

2021

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, 2021

**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, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the basic 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, 2021, 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.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other 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.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, 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 22, 2021
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, 2021. 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 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 2021	Governmental Activities 2020
Current Assets	\$ 2,231,384	\$ 1,199,184
Capital Assets	2,275,363	2,148,070
Total Assets	4,506,747	3,347,254
Total Liabilities	3,715,305	3,019,297
Invested in Capital Assets	2,275,363	2,148,070
Restricted for Food Services	375,444	274,868
Restricted for Student Activities	522,119	-
Unrestricted	(2,381,484)	(2,094,981)
Total Net Position	\$ 791,442	\$ 327,957

The total assets of the Charter School increased by \$1,159,493 in 2021. The total liabilities of the Charter School increased by \$696,008 in 2021. The Charter School has no long-term debt. The total net position increased by \$463,485 in 2021, due to student activities being presented in a special revenue fund under the new GASB 84 standard.

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 2021	Governmental Activities 2020
Revenues		
Program Revenue:		
Capital Grants	\$ 1,737,450	\$ 1,661,456
Operating Grants and Contributions	3,355,182	959,425
Charges for Services	2,692,158	2,268,977
General Revenue:		
Florida Education Finance Program	19,785,458	19,244,314
"A" School Funds	-	318,113
Advance Placement Funds	155,321	112,549
Contributions	7,799,031	8,386,276
Miscellaneous	193,915	244,541
Total Revenues	35,718,515	33,195,651
Expenses		
Instruction	\$ 17,449,144	\$ 16,831,851
Instructional Support Services	2,561,437	2,144,517
General Support Services	7,525,101	7,356,128
Facilities Operating Lease	1,709,389	1,661,456
Maintenance of Plant	2,185,181	2,282,537
Community Services	1,246,411	1,229,343
Food Services	1,819,611	1,420,183
Athletic Events and Student Activities	853,329	-
Depreciation - Unallocated	331,279	359,975
Total Expenses	35,680,882	33,285,990
Change in Net Position	\$ 37,633	\$ (90,339)

The Operating Grants and Contributions revenue increased by \$2,395,757 due to the federal grants received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. The Florida Education Finance Program revenue increased \$541,144 in 2021 due to an increase in the base student allocation and an increase in student enrollment. Charges for Services increased \$423,181 in 2021 primarily due to the prior year school closure in March 2020 resulting from the COVID-19 pandemic. Due to that closure, state tests were not given in 2020; therefore, there were no school grades given and no "A" School funds received in 2021.

Expenses related to Instruction increased by \$617,293 and expenses related to Instructional Support increased by \$416,920 mainly due to utilization of federal grant relief funds received due to the COVID-19 pandemic. Food Services expenditures increased by \$399,428 due to prior year school closure resulting from the COVID-19 pandemic. Athletic Events and Student Activities are newly presented in the statement of activities under the new GASB 84 standard.

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 decreased (\$286,503) due to decrease in general fund revenue. Fund balance - restricted in the food service special revenue fund increased by \$100,576 primarily from a grant received at the end of the year through the School Nutrition Programs due to the COVID-19 pandemic. Fund balance - restricted in the student activities special revenue fund is newly presented under the new GASB 84 standard; it increased by \$96,267. The Charter School's governmental fund statement of revenues, expenses, and changes in fund balance shows a total net change in fund balances of (\$89,660) for 2021.

Capital Assets

The Charter School's investment in capital assets for its governmental activities amounts to \$2,275,363 (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 \$2,694,723 less than the final budget amount at June 30, 2021. The variance illustrates that less contributions were needed to supplement the operations of the Charter School 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 2022 fiscal year will be critical to ensure that the Charter School continues to operate effectively.

**STATEMENT OF NET POSITON
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021
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	\$ 1,125,635
Accounts Receivable	595,399
Prepaid Expenses	5,358
Inventory	18,124
Due from Other Agencies	486,868
Capital Assets, Net of Accumulated Depreciation	2,275,363
Total Assets	4,506,747

LIABILITIES AND NET POSITION

Liabilities

Accounts Payable - Trade	784,851
Accounts Payable - Related-Party	180,930
Health Claims Payable	612,423
Accrued Salary and Related Payroll Expenses	551,151
Short-Term Advance - Related Parties	1,253,909
Unearned Revenue	332,041
Total Liabilities	3,715,305

Net Position

Net Investment in Capital Assets	2,275,363
Restricted for Food Services	375,444
Restricted for Student Activities	522,119
Unrestricted	(2,381,484)
Total Net Position	\$ 791,442

See accompanying notes.

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
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	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 17,449,144	\$ -	\$ 821,309	\$ 28,061	\$ (16,599,774)
Instructional Support Services	2,561,437	-	546,202	-	(2,015,235)
General Support Services	7,525,101	-	338,646	-	(7,186,455)
Facilities Operating Lease	1,709,389	-	-	1,709,389	-
Maintenance of Plant	2,185,181	-	-	-	(2,185,181)
Community Services	1,246,411	1,462,827	8,573	-	224,989
Food Services	1,819,611	289,570	1,630,617	-	100,576
Athletic Events	680,854	773,962	-	-	93,108
Student Activities	172,475	165,799	9,835	-	3,159
Depreciation - Unallocated	331,279	-	-	-	(331,279)
Total Governmental Activities	\$ 35,680,882	\$ 2,692,158	\$ 3,355,182	\$ 1,737,450	(27,896,092)
General Revenues					
					19,785,458
					155,321
					7,799,031
					193,915
					<u>27,933,725</u>
					Change in Net Position 37,633
					Net Position, Beginning of Year (As Restated) <u>753,809</u>
					Net Position, End of Year <u>\$ 791,442</u>

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

ASSETS

	General Fund	Special Revenue Fund Food Service	Special Revenue Fund CARES-CRRSA	Special Revenue Fund Student Activities	Capital Projects Funds	Total Governmental Total
Assets						
Cash in Bank	\$ 168,469	\$ 344,258	\$ -	\$ 612,908	\$ -	\$ 1,125,635
Accounts Receivable	389,081	151,970	-	54,348	-	595,399
Prepaid Items	5,358	-	-	-	-	5,358
Inventory	-	18,124	-	-	-	18,124
Due from Other Agencies	135,683	-	351,185	-	-	486,868
Due from Other Fund	315,368	-	-	-	-	315,368
Total Assets	1,013,959	514,352	351,185	667,256	-	2,546,752

LIABILITIES AND FUND EQUITY

Liabilities						
Accounts Payable - Trade	691,066	-	93,785	-	-	784,851
Accounts Payable - Related-Party	180,930	-	-	-	-	180,930
Health Claims Payable	592,213	20,210	-	-	-	612,423
Accrued Expenses	545,600	5,551	-	-	-	551,151
Short-Term Advance - Related-Party	1,253,909	-	-	-	-	1,253,909
Unearned Revenue	131,725	55,637	-	144,679	-	332,041
Due to Other Fund	-	57,510	257,400	458	-	315,368
Total Liabilities	3,395,443	138,908	351,185	145,137	-	4,030,673
Fund Balances						
Non-Spendable:						
Inventory	-	18,124	-	-	-	18,124
Prepaid Items	5,358	-	-	-	-	5,358
Restricted	-	357,320	-	522,119	-	879,439
Unassigned	(2,386,842)	-	-	-	-	(2,386,842)
Total Fund Balance	(2,381,484)	375,444	-	522,119	-	(1,483,921)
Total Liabilities and Fund Balance	\$ 1,013,959	\$ 514,352	\$ 351,185	\$ 667,256	\$ -	\$ 2,546,752

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Total Fund Balance (Deficit) - Governmental Funds	\$ (1,483,921)
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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 \$6,394,103 and the accumulated depreciation is \$4,118,740 for 2021.

	<u>2,275,363</u>
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Total Net Position - Governmental Funds	\$ <u>791,442</u>
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See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
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 CARES-CRRSA	Special Revenue Fund Student Activities	Capital Projects Fund	Total
Revenue						
State - Through the Sumter County						
District School Board:						
Florida Education Finance Program	\$ 19,785,458	\$ -	\$ -	\$ -	\$ -	\$ 19,785,458
Charter School Capital Outlay Funds	-	-	-	-	1,709,389	1,709,389
Advance Placement Funds	155,321	-	-	-	-	155,321
Federal Through State:						
National School Lunch Program	-	1,630,617	-	-	-	1,630,617
Grants and Contracts	-	-	1,428,798	-	-	1,428,798
Local:						
Food Services	-	289,570	-	-	-	289,570
Grants and Contracts	313,993	-	-	-	-	313,993
Contributions	7,799,031	-	-	9,835	-	7,808,866
Child Care and Other Fees	1,462,827	-	-	-	-	1,462,827
Membership Dues	-	-	-	8,425	-	8,425
Athletic Events	-	-	-	773,962	-	773,962
Student Events and Services	-	-	-	157,374	-	157,374
Miscellaneous	193,915	-	-	-	-	193,915
Total Revenue	29,710,545	1,920,187	1,428,798	949,596	1,709,389	35,718,515
Expenditures						
Current:						
Instruction	16,819,876	-	629,268	-	-	17,449,144
Instructional Support Services	2,261,014	-	300,423	-	-	2,561,437
General Support Services	7,243,637	-	281,464	-	-	7,525,101
Facilities Operating Lease	1,709,389	-	-	-	-	1,709,389
Maintenance of Plant	2,185,181	-	-	-	-	2,185,181
Community Services	1,237,838	-	8,573	-	-	1,246,411
Food Services	-	1,819,611	-	-	-	1,819,611
Athletic Events	-	-	-	680,854	-	680,854
Student Activities Donations and Supplies	-	-	-	172,475	-	172,475
Capital Outlay	430,511	-	28,061	-	-	458,572
(Total Expenditures)	(31,887,446)	(1,819,611)	(1,247,789)	(853,329)	-	(35,808,175)
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(2,176,901)	100,576	181,009	96,267	1,709,389	(89,660)
Other Financing Sources (Uses)						
Transfers In/(Out)	1,890,398	-	(181,009)	-	(1,709,389)	-
Net Change in Fund Balances	(286,503)	100,576	-	96,267	-	(89,660)
Fund Balance, Beginning of Year (As Restated)	(2,094,981)	274,868	-	425,852	-	(1,394,261)
Fund Balance, End of Year	\$ (2,381,484)	\$ 375,444	\$ -	\$ 522,119	\$ -	\$ (1,483,921)

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, 2021
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	\$ (89,660)
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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 \$458,572 is more than depreciation expense (\$331,279) in the period.

127,293

Total Change in Net Position - Governmental Funds	<u>\$ 37,633</u>
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See accompanying notes.

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021
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	\$ 19,738,645	\$ 19,877,145	\$ 19,785,458	\$ (91,687)
Advance Placement Funds	-	155,000	155,321	321
Local:				
Grants and Contracts	208,000	243,000	313,993	70,993
Contributions	10,110,534	10,493,754	7,799,031	(2,694,723)
Child Care and Other Fees	1,673,500	1,661,500	1,462,827	(198,673)
Miscellaneous	188,049	193,438	193,915	477
Total Revenue	<u>31,918,728</u>	<u>32,623,837</u>	<u>29,710,545</u>	<u>(2,913,292)</u>
Expenditures				
Current:				
Instruction	17,363,042	17,938,312	16,819,876	1,118,436
Instructional Support Services	2,406,352	2,452,652	2,261,014	191,638
General Support Services	7,719,748	7,883,847	7,243,637	640,210
Facilities Operating Lease	1,660,000	1,709,500	1,709,389	111
Maintenance of Plant	2,753,307	2,349,797	2,185,181	164,616
Community Services	1,549,029	1,549,029	1,237,838	311,191
Capital Outlay	127,250	450,200	430,511	19,689
(Total Expenditures)	<u>(33,578,728)</u>	<u>(34,333,337)</u>	<u>(31,887,446)</u>	<u>2,445,891</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,660,000)	(1,709,500)	(2,176,901)	(467,401)
Other Financing Source				
Transfers In	1,660,000	1,709,500	1,890,398	180,898
Net Changes in Fund Balances	-	-	(286,503)	(286,503)
Fund (Deficit) Balance, Beginning of Year	<u>(606,458)</u>	<u>(780,900)</u>	<u>(2,094,981)</u>	<u>(1,314,081)</u>
Fund (Deficit) Balance, End of Year	<u>\$ (606,458)</u>	<u>\$ (780,900)</u>	<u>\$ (2,381,484)</u>	<u>\$ (1,600,584)</u>

See accompanying notes.

BUDGETARY COMPARISON STATEMENT
MAJOR SPECIAL REVENUE FUND - FOOD SERVICES
FOR THE YEAR ENDED JUNE 30, 2021
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	\$ 815,000	\$ 1,479,173	\$ 1,630,617	\$ 151,444
Local:				
Food Services	939,943	378,341	289,570	(88,771)
Total Revenue	<u>1,754,943</u>	<u>1,857,514</u>	<u>1,920,187</u>	<u>62,673</u>
Expenditures				
Current:				
Food Service	1,754,943	1,857,514	1,819,611	37,903
(Total Expenditures)	<u>(1,754,943)</u>	<u>(1,857,514)</u>	<u>(1,819,611)</u>	<u>37,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	100,576	100,576
Fund Balance, Beginning of Year	<u>(39,398)</u>	<u>(124,453)</u>	274,868	399,321
Fund Balance, End of Year	<u>\$ (39,398)</u>	<u>\$ (124,453)</u>	<u>\$ 375,444</u>	<u>\$ 499,897</u>

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
MAJOR SPECIAL REVENUE FUND - CARES-CRRSA
FOR THE YEAR ENDED JUNE 30, 2021
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	\$ 1,403,849	\$ 1,428,815	\$ 1,428,798	\$ (17)
Total Revenue	<u>1,403,849</u>	<u>1,428,815</u>	<u>1,428,798</u>	<u>(17)</u>
Expenditures				
Current:				
Instruction	758,800	795,377	629,268	166,109
Instructional Support Services	399,785	301,040	300,423	617
General Support Services	206,572	294,103	281,464	12,639
Community Services	9,699	9,699	8,573	1,126
Capital Outlay	28,993	28,596	28,061	535
(Total Expenditures)	<u>(1,403,849)</u>	<u>(1,428,815)</u>	<u>(1,247,789)</u>	<u>181,026</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	181,009	181,009
Other Financing Sources (Uses)				
Transfers In/(Out)	-	-	(181,009)	(181,009)
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, 2021
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	\$ -	\$ -	\$ 9,835	\$ 9,835
Membership Dues	-	-	8,425	8,425
Athletic Events	724,500	724,500	773,962	49,462
Student Events and Services	-	-	157,374	157,374
Total Revenue	<u>724,500</u>	<u>724,500</u>	<u>949,596</u>	<u>225,096</u>
Expenditures				
Current:				
Athletic Events	723,497	723,497	680,854	42,643
Student Activities	-	-	172,475	(172,475)
(Total Expenditures)	<u>(723,497)</u>	<u>(723,497)</u>	<u>(853,329)</u>	<u>(129,832)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,003	1,003	96,267	95,264
Fund Balance, Beginning of Year	<u>425,852</u>	<u>425,852</u>	<u>425,852</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 426,855</u>	<u>\$ 426,855</u>	<u>\$ 522,119</u>	<u>\$ 95,264</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 provide 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 CARES and CRRSA 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.

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 2020-2021 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)*.

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, 2021, 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	3,533,362	301,324	-	3,834,686
Buildings	425,457	-	-	425,457
Library Books	787,043	12,603	-	799,646
Leasehold Improvements	567,718	-	-	567,718
Vehicles	578,499	136,195	(4,000)	710,694
Infrastructure	47,452	-	-	47,452
Total Capital Assets Being Depreciated	<u>5,939,531</u>	<u>450,122</u>	<u>(4,000)</u>	<u>6,385,653</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	(2,326,783)	(209,060)	-	(2,535,843)
Buildings	(154,965)	(10,909)	-	(165,874)
Library Books	(750,885)	(7,607)	-	(758,492)
Leasehold Improvements	(111,446)	(27,012)	-	(138,458)
Vehicles	(419,177)	(73,786)	4,000	(488,963)
Infrastructure	(28,205)	(2,905)	-	(31,110)
(Total Accumulated Depreciation)	<u>(3,791,461)</u>	<u>(331,279)</u>	<u>4,000</u>	<u>(4,118,740)</u>
Total Capital Assets Being Depreciated, Net	<u>2,148,070</u>	<u>118,843</u>	<u>-</u>	<u>2,266,913</u>
Government Activities Capital Assets, Net	<u>\$ 2,148,070</u>	<u>\$ 127,293</u>	<u>\$ -</u>	<u>\$ 2,275,363</u>

Depreciation expense for the period was \$331,279, 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	\$ -	\$ 315,368
Special Revenue Funds	315,368	-

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, 2021, 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

	<u>Transfer In</u>	<u>Transfer (Out)</u>
General Fund	\$ 1,890,398	\$ -
Capital Project Fund	-	1,709,389
Special Revenue Fund	-	181,009

Note 4 - Federal and State Taxes

During 1999, the School was incorporated as a Florida not-for-profit corporation. However, the School may be subject to both state and federal income taxes.

Note 5 - Fund Balance Deficit and Subsequent Event

As of June 30, 2021, the fund balance in the General Fund had a deficit of (\$1,483,921). 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, 2021, 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 \$1,709,389.
- The Holding Company of The Villages (parent company of VLS) made contributions in the amount of \$7,379,294 to the School for operating costs with accounts payable of \$180,930 as of and during the year ended June 30, 2021.
- The Holding Company of The Villages made a short-term advance in the amount of \$1,253,909 at year-end to cover operating expenses.

Note 7 - Operating Leases

Buildings Lease Agreement

The School leases the primary and intermediate elementary buildings under a non-cancellable operating lease agreement with VLS (a related-party). The lease agreement has a 60-month term with two automatic 60-month extensions ending 2022 (fiscal year), which is structured based upon the receipt of the School's State Capital Outlay funds provided by the District. The lease term states that after the initial terms, the lease shall automatically renew for one year terms.

Operating lease expenditure was \$1,709,389 for the year ended June 30, 2021. The future scheduled rent payments for the next year based on the projected 2021 - 2022 fiscal year capital outlay funds are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 1,791,730

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 under a non-cancellable operating lease. Each lease agreement has a 60-month term. Total lease expense for these agreements was \$42,497 for the year ended June 30, 2021. The future scheduled rent payments are as follows:

Year	Amount
2022	\$ 42,404
2023	26,415
2024	10,182
2025	3,656
2026	-
Total	\$ 82,657

Note 8 - Defined Contribution Plan

The School provides a defined contribution plan administered by Wells Fargo. 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 employers matching contributions. Total contributions made by the employer and employee were \$630,451 and \$1,165,104, 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:

Year	Claims Payable Beginning of Year	Claims Incurred	Claims Paid	Claims Payable End of Year
2020	\$ 517,657	\$ 2,872,723	\$ (2,704,100)	\$ 686,280
2021	686,280	2,977,819	(3,051,676)	612,423

**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 10 - Restatement of Beginning of Year Net Position

Pursuant to the implementation of GASB 84, *Fiduciary Activities*, the student activities funds that were classified as a fiduciary fund have now been included as a special revenue fund - student activities based on the definition of a special revenue fund and how the School operates the activities and records the transactions. The reclassification added a new special revenue fund and beginning net assets, governmental activities were restated as follows:

Net Position, Beginning of Year	\$	327,957
Increase Due to Transfer of		
Fiduciary Fund to Special Revenue Fund - Student Activities		<u>425,852</u>
Net Position, Beginning of Year (as Restated)	\$	<u><u>753,809</u></u>

**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, each major fund, and the aggregate remaining fund information of The Villages Charter School, Inc. (the School) as of and for the year ended June 30, 2021, 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 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic 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.

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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s basic 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 basic 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 22, 2021
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

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, 2021. 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.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the School’s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School’s compliance.

Opinion on Each Major Federal Program

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, 2021.

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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

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School’s 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.

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.

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 22, 2021
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
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)	84.027A	\$ 208,900
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048A	7,571
Supporting Effective Instruction State Grant - Title II Part A	84.367A	43,431
COVID-19 - Education Stabilization Fund	84.425C	90,006
COVID-19 - Education Stabilization Fund	84.425D	<u>739,680</u>
Total U.S. Department of Education		<u>1,089,588</u>
Federal Department of Emergency Management		
Passed Through the Sumter County Board of County Commissioners		
COVID-19 - Coronavirus Relief Funds	21.019	<u>578,251</u>
U.S. Department of Agriculture		
Passed Through the Florida Department of Education		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	13,539
National School Lunch Program	10.555	1,465,108
COVID-19 - National School Lunch Program	10.555	<u>151,970</u>
Total U.S. Department of Agriculture		<u>1,630,617</u>
U.S. Department of Health and Human Services		
Passed Through the Early Learning Coalition of the Nature Coast		
Child Care and Development Block Grant	93.575	<u>20,800</u>
Total Expenditures of Federal Awards		<u>\$ 3,319,256</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
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.

Note C - Prior Year Expenditures

Certain *Coronavirus Aid, Relief, and Economic Security Act* related grants allowed the School to be reimbursed \$181,009 in the current year for COVID-19 related expenditures that occurred in the prior year which are included in the current year Schedule of Expenditures of Federal Awards.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
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 CFDA No.
COVID-19 - Education Stabilization Fund	84.425 (C & D)
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, 2021, and have issued our report thereon dated October 22, 2021.

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 21, 2021, 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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Members of American and Florida Institutes of Certified Public Accountants

An Independent Member of the BDO Alliance USA

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

MANAGEMENT LETTER

Financial Condition

- 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 22, 2021
Ocala, Florida