

2022

The Villages Charter School, Inc. (A Charter School and Component Unit of the Sumter County District School Board)

Financial Statements and
Independent Auditor's Report

June 30, 2022

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SUMTER COUNTY DISTRICT SCHOOL BOARD)
THE VILLAGES, FLORIDA**

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of The Villages Charter School, Inc. (the School), a component unit of the Sumter County District School Board, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison statement for the General Fund and major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient to and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, per the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

INDEPENDENT AUDITOR'S REPORT

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 October 28, 2022, on our consideration of the School'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



October 28, 2022
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of The Villages Charter School, Inc. (the Charter School) has prepared the following discussion and analysis to provide an overview and analysis of the Charter School's financial activities for the year ended June 30, 2022. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be read in conjunction with the preceding Independent Auditor's Report and financial statements following this section.

Overview of Financial Statements

This discussion and analysis will serve as an introduction to the Charter School's basic financial statements which include three components: 1) governmental activities financial statements; 2) fund financial statements; and 3) notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the governmental activities and fund financial statements. This report also contains accompanying information in addition to the basic financial statements.

Governmental Activities Financial Statements and Financial Analysis

The *governmental activities financial statements* report information for the Charter School as a whole. The statements are designed to provide an overview of the Charter School's financial position utilizing the full accrual basis of accounting.

The *governmental statement of net position* presents information on all of the Charter School's assets and liabilities, with the difference between the two reported as net position. The net position assets of the Charter School are summarized in the following table:

THE VILLAGES CHARTER SCHOOL, INC.		
NET POSITION		
	Governmental Activities 2022	Governmental Activities 2021
Current Assets	\$ 3,540,193	\$ 2,231,384
Capital Assets	2,238,565	2,275,363
Total Assets	5,778,758	4,506,747
Total Liabilities	2,628,391	3,715,305
Invested in Capital Assets	2,238,565	2,275,363
Restricted for Food Services	912,878	375,444
Restricted for Student Activities	677,338	522,119
Unrestricted	(678,414)	(2,381,484)
Total Net Position	\$ 3,150,367	\$ 791,442

The total assets of the Charter School increased by \$1,372,011 in 2022. The total liabilities of the Charter School decreased by (\$1,086,914) in 2022. The Charter School has no long-term debt. The total net position increased by \$2,358,925 in 2022, due to increased contributions received in 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *governmental statement of activities* presents information on all of the Charter School's revenue, expenses, and changes in net position for the year. The changes in net position are detailed as follows:

THE VILLAGES CHARTER SCHOOL, INC. CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
Revenues		
Program Revenue:		
Capital Grants	\$ 1,761,247	\$ 1,737,450
Operating Grants and Contributions	5,528,221	3,355,182
Charges for Services	3,516,958	2,692,158
General Revenue:		
Florida Education Finance Program	20,421,454	19,785,458
Advance Placement Funds	189,175	155,321
Contributions	10,824,529	7,799,031
Miscellaneous	221,730	193,915
Total Revenues	42,463,314	35,718,515
Expenses		
Instruction	\$ 19,762,358	\$ 17,449,144
Instructional Support Services	2,708,042	2,561,437
General Support Services	8,267,830	7,525,101
Facilities Operating Lease	1,760,685	1,709,389
Maintenance of Plant	2,456,183	2,185,181
Community Services	1,423,288	1,246,411
Food Services	2,199,483	1,819,611
Athletic Events and Student Activities	1,181,122	853,329
Depreciation - Unallocated	345,398	331,279
Total Expenses	40,104,389	35,680,882
Change in Net Position	\$ 2,358,925	\$ 37,633

The Operating Grants and Contributions revenue increased by \$2,173,039 due to the federal grants received under the *Coronavirus Aid, Relief, and Economic Security Act (CARES)*, the *Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)* and the *American Rescue Plan Act (ARP)*. The Florida Education Finance Program revenue increased \$635,996 in 2022 due to an increase in the base student allocation and an increase in student enrollment. Charges for Services increased \$821,738 in 2022 primarily due to increased participation in the after-school program and athletics.

Expenses related to Instruction increased by \$2,313,214 and expenses related to General Support Services increased by \$742,729 mainly due to utilization of federal grant relief funds received due to the COVID-19 pandemic. Food Services expenditures increased by \$379,872 due to increased enrollment. Athletic Events and Student Activities are newly presented in the statement of activities under the new GASB 84 standard implemented in 2021.

Fund Financial Statements and Financial Analysis

Governmental Fund

The financial transactions of the Charter School are reported in three governmental funds: the general fund, which accounts for all functions of the Charter School except food services; the capital projects fund, which records the State Charter School Capital Outlay funds; and special revenue funds, which account for the food service program, other federal grant programs and student activities. The governmental fund financial statements are presented on the modified accrual basis of accounting, whereas the governmental activities are presented on the full accrual basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund balance - unassigned in the general fund increased \$1,703,070 due to an increase in general fund revenue. Fund balance - restricted in the food service special revenue fund increased by \$537,434 primarily due to increased participation in the food service program. Fund balance - restricted in the student activities special revenue fund is newly presented under the new GASB 84 standard implemented in 2021; it increased by \$155,219. The Charter School's governmental fund statement of revenues, expenses, and changes in fund balance shows a total net change in fund balances of \$2,395,723 for 2022.

Capital Assets

The Charter School's investment in capital assets for its governmental activities amounts to \$2,238,565 (net of accumulated depreciation). This investment in capital assets includes buildings, leasehold improvements, furniture and equipment, vehicles, and library books.

Budgetary Comparison Analysis-General Fund

Actual contributions were \$617,638 more than the final budget amount at June 30, 2022. The variance illustrates that the Charter School received more contributions in 2022 than expected.

Other Matters of Significance

The Charter School is a component unit of the Sumter County District School Board. Therefore, the Charter School's financial statements are required to be included in the Sumter County District School Board's Annual Financial Report.

The Villages Charter School, Inc. is a charter school in the workplace and is subsidized by the Holding Company of The Villages, Inc. (The Villages). The Villages makes contributions to the Charter School to supplement its operations as needed.

Economic Factors

As part of the state-wide education funding formula through the Sumter County District School Board, the Charter School's economic position is closely tied to that of the State of Florida. With the onset of the COVID-19 pandemic, the State of Florida's economy has been severely impacted. However, the federal grant funds received have helped to reduce the effect on education in the current year. Management oversight for the 2023 fiscal year will be critical to ensure that the Charter School continues to operate effectively.

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

ASSETS

Assets

Cash in Bank	\$	2,625,384
Accounts Receivable		673,801
Prepaid Expenses		5,998
Inventory		23,176
Due from Other Agencies		211,834
Capital Assets, Net of Accumulated Depreciation		2,238,565
Total Assets		<u>5,778,758</u>

LIABILITIES AND NET POSITION

Liabilities

Accounts Payable - Trade		421,206
Accounts Payable - Related-Party		172,928
Health Claims Payable		1,029,695
Accrued Salary and Related Payroll Expenses		629,054
Unearned Revenue		375,508
Total Liabilities		<u>2,628,391</u>

Net Position

Net Investment in Capital Assets		2,238,565
Restricted for Food Services		912,878
Restricted for Student Activities		677,338
Unrestricted		(678,414)
Total Net Position	\$	<u><u>3,150,367</u></u>

See accompanying notes.

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues
					Governmental Activities
Governmental Activities					
Instruction	\$ 19,762,358	\$ -	\$ 1,628,792	\$ -	\$ (18,133,566)
Instructional Support Services	2,708,042	-	754,708	562	(1,952,772)
General Support Services	8,267,830	-	635,546	-	(7,632,284)
Facilities Operating Lease	1,760,685	-	-	1,760,685	-
Maintenance of Plant	2,456,183	-	4,145	-	(2,452,038)
Community Services	1,423,288	1,831,647	-	-	408,359
Food Services	2,199,483	352,393	2,501,607	-	654,517
Athletic Events	879,471	1,028,972	-	-	149,501
Student Activities	301,651	303,946	3,423	-	5,718
Depreciation - Unallocated	345,398	-	-	-	(345,398)
Total Governmental Activities	\$ 40,104,389	\$ 3,516,958	\$ 5,528,221	\$ 1,761,247	(29,297,963)
General Revenues					
Florida Education Finance Program					20,421,454
Advance Placement Funds					189,175
Contributions					10,824,529
Other Miscellaneous					221,730
Total General Revenues					31,656,888
Change in Net Position					2,358,925
Net Position, Beginning of Year					791,442
Net Position, End of Year					\$ 3,150,367

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

ASSETS

	Special		Special		Special		Capital	Total
	General Fund	Revenue Fund Food Service	Revenue Fund CRRSA-ESSER	Revenue Fund Student Activities	Projects Funds	Governmental Total		
Assets								
Cash in Bank	\$ 746,816	\$ 996,852	\$ 1,070	\$ 880,646	\$ -	\$ 2,625,384		
Accounts Receivable	655,491	18,310	-	-	-	673,801		
Due from Other Governments	-	-	211,834	-	-	211,834		
Prepaid Items	5,998	-	-	-	-	5,998		
Inventory	-	23,176	-	-	-	23,176		
Due from Other Funds	166,221	41,983	-	-	-	208,204		
Total Assets	1,574,526	1,080,321	212,904	880,646	-	3,748,397		

LIABILITIES AND FUND EQUITY

Liabilities								
Accounts Payable - Trade	\$ 336,646	\$ 83,490	\$ 1,070	\$ -	\$ -	\$ 421,206		
Accounts Payable - Related-Party	172,903	25	-	-	-	172,928		
Health Claims Payable	998,009	27,507	4,179	-	-	1,029,695		
Accrued Expenses	623,853	5,201	-	-	-	629,054		
Unearned Revenue	121,529	51,220	-	202,759	-	375,508		
Due to Other Funds	-	-	207,655	549	-	208,204		
Total Liabilities	2,252,940	167,443	212,904	203,308	-	2,836,595		
Fund Balances								
Non-Spendable:								
Inventory	-	23,176	-	-	-	23,176		
Prepaid Items	5,998	-	-	-	-	5,998		
Restricted	-	889,702	-	677,338	-	1,567,040		
Unassigned	(684,412)	-	-	-	-	(684,412)		
Total Fund Balance	(678,414)	912,878	-	677,338	-	911,802		
Total Liabilities and Fund Balance	\$ 1,574,526	\$ 1,080,321	\$ 212,904	\$ 880,646	\$ -	\$ 3,748,397		

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Total Fund Balance - Governmental Funds \$ 911,802

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in governmental funds. The cost of assets is
\$6,522,704 and the accumulated depreciation is \$4,284,139 for 2022.

2,238,565

Total Net Position - Governmental Funds \$ 3,150,367

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	General Fund	Special Revenue Fund Food Service	Special Revenue Fund CRRSA-ESSER	Special Revenue Fund Student Activities	Capital Projects Fund	Total
Revenue						
State - Through the Sumter County						
District School Board:						
Florida Education Finance Program	\$ 20,421,454	\$ -	\$ -	\$ -	\$ -	\$ 20,421,454
Charter School Capital Outlay Funds	-	-	-	-	1,760,685	1,760,685
Advance Placement Funds	189,175	-	-	-	-	189,175
Federal Through State:						
National School Lunch Program	-	2,501,607	-	-	-	2,501,607
Grants and Contracts	-	-	2,714,993	-	-	2,714,993
Local:						
Food Services	-	352,393	-	-	-	352,393
Grants and Contracts	308,760	-	-	-	-	308,760
Contributions	10,824,529	-	-	3,423	-	10,827,952
Child Care and Other Fees	1,831,647	-	-	-	-	1,831,647
Membership Dues	-	-	-	9,217	-	9,217
Athletic Events	-	-	-	1,028,972	-	1,028,972
Student Events and Services	-	-	-	294,729	-	294,729
Miscellaneous	221,730	-	-	-	-	221,730
Total Revenue	33,797,295	2,854,000	2,714,993	1,336,341	1,760,685	42,463,314
Expenditures						
Current:						
Instruction	18,171,433	-	1,590,925	-	-	19,762,358
Instructional Support Services	2,207,732	-	500,310	-	-	2,708,042
General Support Services	7,648,779	-	619,051	-	-	8,267,830
Facilities Operating Lease	1,760,685	-	-	-	-	1,760,685
Maintenance of Plant	2,452,038	-	4,145	-	-	2,456,183
Community Services	1,423,288	-	-	-	-	1,423,288
Food Services	-	2,199,483	-	-	-	2,199,483
Athletic Events	-	-	-	879,471	-	879,471
Student Activities Donations and Supplies	-	-	-	301,651	-	301,651
Capital Outlay	190,955	117,083	562	-	-	308,600
(Total Expenditures)	(33,854,910)	(2,316,566)	(2,714,993)	(1,181,122)	-	(40,067,591)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,615)	537,434	-	155,219	1,760,685	2,395,723
Other Financing Sources (Uses)						
Transfers In/(Out)	1,760,685	-	-	-	(1,760,685)	-
Net Change in Fund Balances	1,703,070	537,434	-	155,219	-	2,395,723
Fund Balance, Beginning of Year	(2,381,484)	375,444	-	522,119	-	(1,483,921)
Fund Balance, End of Year	\$ (678,414)	\$ 912,878	\$ -	\$ 677,338	\$ -	\$ 911,802

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Total Net Change in Fund Balances - Governmental Funds	\$ 2,395,723
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Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$308,600 is less than depreciation expense (\$345,398) in the period.

(36,798)

Total Change in Net Position - Governmental Funds	<u>\$ 2,358,925</u>
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See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue				
State - Through the Sumter County District School Board:				
Florida Education Finance Program	\$ 20,414,261	\$ 20,442,949	\$ 20,421,454	\$ (21,495)
Advance Placement Funds	-	189,000	189,175	175
Local:				
Grants and Contracts	210,000	293,050	308,760	15,710
Contributions	9,854,479	10,206,891	10,824,529	617,638
Child Care and Other Fees	1,629,492	1,627,110	1,831,647	204,537
Miscellaneous	224,600	195,717	221,730	26,013
Total Revenue	<u>32,332,832</u>	<u>32,954,717</u>	<u>33,797,295</u>	<u>842,578</u>
Expenditures				
Current:				
Instruction	18,152,480	18,660,697	18,171,433	489,264
Instructional Support Services	2,342,589	2,354,772	2,207,732	147,040
General Support Services	7,886,295	7,888,480	7,667,563	220,917
Facilities Operating Lease	1,700,000	1,760,900	1,760,685	215
Maintenance of Plant	2,439,268	2,473,418	2,452,038	21,380
Community Services	1,404,000	1,403,550	1,423,288	(19,738)
Capital Outlay	108,200	173,800	172,171	1,629
(Total Expenditures)	<u>(34,032,832)</u>	<u>(34,715,617)</u>	<u>(33,854,910)</u>	<u>860,707</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,700,000)	(1,760,900)	(57,615)	1,703,285
Other Financing Source				
Transfers In	1,700,000	1,760,900	1,760,685	(215)
Net Changes in Fund Balances	-	-	1,703,070	1,703,070
Fund (Deficit) Balance, Beginning of Year	<u>(2,381,484)</u>	<u>(2,381,484)</u>	<u>(2,381,484)</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u>\$ (2,381,484)</u>	<u>\$ (2,381,484)</u>	<u>\$ (678,414)</u>	<u>\$ 1,703,070</u>

See accompanying notes.

BUDGETARY COMPARISON STATEMENT
MAJOR SPECIAL REVENUE FUND - FOOD SERVICES
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue				
Federal Through State:				
National School Lunch Program	\$ 1,395,000	\$ 2,021,650	\$ 2,501,607	\$ 479,957
Local:				
Food Services	397,973	343,973	352,393	8,420
Total Revenue	<u>1,792,973</u>	<u>2,365,623</u>	<u>2,854,000</u>	<u>488,377</u>
Expenditures				
Current:				
Food Service	1,780,473	2,248,323	2,199,483	48,840
Capital Outlay	12,500	117,300	117,083	217
(Total Expenditures)	<u>(1,792,973)</u>	<u>(2,365,623)</u>	<u>(2,316,566)</u>	<u>49,057</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	537,434	537,434
Fund Balance, Beginning of Year	<u>(375,444)</u>	<u>(375,444)</u>	<u>375,444</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (375,444)</u>	<u>\$ (375,444)</u>	<u>\$ 912,878</u>	<u>\$ 537,434</u>

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
MAJOR SPECIAL REVENUE FUND - CRRSA-ESSER
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue				
Federal Through State:				
Grants and Contracts	\$ 2,686,900	\$ 2,960,700	\$ 2,714,993	\$ (245,707)
Total Revenue	<u>2,686,900</u>	<u>2,960,700</u>	<u>2,714,993</u>	<u>(245,707)</u>
Expenditures				
Current:				
Instruction	1,537,854	1,804,054	1,590,925	213,129
Instructional Support Services	526,147	524,347	500,310	24,037
General Support Services	618,101	626,501	619,051	7,450
Maintenance of Plant	4,798	4,798	4,145	653
Capital Outlay	-	1,000	562	438
(Total Expenditures)	<u>(2,686,900)</u>	<u>(2,960,700)</u>	<u>(2,714,993)</u>	<u>245,707</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers In/(Out)	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
MAJOR SPECIAL REVENUE FUND - STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue				
Local:				
Contributions	\$ 10,000	\$ 10,000	\$ 3,423	\$ (6,577)
Membership Dues	15,000	15,000	9,217	(5,783)
Athletic Events	739,500	739,500	1,028,972	289,472
Student Events and Services	295,000	295,000	294,729	(271)
Total Revenue	<u>1,059,500</u>	<u>1,059,500</u>	<u>1,336,341</u>	<u>276,841</u>
Expenditures				
Current:				
Athletic Events	739,500	739,500	879,471	(139,971)
Student Activities	320,000	320,000	301,651	18,349
(Total Expenditures)	<u>(1,059,500)</u>	<u>(1,059,500)</u>	<u>(1,181,122)</u>	<u>(121,622)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	155,219	155,219
Fund Balance, Beginning of Year	<u>522,119</u>	<u>522,119</u>	<u>522,119</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 522,119</u>	<u>\$ 522,119</u>	<u>\$ 677,338</u>	<u>\$ 155,219</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Villages Charter School, Inc. (the School) is a not-for-profit corporation organized in 1999 pursuant to Chapter 617, Florida Statutes, *Florida Not-for-Profit Corporation Act*, and Section 1002.33 Florida Statutes, and operates an elementary, middle school, and high school as a charter school in the workplace. The governing body of the School is the Board of Directors, which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Sumter County District School Board (the District). The current charter may be renewed or extended. At the end of the terms of the charter, the District may choose not to renew under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Under Florida Statutes, the School's contract provides that in the event the School is dissolved or terminated, any unencumbered funds, and all the School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School, which should be reported with the School's financial statements, are identified and described in the Governmental Accounting Standards Board (GASB), *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the major funds). The School's primary activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The School's net position is reported in four parts: net investment in capital assets, restricted for food services, restricted for student activities, and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function and include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the School are reported in five individual funds in the fund financial statements. The funds are accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses.

The following fund types are used by the School:

■ **Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the School:

- **General Fund**—is the general operating fund of the School. It is used to account for all financial resources. This fund is considered a major fund.
- **Special Revenue Fund**—to account for certain federal grants program resources, such as the National School Lunch Program. This fund is considered a major special revenue fund.
- **Special Revenue Fund**—to account for the CRRSA-ESSER grants arising from the COVID-19 pandemic. This fund is considered a major special revenue fund.
- **Special Revenue Fund**—to account for resources of the School internal funds which are used to administer monies collected for student athletic activities and student organizations. This fund is considered a major special revenue fund.
- **Capital Projects Fund**—to account for the School's state Capital Outlay funds. Amounts are subsequently transferred to the General Fund to pay the operating lease agreement on the School's primary and intermediate elementary buildings.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the recognition, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

■ **Economic Resources Measurement Focus and Accrual Basis of Accounting**

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The effects of interfund activity have been eliminated from the government-wide financial statements.

■ **Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting**

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Fund Equity

The following classifications describe the relative types of fund balances that are applicable to the School:

- Non-spendable fund balance—amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors) through constitutional provisions, or by enabling legislation.
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Cash in Bank

Cash in bank includes deposits held at a financial institution. The School's deposits are kept in a qualified public depository pursuant to Chapter 280 of the Florida Statutes. As provided for in Chapter 280, these funds shall be fully secured. The School has no formal deposit policy.

Inventory

Purchased food is valued at last invoice cost, which approximates the first-in, first-out basis. The cost of food inventory is recorded as expenditures when used rather than purchased, through the use of the consumption method.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation calculation is based on the straight-line method. Depreciation on all assets is provided over the following estimated useful lives:

**NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

5-10 Years	Library Books
3 Years	Software
5-15 Years	Furniture, Equipment, and Vehicles
15 Years	Infrastructure
15 to 40 Years	Improvements

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods. Additionally, during the 2021-2022 School year, the School received federal grant funds under the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* and further funding under the *Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act)* and *American Rescue Plan Act (ARP Act)*.

Charter School Capital Outlay Funds are appropriated per Section 1013.62(1), Florida Statutes, for capital outlay purposes. The Commissioner of Education allocates the funds among eligible charter schools.

The School receives revenues from sales of food and grant revenues through the National School Lunch Program.

The School also receives grant revenues, after-care fees, contributions from The Villages, contributions from other fundraising sources, and other miscellaneous items. There are no allocations of indirect expenses in the statement of activities.

Compensated Absences

The School has a policy to allow for paid days off (PDO) or compensated absences. At the end of the School year, a faculty member may choose to be paid for their unused PDOs (maximum of 10) at the current substitute daily rate. The payment is made at year-end; therefore, no compensated absences have been recorded.

Management’s Review

The School has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were available to be issued.

Budgetary Information

By September 1 of each fiscal year, the School submits an annual budget to the Board of Directors for approval. Annual operating budgets are prepared on the generally accepted accounting principles basis for the general and special revenue funds.

NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

Note 2 - Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Government Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 8,450	\$ -	\$ (8,450)	\$ -
Capital Assets Being Depreciated:				
Furniture and Equipment	3,834,686	212,460	(179,999)	3,867,147
Buildings	425,457	-	-	425,457
Library Books	799,646	18,196	-	817,842
Leasehold Improvements	567,718	16,102	-	583,820
Vehicles	710,694	70,292	-	780,986
Infrastructure	47,452	-	-	47,452
Total Capital Assets Being Depreciated	<u>6,385,653</u>	<u>317,050</u>	<u>(179,999)</u>	<u>6,522,704</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	(2,535,843)	(212,100)	179,999	(2,567,944)
Buildings	(165,874)	(10,909)	-	(176,783)
Library Books	(758,492)	(9,407)	-	(767,899)
Leasehold Improvements	(138,458)	(27,700)	-	(166,158)
Vehicles	(488,963)	(82,377)	-	(571,340)
Infrastructure	(31,110)	(2,905)	-	(34,015)
(Total Accumulated Depreciation)	<u>(4,118,740)</u>	<u>(345,398)</u>	<u>179,999</u>	<u>(4,284,139)</u>
Total Capital Assets Being Depreciated, Net	<u>2,266,913</u>	<u>(28,348)</u>	<u>-</u>	<u>2,238,565</u>
Government Activities Capital Assets, Net	<u><u>\$ 2,275,363</u></u>	<u><u>\$ (28,348)</u></u>	<u><u>\$ (8,450)</u></u>	<u><u>\$ 2,238,565</u></u>

Depreciation expense for the period was \$345,398, which is all shown as unallocated in the statement of activities.

Note 3 - Due To/From Other Fund and Interfund Transfers

The following is a summary of interfund receivables and payables reported in the fund shown as due to/due from other fund in the financial statements:

<u>Funds</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 166,221
Special Revenue Funds	208,204	41,983

The due to/from other fund represents the payment of expenditures by one fund for another and are to be repaid or assets held on behalf of another fund.

Interfund transfers represent the Charter School Capital Outlay funds received and transferred to the General Fund for payment of the building operating lease and grant funds received in current year for prior year expenses from the General Fund. The transfers during the year ended June 30, 2022, were as follows:

NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

	Transfer In	Transfer (Out)
General Fund	\$ 1,760,685	\$ -
Capital Project Fund	-	1,760,685

Note 4 - Federal and State Taxes

During 1999, the School was incorporated as a Florida not-for-profit corporation. Effective February 2, 2021, the School was granted federal tax-exempt status under Internal Revenue Code (IRC) Section 501 (c)(3).

Note 5 - Fund Balance Deficit and Subsequent Event

As of June 30, 2022, the fund balance in the General Fund had a deficit of (\$678,414). The operating deficit in the General Fund was funded subsequent to year-end through contributions from The Holding Company of The Villages.

Note 6 - Related-Party Transactions

During the year ended June 30, 2022, there were various transactions between the School and related parties. A listing of these transactions is as follows:

- The Villages of Lake Sumter, Inc. (VLS), the incorporator of the School, leases the elementary school buildings to the School. Rent expense paid under this agreement was \$1,760,685.
- The Holding Company of The Villages (parent company of VLS) made contributions in the amount of \$10,378,909 to the School for operating costs with accounts payable of \$172,928 as of and during the year ended June 30, 2022.

Note 7 - Short-Term Leases

Buildings Lease Agreement

The School leases the primary and intermediate elementary buildings under an initial non-cancellable operating lease agreement with VLS (a related-party). The lease agreement had a 60-month term with two automatic 60-month extensions ending 2021 (fiscal year), which is structured based upon the receipt of the School's State Capital Outlay funds provided by the District. Beginning in the 2022 fiscal year, the lease term states that after the initial terms, the lease shall automatically renew for one-year terms "unless either party gives notice of termination to the other party not less than 90 days prior to the end of any one-year term". Because of the cancellation clause by both parties within one year, under **GASB Statement No. 87, Leases**, this contract is considered a short-term lease and not subject to the capitalization criteria.

Operating lease expenditure was \$1,760,685 for the year ended June 30, 2022. The future scheduled rent payments for the next year based on the projected 2022 - 2023 fiscal year Capital Outlay funds are as follows:

Year	Amount
2023	\$ 1,861,726

**NOTES TO FINANCIAL STATEMENTS
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Copier Lease Agreements

The School has lease agreements for multiple copiers accounted for as a short-term operating lease. Total lease expense for these agreements was \$42,040 for the year ended June 30, 2022.

Note 8 - Defined Contribution Plan

The School provides a defined contribution plan to qualified employees. On July 1, 2019, Principal Financial Group acquired the Wells Fargo Institutional Retirement & Trust. Principal Financial Group and Wells Fargo Institutional Retirement & Trust have been working closely over the past few years and began the final transition to Principal Financial Group on May 24, 2021. The name of the plan is The Villages Charter School, Inc. Employees Savings Plan, which qualifies as a 401(k) plan under the Internal Revenue Code.

The plan document allows employees to contribute a percentage of their total salary in accordance with the annual Internal Revenue Service limits, including catch-up contributions. The School is required to match 100% of the first 5% of the employee's contribution. Employees have 100% vesting in the plan for their portion of contributions but must follow a graduated vesting schedule for the employer's matching contributions. Total contributions made by the employer and employee were \$765,089 and \$1,272,223, respectively.

Note 9 - Risk Management Programs

General liability insurance is being provided through purchased commercial insurance. The School provides employee health insurance through a self-insurance program. Claims in excess of \$85,000 per employee are covered by purchased reinsurance. All claims submitted are processed by a third-party administrator and are paid directly. Settled claims resulting from these risks have not exceeded commercial coverage in the last three years and there has not been a significant reduction in coverage during the fiscal year. The following is a summary of claims incurred and paid for the current and prior year:

<u>Year</u>	<u>Claims Payable Beginning of Year</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Claims Payable End of Year</u>
2021	\$ 686,280	\$ 2,977,819	\$ (3,051,676)	\$ 612,423
2022	612,423	3,131,804	(2,714,532)	1,029,695

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES, THE UNIFORM GUIDANCE, AND CHAPTER 10.850,
*RULES OF THE AUDITOR GENERAL***

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

Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of The Villages Charter School, Inc. (the School) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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.

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Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 28, 2022
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited The Villages Charter School, Inc.'s (the School) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal program for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations and provisions of contracts or grant agreements to the School's federal programs.

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The Villages Charter School, Inc.
The Villages, Florida

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



October 28, 2022
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
THE VILLAGES, FLORIDA**

GRANTOR/Pass-Through Agency(ies) Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Education		
Passed Through the Sumter County School Board		
Special Education Grants to States (IDEA, Part B) Career and Technical Education –	84.027A	\$ 222,488
Basic Grants to States (Perkins IV)	84.048A	7,866
Supporting Effective Instruction State Grant - Title II Part A Strengthening Career & Technical Education for 21 st Century Act CTE	84.367A	50,504
COVID-19 - Education Stabilization Fund	84.048	17,860
COVID-19 - Education Stabilization Fund	84.425C	562
COVID-19 - Education Stabilization Fund	84.425D	2,159,748
COVID-19 - Education Stabilization Fund	84.425U	<u>561,441</u>
Total U.S. Department of Education		<u>3,020,469</u>
U.S. Department of Agriculture		
Passed Through the Florida Department of Agriculture and Consumer Services		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	344,702
National School Lunch Program	10.555	<u>2,156,905</u>
Total U.S. Department of Agriculture		<u>2,501,607</u>
Total Expenditures of Federal Awards		<u>\$ 5,522,076</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
THE VILLAGES, FLORIDA**

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Villages Charter School, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Indirect Cost Rate

The Villages Charter School, Inc. received a negotiated cost rate for federal awards; therefore, The Villages Charter School, Inc. did not elect the de minimus rate of 10% for determining indirect cost amounts.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022
THE VILLAGES CHARTER SCHOOL, INC.
THE VILLAGES, FLORIDA**

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified?	None Reported
Non-Compliance Material to the Financial Statements Noted?	No

Federal Awards

Internal Control over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified?	None Reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Identification of Major Programs:	
Federal Program or Cluster	Federal Assistance Listing No.
Education Stabilization Fund	84.425 (C, D, and U)
Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$750,000
Auditee Qualified as Low-Risk Auditee Pursuant to the Uniform Guidance?	Yes

Other Issues

- (a) No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.
- (b) The audit disclosed no findings which are required to be reported under the Uniform Guidance.

MANAGEMENT LETTER

Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

Report on the Financial Statements

We have audited the financial statements of The Villages Charter School, Inc. (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated October 28, 2022.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.850, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 28, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

- Section 10.854(1)(e)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

- Section 10.854(1)(e)5., *Rules of the Auditor General*, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are The Villages Charter School, Inc., 2001.

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
The Villages Charter School, Inc.
The Villages, Florida

MANAGEMENT LETTER

Financial Condition and Management

- Section 10.854(1)(e)2 and 10.855(11), *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), *Rules of the Auditor General*, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.
- Section 10.854(1)(e)3., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

- Sections 10.854(1)(e)7. and 10.855(13), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

- Section 10.854(1)(e)4., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Directors, applicable management, and Sumter County District School Board, and is not intended to be, and should not be, used by anyone other than these specified parties.



October 28, 2022
Ocala, Florida

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