42,108.29		42,108.29
Food Supplies	100,744.49		100,744.49
Travel	65,039.87	7,712.16	72,752.03
Insurance	21,661.26	66,096.71	87,757.97
Miscellaneous	45,740.91	27,008.79	72,749.70
Debt Service Costs	1,052,242.90	116,916.00	1,169,158.90
Total Non Payroll Expenses before Depreciation	2,826,530.89	509,603.27	3,336,134.16
Total Expenses before Depreciation	8,239,239.10	942,435.58	9,181,674.68
Depreciation	443,439.00	49,271.00	492,710.00
Total Expenses	<b>8,682,678.10</b>	<b>991,706.58</b>	<b>9,674,384.68</b>

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, 2019**

Exhibit A-4

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Government Contracts/Grants	\$ 9,452,238.89
Cash Received from Local Sources	520,422.00
Cash Paid to Suppliers for Goods and Services	(4,178,464.94)
Cash Paid to Employees for Services	(5,006,274.05)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(1,066,138.18)
Net Cash Used By Operating Activities	<u>(278,216.28)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Escrowed Long Term Debt Reserves	(2,063,773.50)
Capitalized Interest into Cost of Property and Equipment	320,168.31
Construction in Progress	(6,150,313.80)
Purchase of Property and Equipment	(434,173.71)
Net Cash Used By Investing Activities	<u>(8,328,092.70)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of Bonds	8,385,000.00
Debt Issuance Costs	(465,528.32)
Payments on Debt	(346,335.16)
Net Cash Provided By Financing Activities	<u>7,573,136.52</u>

Net Decrease in Cash (1,033,172.46)

Cash at Beginning of Year 1,769,927.32

Cash at End of Year \$ 736,754.86

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

Change in Net Assets	\$ 1,025,899.13
Adjustments to Reconcile Change in Net Assets to Net Cash Used By Operating Activities:	
Depreciation	492,710.00
Amortization of Bond Discount and Issuance Cost	103,020.72
Interest Paid Capitalized into Property and Equipment	(320,168.31)
(Increase) Decrease in Operating Assets--	
Due from State	(725,860.00)
Due from Federal Agencies	11,271.65
Other Receivables	10,614.91
Prepaid Expenses	(7,866.98)
Other Assets	54,153.35
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(1,257,794.21)
Interest Payable	(47,699.51)
Payroll and Other Withholdings Payable	1,607.45
Due to State	(28,209.00)
Accrued Wages Payable	405,545.00
Deferred Revenue	4,559.52
Net Adjustments	<u>(1,304,115.41)</u>
Net Cash Used By Operating Activities	<u>\$ (278,216.28)</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, 2019

### 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 the charter was renewed for another 10 years until July 31, 2028. 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 ensure 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.

#### *Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must expend state aid for the benefit of its students consistent with TEC, §45.105(c).



# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2019

### 1. 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 support either with or without donor imposed restrictions, in accordance with FASB ASU 2016-14. 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 in accordance with the accrual method.

#### 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 full time employees working at least 30 hours weekly earn either two or five days of paid personal leave per year, depending upon the position worked and the work calendar for that position. 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, 2019

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

#### K. Recent Accounting Pronouncements –

The FASB has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* to be effective for fiscal years beginning after December 15, 2018. Under this new standard, revenue will be recognized in the amount expected to be entitled to receive for the transfer of promised goods and services to customers. The standard will represent a major change in the methods that most generally accepted accounting principles' previous guidance has accounted for revenue.

The FASB has issued ASU No. 2016-02, *Leases (Topic 842)* to be effective for fiscal years beginning after December 15, 2019. Under this new standard, lessees are required to recognize on the balance sheet a lease asset and a lease liability for all leases with terms exceeding 12 months. In the case of operating leases previously only disclosed in the footnotes, this will represent a major change in presentation in the financial statements.

The Organization is currently evaluating the effect these new accounting pronouncements will have on the financial statements.

### 2. BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of building improvements and equipment at August 31, 2019, is presented as follows:

Asset		Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$	2,077,145.21	-0-	2,077,145.21	
Building and Improvements		17,647,812.27	3,028,340.00	14,619,472.27	6.67%
Vehicles		62,879.67	48,477.00	14,402.67	20.00%
Furniture & Equipment		581,656.61	326,158.00	255,498.61	20.00%
Total	\$	20,369,493.76	3,402,975.00	16,966,518.76	

Depreciation expense for the year ended August 31, 2019 was \$492,710.00.

### 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.



# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2019

### 4. PENSION PLAN (continued)

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 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 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) confirmed the contribution rates would remain the same for 2018 and 2019.

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).

**VILLAGE TECH SCHOOLS, INC.**

**Notes To Financial Statements  
For the Year Ended August 31, 2019**

**4. PENSION PLAN (continued)**

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, there are two additional surcharges an employer is subject to:

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the applicable salary.

**Statutorily Determined Contribution Rates**

	<u>2019</u>	<u>2018</u>
<b>Member</b>	<b>7.7%</b>	<b>7.7%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>6.8%</b>	<b>6.8%</b>
<b>Employers</b>	<b>6.8%</b>	<b>6.8%</b>

The Organization's FYE 8/31/2019 Contributions to the Plan were \$384,911.09 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 8/31/2019 are as follows:

Total Plan Assets	\$ 181,800,159,205
Total Accumulated Benefit Obligations	\$ 209,961,325,288
Total Plan Fiduciary Net Position	\$ 157,978,199,075

Net Position as a percentage of Total Pension Liability is 75.24%.



**VILLAGE TECH SCHOOLS, INC.**

**Notes To Financial Statements  
For the Year Ended August 31, 2019**

**4. PENSION PLAN (continued)**

Additional Plans

Certain employees of the organization are covered under Federal Social Security and Medicare. Under the provisions of that law, covered employees contribute 6.2% for Social Security and 1.45% for Medicare of their covered annual earnings and the Organization pays the matching Social Security and Medicare amounts.

**5. OTHER POST EMPLOYMENT BENEFIT PLAN**

Plan Description

The Organization participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). TRS-Care is a cost-sharing multiple-employer defined Other Post Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. TRS-Care is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Detailed information about the TRS-Care plan is available in the TRS 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-Care provides a basic health insurance coverage at low cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional premium.

Plan Assets and Obligations

Total Plan assets and obligations for the year 8/31/2019 are as follows:

Total Plan Assets	\$ 1,475,508,564
Total Accumulated Benefit Obligations	\$ 48,583,247,239
Total Plan Fiduciary Net Position	\$ 1,292,022,349

Net Position as a percentage of Total OPEB Liability is 2.66%.

**6. DUE FROM STATE**

At August 31, 2019, the Organization was due \$726,210.00 in State Foundation Program funds and \$350.00 in State Teacher Stipend Funds that it had not yet received. These amounts will be received from the Texas Education Agency during the 2019-2020 school year.

**7. DUE FROM FEDERAL AGENCIES**

At August 31, 2019, the Organization was due \$28,855.27 in Title I funds, \$112,834.12 in IDEA-B funds, \$9,256.69 in Title II funds, and \$5,552.26 in Title IV funds that it had not yet received. These amounts will be received from the Texas Education Agency and Federal Agencies during the 2019-2020 school year.

**8. OPERATING LEASES**

The School has entered into three lease agreements for modular classrooms located on the Daniieldale site with varying expirations dates.

**VILLAGE TECH SCHOOLS, INC.**

**Notes To Financial Statements**

**For the Year Ended August 31, 2019**

**8. OPERATING LEASES (continued)**

Future minimum lease payments are as follows:

8/31/2020	\$ 478,866.80
8/31/2021	378,622.20
8/31/2022	91,710.00
8/31/2023	-0-
8/31/2024	-0-
Thereafter	-0-
Total future minimum lease payments	<u>\$ 949,199.00</u>

**9. CASH DEPOSIT RISK**

At August 31, 2019 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.

**12. NOTES PAYABLE & BONDS PAYABLE**

The School purchased land and 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 note payments are as follows:

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	23,153.87	37,463.05	60,616.92
2021	24,827.67	35,789.25	60,616.92
2022	26,622.46	33,994.46	60,616.92
2023	28,546.99	32,069.93	60,616.92
2024	30,610.67	30,006.25	60,616.92
Thereafter	411,903.18	148,803.33	560,706.51
Totals	545,664.84	318,126.27	863,791.11

# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2019

### 12. NOTES PAYABLE & BONDS PAYABLE (continued)

In November 2017, a non-profit organization, Newark Higher Education Finance Corporation issued bond series 2017A and 2017B for the purpose of loaning the proceeds to Village Tech to pay off two existing construction loans and to expand 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. 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	
8/31/20	\$ -	\$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
	\$18,620,000.00	\$17,688,956.46	\$1,565,000.00	\$227,700.00	\$38,101,656.46

The Organization is expecting steady growth and is undertaking a facilities expansion project in order to facilitate that growth. A non-profit organization, Arlington Higher Education Finance Corporation has issued bond Series 2018 in December 2018 for the purpose of loaning the proceeds to Village Tech to begin construction expanding the Duncanville Campus. In addition the loan will fund the costs of the bond issuance.

The sources and uses of funds were as follows:

#### Sources of Funds

Par Amount	<u>Series 2018 Bonds</u>
Company Contribution	\$ 8,385,000.00
Total Sources of Funds	303,486.00
	<u>\$ 8,688,486.00</u>



**VILLAGE TECH SCHOOLS, INC.**

**Notes To Financial Statements  
For the Year Ended August 31, 2019**

**12. NOTES PAYABLE & BONDS PAYABLE (continued)**

Uses of Funds

Project Fund Deposits	\$ 7,892,909.00
Capitalized Interest	320,168.31
Cost of Issuance	471,186.00
Additional Proceeds	<u>4,222.69</u>
Total Uses of Funds	<u>\$ 8,688,486.00</u>

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

Period Ending	Series 2018 Bonds		
	Principal	Interest	Total
8/31/20	\$130,000.00	\$403,528.12	\$533,528.12
8/31/21	135,000.00	433,387.50	568,387.50
8/31/22	145,000.00	426,300.00	571,300.00
8/31/23	150,000.00	418,687.50	568,687.50
8/31/24	160,000.00	410,812.50	570,812.50
8/31/25	165,000.00	402,412.50	567,412.50
8/31/26	175,000.00	393,750.00	568,750.00
8/31/27	185,000.00	384,562.50	569,562.50
8/31/28	195,000.00	374,850.00	569,850.00
8/31/29	205,000.00	364,612.50	569,612.50
8/31/30	215,000.00	353,850.00	568,850.00
8/31/31	225,000.00	342,562.50	567,562.50
8/31/32	240,000.00	330,750.00	570,750.00
8/31/33	250,000.00	318,150.00	568,150.00
8/31/34	265,000.00	305,025.00	570,025.00
8/31/35	280,000.00	291,112.50	571,112.50
8/31/36	290,000.00	276,412.50	566,412.50
8/31/37	310,000.00	261,187.50	571,187.50
8/31/38	325,000.00	244,912.50	569,912.50
8/31/39	340,000.00	227,850.00	567,850.00
8/31/40	360,000.00	210,000.00	570,000.00
8/31/41	380,000.00	191,100.00	571,100.00
8/31/42	395,000.00	171,150.00	566,150.00
8/31/43	420,000.00	150,412.50	570,412.50
8/31/44	440,000.00	128,362.50	568,362.50
8/31/45	465,000.00	105,262.50	570,262.50
8/31/46	485,000.00	80,850.00	565,850.00
8/31/47	515,000.00	55,387.50	570,387.50
8/31/48	540,000.00	28,350.00	568,350.00
	\$8,385,000.00	\$8,085,590.62	\$16,470,590.62

The long term portion of bonds payable is shown net of Original Issue Discount less amortization on that discount over its 30 year term using the straight line method. The long term portion of bonds payable is also shown net of Debt Issuance Cost less amortization on those costs over their respective terms: 30 years for Series 2017A, 7 years for Series 2017B, and 30 years for Series 2018.

**13. ESCROWED ACCOUNTS-LONG TERM DEBT RESERVES**

In conjunction with and as a requirement of the Organization's debt covenants from the issuance of bonds by a non-profit organization, Newark Higher Education Finance Corporation for the purpose of Village Tech's school facilities expansion, the Organization has multiple bank accounts escrowing reserves as a sinking fund for future payments. These accounts cannot fall below a certain level as a part of the agreement. The Organization is in full compliance with those covenants.



# VILLAGE TECH SCHOOLS, INC.

## Notes To Financial Statements For the Year Ended August 31, 2019

### 14. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2019 the School had temporarily restricted net assets of \$2,681,467.65 that consisted of the following:

Local Restricted Funds	\$ 41,192.94
State Foundation Program	1,343,930.08
State Instructional Materials Fund	4,198.54
State Teacher Stipends	185.05
State Career & Technical Program	645,955.37
State Special Education Program	91,714.19
State Compensatory Ed Program	301,040.73
State Bilingual Ed Program	23,448.06
State High School Allotment	225,482.00
Federal IDEA-B Program	<u>4,320.69</u>
	<u>\$ 2,681,467.65</u>

### 15. SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 22, 2020 for the purpose of evaluating the need for their inclusion in these notes. There have been no material subsequent events to note herein.

### 16. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 203,226.98
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Except for the financial assets listed above, the State and Federal Program assets and revenues are classified as with donor restrictions and must be used for education purposes in accordance with State law and Grant restrictions. As such, there are cash and receivables that are due from the State and Federal Agencies and are available for use for educational purposes and are released from restrictions at the time they are spent for those purposes.

### 17. FEDERAL INCOME TAXES

The Organization is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent it has business income unrelated to its tax exempt purpose. The Organization has no unrelated business income and is not expecting to have any in the future, accordingly, there is no provision for federal income taxes in the financial statements. Generally Accepted Accounting Principles requires the evaluation of tax positions taken in the preparation of the tax returns and the recording of a tax liability if an uncertain tax position has been taken that is more likely than not sustainable upon audit by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and there have been no uncertain tax positions taken that would require the recognition or disclosure in the financial statements. The tax returns for the 2016, 2017 and 2018 are still subject to possible IRS audit but management has not been notified of any pending examinations.

### 18. BUDGET VARIANCES

The Organization's Budget Variance for Functional Expenditure code 33 was due to the addition of new staff member for Student Health Services in August. The Organization's Budget Variance for Functional Expenditure code 52 was a mistake in typing in the budget. It was meant to be typed as code 52 on the budget but was typed as code 51.

**SPECIFIC-PURPOSE  
FINANCIAL STATEMENTS**

**VILLAGE TECH SCHOOLS, INC.**  
**Statement of Financial Position**  
**August 31, 2019**

Exhibit B-1

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$ 736,754.86
Due from State	726,560.00
Due from Federal Agencies	156,498.34
Other Receivables	2,071.25
Prepaid Expenses	92,521.44
Total Current Assets	1,714,405.89

**Property and Equipment**

Land	2,077,145.21
Building and Improvements	17,647,812.27
Vehicles	62,879.67
Furniture and Equipment	581,656.61
Accumulated Depreciation	(3,402,975.00)
Construction in Progress	6,365,788.66
Total Property and Equipment	23,332,307.42

**Other Assets**

Escrowed Accounts-Long Term Debt Reserves	6,172,416.28
Other Assets	38,546.65
Total Other Assets	6,210,962.93

TOTAL ASSETS	\$ 31,257,676.24
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 70,978.40
Bonds Payable-Current Year	480,000.00
Loans Payable-Current Year	23,153.87
Interest Payable	38,178.12
Payroll and Other Withholdings Payable	21,789.73
Accrued Wages Payable	405,545.00
Deferred Revenue	9,590.15
Total Current Liabilities	1,049,235.27

**Long Term Liabilities**

Bonds Payable-Less Current Portion, Net of Original Issue Discount Less Amortization and Net of Issuance Costs Less Amortization	26,801,235.37
Loans Payable-Less Current Portion	522,510.97
Total Long Term Liabilities	27,323,746.34

**Net Assets**

Without Donor Restrictions	203,226.98
With Donor Restrictions	2,681,467.65
Total Net Assets	2,884,694.63

TOTAL LIABILITIES AND NET ASSETS	\$ 31,257,676.24
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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, 2019**

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
5742 Earnings from Investments	\$	\$ 133,238.07	\$ 133,238.07
5744 Gifts and Bequests		24,016.45	24,016.45
5747 Transportation	4,678.22		4,678.22
5748 After School Care	46,346.40		46,346.40
5749 Other Revenues	199.24	234,173.82	234,373.06
5751 Food Service Activity		48,228.64	48,228.64
5752 Athletic Activity		26,812.91	26,812.91
5755 Enterprise Service Revenue		2,728.25	2,728.25
Total Local Support	<u>51,223.86</u>	<u>469,198.14</u>	<u>520,422.00</u>
State Program Revenues--			
5811 Foundation Per Capita Allotment		415,545.00	415,545.00
5812 Foundation School Program		9,571,576.00	9,571,576.00
5819 MFS SPED Operations		6,541.05	6,541.05
5829 Teacher Stipends		1,050.00	1,050.00
Total State Program Revenues	<u>0.00</u>	<u>9,994,712.05</u>	<u>9,994,712.05</u>
Federal Program Revenues--			
5929 Title I, Part A		57,506.69	57,506.69
5929 IDEA-Part B Formula		112,834.12	112,834.12
5929 Title II, Part A		9,256.69	9,256.69
5929 Title IV, Part A		5,552.26	5,552.26
Total Federal Program Revenues	<u>0.00</u>	<u>185,149.76</u>	<u>185,149.76</u>
Net Assets Released from Restrictions	<u>9,648,101.16</u>	<u>(9,648,101.16)</u>	<u>0.00</u>
Total Revenue and Other Support	<u>9,699,325.02</u>	<u>1,000,958.79</u>	<u>10,700,283.81</u>
<b><u>EXPENSES</u></b>			
11 Instruction	4,518,209.62	----	4,518,209.62
13 Curriculum Dev. & Instructional Staff Dev.	319,588.28	----	319,588.28
21 Instructional Leadership	24,653.61	----	24,653.61
23 School Leadership	654,042.39	----	654,042.39
31 Guidance, Counseling and Evaluation Svcs.	362,879.91	----	362,879.91
33 Health Services	33,075.47	----	33,075.47
35 Food Services	175,600.63	----	175,600.63
36 Cocurricular/Extracurricular Activities	122,109.80	----	122,109.80
41 General Administration	516,872.04	----	516,872.04
51 Plant Maintenance and Operations	1,431,028.10	----	1,431,028.10
52 Security and Monitoring Services	25,939.55	----	25,939.55
53 Data Processing Services	163,140.62	----	163,140.62
61 Community Services	26,294.27	----	26,294.27
71 Debt Services	1,169,158.90	----	1,169,158.90
81 Fundraising	131,791.49	----	131,791.49
Total Expenses	<u>9,674,384.68</u>	<u>0.00</u>	<u>9,674,384.68</u>
<b>Change in Net Assets</b>	<b>24,940.34</b>	<b>1,000,958.79</b>	<b>1,025,899.13</b>
Net Assets (Deficiency), Beginning of Year	<u>178,286.64</u>	<u>1,680,508.86</u>	<u>1,858,795.50</u>
Net Assets (Deficiency), End of Year	<u>\$ 203,226.98</u>	<u>\$ 2,681,467.65</u>	<u>\$ 2,884,694.63</u>

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, 2019**

Exhibit B-3

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Government Contracts/Grants	\$ 9,452,238.89
Cash Received from Local Sources	520,422.00
Cash Paid to Suppliers for Goods and Services	(4,178,464.94)
Cash Paid to Employees for Services	(5,006,274.05)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(1,066,138.18)
Net Cash Used By Operating Activities	<u>(278,216.28)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Escrowed Long Term Debt Reserves	(2,063,773.50)
Capitalized Interest into Cost of Property and Equipment	320,168.31
Construction in Progress	(6,150,313.80)
Purchase of Property and Equipment	(434,173.71)
Net Cash Used By Investing Activities	<u>(8,328,092.70)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of Bonds	8,385,000.00
Debt Issuance Costs	(465,528.32)
Payments on Debt	(346,335.16)
Net Cash Provided By Financing Activities	<u>7,573,136.52</u>

Net Decrease in Cash (1,033,172.46)

Cash at Beginning of Year 1,769,927.32

Cash at End of Year \$ 736,754.86

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

Change in Net Assets \$ 1,025,899.13

Adjustments to Reconcile Change in Net Assets to Net Cash  
Used By Operating Activities:

Depreciation	492,710.00
Amortization of Bond Discount and Issuance Cost	103,020.72
Interest Paid Capitalized into Property and Equipment	(320,168.31)
(Increase) Decrease in Operating Assets--	
Due from State	(725,860.00)
Due from Federal Agencies	11,271.65
Other Receivables	10,614.91
Prepaid Expenses	(7,866.98)
Other Assets	54,153.35
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(1,257,794.21)
Interest Payable	(47,699.51)
Payroll and Other Withholdings Payable	1,607.45
Due to State	(28,209.00)
Accrued Wages Payable	405,545.00
Deferred Revenue	4,559.52
Net Adjustments	<u>(1,304,115.41)</u>

Net Cash Used By Operating Activities \$ (278,216.28)

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, 2019**

Exhibit C-1

**EXPENSES**

	<b><u>Totals</u></b>
6100 Payroll Costs	\$ 5,845,540.52
6200 Professional and Contracted Services	1,376,752.90
6300 Supplies and Materials	556,962.66
6400 Other Operating Costs	725,969.70
6500 Debt Service Costs	1,169,158.90
Total Expenses and Other Losses	<u>\$ 9,674,384.68</u>

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

**VILLAGE TECH SCHOOLS, INC.**  
**Schedule of Capital Assets**  
**August 31, 2019**

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	\$ 41,192.94	\$ 691,241.23	\$ 4,320.69	\$ 736,754.86
1510 Land		2,077,145.21		2,077,145.21
1520 Buildings and Improvements		17,645,167.27	2,645.00	17,647,812.27
1531 Vehicles	30,690.47	32,189.20		62,879.67
1539 Furniture and Equipment		444,111.61	137,545.00	581,656.61
Total Capital Assets	<u>\$ 71,883.41</u>	<u>\$ 20,889,854.52</u>	<u>\$ 144,510.69</u>	<u>\$ 21,106,248.62</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, 2019**

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--				
5742 Earnings from Investments	\$	\$ 117,951.00	\$ 133,238.07	\$ 15,287.07
5744 Gifts and Bequests	175,000.00	24,016.00	24,016.45	0.45
5747 Transportation	7,046.00	4,679.00	4,678.22	(0.78)
5748 After School Care	46,770.00	46,347.00	46,346.40	(0.60)
5749 Other Revenues	161,709.00	228,596.00	234,373.06	5,777.06
5751 Food Service Activity	89,074.00	48,229.00	48,228.64	(0.36)
5752 Athletic Activity	29,915.00	26,813.00	26,812.91	(0.09)
5755 Enterprise Service Revenue		2,729.00	2,728.25	(0.75)
Total Local Support	<u>509,514.00</u>	<u>499,360.00</u>	<u>520,422.00</u>	<u>21,062.00</u>
State Program Revenues--				
5811 Foundation Per Capita Allotment	386,863.00	415,545.00	415,545.00	0.00
5812 Foundation School Program	8,978,969.00	8,855,821.00	9,571,576.00	715,755.00
5819 Instructional Materials			0.00	0.00
5819 MFS SPED Operations		6,541.00	6,541.05	0.05
5829 Teacher Stipends		700.00	1,050.00	350.00
Total State Program Revenues	<u>9,365,832.00</u>	<u>9,278,607.00</u>	<u>9,994,712.05</u>	<u>716,105.05</u>
Federal Program Revenues--				
5929 Title I, Part A		58,606.00	57,506.69	(1,099.31)
5929 IDEA-Part B Formula		120,529.00	112,834.12	(7,694.88)
5929 Title II, Part A		9,403.00	9,256.69	(146.31)
5929 Title IV, Part A		5,941.00	5,552.26	(388.74)
Total Federal Program Revenues	<u>0.00</u>	<u>194,479.00</u>	<u>185,149.76</u>	<u>(9,329.24)</u>
Total Revenue and Other Support	9,875,346.00	9,972,446.00	10,700,283.81	727,837.81
<b><u>EXPENSES</u></b>				
11 Instruction	4,197,790.00	4,260,417.00	4,518,209.62	(257,792.62)
13 Curriculum Dev. & Instructional Staff Dev.	380,267.00	310,478.00	319,588.28	(9,110.28)
21 Instructional Leadership	21,349.00	24,654.00	24,653.61	0.39
23 School Leadership	645,191.00	642,276.00	654,042.39	(11,766.39)
31 Guidance, Counseling and Evaluation Svcs.	341,993.00	372,993.00	362,879.91	10,113.09
33 Health Services	34,726.00	29,230.00	33,075.47	(3,845.47)
35 Food Services	139,042.00	171,036.00	175,600.63	(4,564.63)
36 Cocurricular/Extracurricular Activities	94,816.00	122,038.00	122,109.80	(71.80)
41 General Administration	521,529.00	501,568.00	516,872.04	(15,304.04)
51 Plant Maintenance and Operations	1,380,258.00	1,597,584.00	1,431,028.10	166,555.90
52 Security and Monitoring Services	34,855.00	19,999.00	25,939.55	(5,940.55)
53 Data Processing Services	160,165.00	160,448.00	163,140.62	(2,692.62)
61 Community Services	35,355.00	30,394.00	26,294.27	4,099.73
71 Debt Service	1,040,260.00	1,109,398.00	1,169,158.90	(59,760.90)
81 Fundraising	156,618.00	131,383.00	131,791.49	(408.49)
Total Expenses	<u>9,184,214.00</u>	<u>9,483,896.00</u>	<u>9,674,384.68</u>	<u>(190,488.68)</u>
<b>Change in Net Assets</b>	<b>691,132.00</b>	<b>488,550.00</b>	<b>1,025,899.13</b>	<b>537,349.13</b>
Net Assets (Deficiency), Beginning of Year	<u>1,858,795.50</u>	<u>1,858,795.50</u>	<u>1,858,795.50</u>	<u>----</u>
Net Assets (Deficiency), End of Year	<u>\$ 2,549,927.50</u>	<u>\$ 2,347,345.50</u>	<u>\$ 2,884,694.63</u>	<u>\$ 537,349.13</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.  
Duncanville, 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. (a non-profit organization) which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 22, 2020.

### ***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 audit 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.



Gregory S. Delk, CPA  
January 22, 2020



VILLAGE TECH SCHOOLS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2019

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, 2019**

**No prior audit findings**

**VILLAGE TECH SCHOOLS, INC.**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Exhibit G-1

**No Corrective Action Plan Necessary**