

**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, 2019

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

JUNE 30, 2019

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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, each major fund, and the aggregate remaining fund information 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, 2019, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2019, and the respective changes in financial position, and the respective budgetary comparison statement for the general fund and major special revenue fund 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 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 not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 are 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 18, 2019, 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 18, 2019
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, 2019. 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 2019	Governmental Activities 2018
Current Assets	\$ 665,716	\$ 619,715
Capital Assets	1,971,275	1,901,982
Total Assets	2,636,991	2,521,697
Total Liabilities	2,218,695	2,122,694
Invested in Capital Assets	1,971,275	1,901,982
Restricted for Food Services	278,841	249,000
Unrestricted	(1,831,820)	(1,751,979)
Total Net Position	\$ 418,296	\$ 399,003

The total assets of the Charter School increased by \$115,294 in 2019. The total liabilities of the Charter School increased by \$96,001 in 2019. The Charter School has no long-term debt. The total net position increased by \$19,293 in 2019, due to the total cost of capital assets purchased during the year being more than depreciation expense for the year.

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:

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program Revenue:		
Capital Grants	\$ 1,549,298	\$ 576,434
Operating Grants and Contributions	1,551,372	1,382,655
Charges for Services	2,769,002	2,553,322
General Revenue:		
Florida Education Finance Program	17,998,214	17,639,940
"A" School Funds	317,220	311,042
Advance Placement Funds	110,719	73,429
Contributions	8,532,681	7,122,971
Miscellaneous	246,807	263,221
Total Revenues	33,075,313	29,923,014
Expenses		
Instruction	16,719,795	15,085,163
Instructional Support Services	2,103,203	1,616,973
General Support Services	6,886,409	6,714,071
Facilities Operating Lease	1,549,298	576,434
Maintenace of Plant	2,258,192	2,082,440
Community Services	1,427,859	1,436,218
Food Services	1,756,759	1,664,168
Depreciation - Unallocated	354,505	398,419
Total Expenses	33,056,020	29,573,886
Change in Net Position	\$ 19,293	\$ 349,128

The Capital Grants revenue increased \$972,864 due to the state significantly increasing Charter School Capital Outlay funds allocation from the prior year. The Florida Education Finance Program revenue increased \$358,274 in 2019 due to an increase in student enrollment. Charges for services increased \$215,680 in 2019 primarily due to the increase in student enrollment over prior year.

Expenses related to Instruction increased by \$1,634,632. This increase is due to an increase in student enrollment as well as increased student computer equipment expenses and increased health care costs. Instructional Support Services expenses increased by \$486,230 over prior year. The increase is due to the growth of the new Special Education Department and increased costs of school resource officers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 school except food services, the capital projects fund, which records the State Charter School Capital Outlay funds, and the special revenue fund, which accounts for the food service program. 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.

Fund balance-unassigned in the general fund decreased (\$79,841) due to increased operating expenditures. Fund balance-restricted in the special revenue fund increased by \$29,841 due to increased enrollment, resulting in higher participation in the food service program. The Charter School's governmental fund statement of revenues, expenses, and changes in fund balance shows a zero total net change in fund balances for 2019.

Agency Fund

The Charter School uses an *agency fund* to account for assets held by the Charter School as agent for individuals and organizations. The agency fund included in these financial statements is the Charter School's internal fund used to administer monies collected for student athletic activities and student clubs and organizations.

Capital Assets

The Charter School's investment in capital assets for its governmental activities amounts to \$1,971,275 (net of accumulated depreciation). This investment in capital assets includes buildings, leasehold improvements, equipment, vehicles, and library books.

Budgetary Comparison Analysis-General Fund

Actual contributions were \$1,397,944 less than the final budget amount at June 30, 2019. 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. As the shortfall of tax revenue in the State of Florida begins to decline and the nation's economy continues to grow, the state appropriations for education are beginning to increase. Management oversight for the 2019 fiscal year will be critical to ensure that the Charter School continues to operate effectively.

**STATEMENT OF NET POSITON
GOVERNMENTAL ACTIVITIES
JUNE 30, 2019
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	\$ 505,638
Accounts Receivable	143,673
Prepaid Expenses	4,653
Inventory	11,752
Capital Assets, Net of Accumulated Depreciation	1,971,275
Total Assets	<u>2,636,991</u>

LIABILITIES AND NET POSITION

Liabilities

Accounts Payable - Trade	672,765
Accounts Payable - Related-Party	124,510
Health Claims Payable	517,657
Accrued Salary and Related Payroll Expenses	316,012
Short-Term Advance - Related Parties	218,695
Due to Student Activities	183,747
Unearned Revenue	185,309
Total Liabilities	<u>2,218,695</u>

Net Position

Net Investment in Capital Assets	1,971,275
Restricted for Food Services	278,841
Unrestricted	(1,831,820)
Total Net Position	<u>\$ 418,296</u>

See accompanying notes.

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
			Operating Grants and Contributions	Capital Grants	
					Governmental Activities
Governmental Activities					
Instruction	\$ 16,719,795	\$ -	\$ 390,490	\$ -	\$ (16,329,305)
Instructional Support Services	2,103,203	-	232,818	-	(1,870,385)
General Support Services	6,886,409	-	116,004	-	(6,770,405)
Facilities Operating Lease	1,549,298	-	-	1,549,298	-
Maintenance of Plant	2,258,192	-	-	-	(2,258,192)
Community Services	1,427,859	1,794,462	-	-	366,603
Food Services	1,756,759	974,540	812,060	-	29,841
Depreciation - Unallocated	354,505	-	-	-	(354,505)
Total Governmental Activities	\$ 33,056,020	\$ 2,769,002	\$ 1,551,372	\$ 1,549,298	(27,186,348)

General Revenues

Florida Education Finance Program	17,998,214
"A" School Funds	317,220
Advance Placement Funds	110,719
Contributions	8,532,681
Other Miscellaneous	246,807
Total General Revenues	27,205,641
Change in Net Position	19,293
Net Position, Beginning of Year	399,003
Net Position, End of Year	\$ 418,296

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

	ASSETS			Total Governmental Total
	General Fund	Special Revenue Fund	Capital Projects Funds	
Assets				
Cash in Bank	\$ 92,477	\$ 413,161	\$ -	\$ 505,638
Accounts Receivable	143,673	-	-	143,673
Prepaid Items	4,653	-	-	4,653
Inventory	-	11,752	-	11,752
Due from Other Fund	88,995	-	-	88,995
Total Assets	<u>329,798</u>	<u>424,913</u>	<u>-</u>	<u>754,711</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable - Trade	672,727	38	-	672,765
Accounts Payable - Related-Party	124,510	-	-	124,510
Health Claims Payable	499,073	18,584	-	517,657
Accrued Expenses	313,880	2,132	-	316,012
Short-Term Advance - Related-Party	218,695	-	-	218,695
Unearned Revenue	148,986	36,323	-	185,309
Due to Student Activities	183,747	-	-	183,747
Due to Other Fund	-	88,995	-	88,995
Total Liabilities	<u>2,161,618</u>	<u>146,072</u>	<u>-</u>	<u>2,307,690</u>
Fund Balances				
Non-Spendable:				
Inventory	-	11,752	-	11,752
Prepaid Items	4,653	-	-	4,653
Restricted	-	267,089	-	267,089
Unassigned	(1,836,473)	-	-	(1,836,473)
Total Fund Balance	<u>(1,831,820)</u>	<u>278,841</u>	<u>-</u>	<u>(1,552,979)</u>
Total Liabilities and Fund Balance	<u>\$ 329,798</u>	<u>\$ 424,913</u>	<u>\$ -</u>	<u>\$ 754,711</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
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 \$ (1,552,979)

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 \$5,457,945 and the accumulated depreciation is \$3,486,670 for 2019.

1,971,275

Total Net Position - Governmental Funds

\$ 418,296

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenue				
State - Through the Sumter County District School Board:				
Florida Education Finance Program	\$ 17,998,214	\$ -	\$ -	\$ 17,998,214
Charter School Capital Outlay Funds	-	-	1,549,298	1,549,298
"A" School Funds	317,220	-	-	317,220
Advance Placement Funds	110,719	-	-	110,719
Federal Through State:				
National School Lunch Program	-	812,060	-	812,060
Local:				
Food Services	-	974,540	-	974,540
Grants and Contracts	739,312	-	-	739,312
Contributions	8,532,681	-	-	8,532,681
Child Care and Other Fees	1,794,462	-	-	1,794,462
Miscellaneous	246,807	-	-	246,807
Total Revenue	<u>29,739,415</u>	<u>1,786,600</u>	<u>1,549,298</u>	<u>33,075,313</u>
Expenditures				
Current:				
Instruction	16,719,795	-	-	16,719,795
Instructional Support Services	2,103,203	-	-	2,103,203
General Support Services	6,886,409	-	-	6,886,409
Facilities Operating Lease	1,549,298	-	-	1,549,298
Maintenance of Plant	2,258,192	-	-	2,258,192
Community Services	1,427,859	-	-	1,427,859
Food Services	-	1,756,759	-	1,756,759
Capital Outlay	423,798	-	-	423,798
(Total Expenditures)	<u>(31,368,554)</u>	<u>(1,756,759)</u>	<u>-</u>	<u>(33,125,313)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,629,139)	29,841	1,549,298	(50,000)
Other Financing Sources (Uses)				
Transfers in/(out)	1,549,298	-	(1,549,298)	-
Net Change in Fund Balances	(79,841)	29,841	-	(50,000)
Fund Balance, Beginning of Year	<u>(1,751,979)</u>	<u>249,000</u>	<u>-</u>	<u>(1,502,979)</u>
Fund Balance, End of Year	<u>\$ (1,831,820)</u>	<u>\$ 278,841</u>	<u>\$ -</u>	<u>\$ (1,552,979)</u>

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, 2019
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 \$ (50,000)

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 \$423,798 is more than depreciation expense (\$354,505) in the period less the net book value of disposed assets \$0.

69,293

Total Change in Net Position - Governmental Funds \$ 19,293

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
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	\$ 18,457,312	\$ 18,161,360	\$ 17,998,214	\$ (163,146)
"A" School Funds	-	316,000	317,220	1,220
Advance Placement Funds	-	110,000	110,719	719
Local:				
Grants and Contracts	210,500	422,435	739,312	316,877
Contributions	9,570,055	9,930,625	8,532,681	(1,397,944)
Child Care and Other Fees	1,660,500	1,721,000	1,794,462	73,462
Miscellaneous	313,106	290,959	246,807	(44,152)
Total Revenue	<u>30,211,473</u>	<u>30,952,379</u>	<u>29,739,415</u>	<u>(1,212,964)</u>
Expenditures				
Current:				
Instruction	16,364,375	16,983,993	16,719,795	264,198
Instructional Support Services	2,338,910	2,327,340	2,103,203	224,137
General Support Services	7,242,949	6,957,844	6,886,409	71,435
Facilities Operating Lease	1,500,000	1,550,000	1,549,298	702
Maintenance of Plant	2,591,517	2,348,517	2,258,192	90,325
Community Services	1,383,242	1,721,500	1,427,859	293,641
Capital Outlay	290,480	595,615	423,798	171,817
(Total Expenditures)	<u>(31,711,473)</u>	<u>(32,484,809)</u>	<u>(31,368,554)</u>	<u>1,116,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500,000)	(1,532,430)	(1,629,139)	(96,709)
Other Financing Source				
Transfers in	1,500,000	1,532,000	1,549,298	17,298
Net Changes in Fund Balances	-	(430)	(79,841)	(79,411)
Fund (Deficit) Balance, Beginning of Year	<u>(606,458)</u>	<u>(780,470)</u>	<u>(1,751,979)</u>	<u>(971,509)</u>
Fund (Deficit) Balance, End of Year	<u>\$ (606,458)</u>	<u>\$ (780,900)</u>	<u>\$ (1,831,820)</u>	<u>\$ (1,050,920)</u>

See accompanying notes.

BUDGETARY COMPARISON STATEMENT
MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019
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	\$ 750,000	\$ 814,000	\$ 812,060	\$ (1,940)
Local:				
Food Services	946,750	971,750	974,540	2,790
Total Revenue	<u>1,696,750</u>	<u>1,785,750</u>	<u>1,786,600</u>	<u>850</u>
Expenditures				
Current:				
Food Service	1,696,750	1,785,750	1,756,759	28,991
(Total Expenditures)	<u>(1,696,750)</u>	<u>(1,785,750)</u>	<u>(1,756,759)</u>	<u>28,991</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	29,841	29,841
Fund Balance, Beginning of Year	<u>(39,398)</u>	<u>(124,453)</u>	<u>249,000</u>	<u>373,453</u>
Fund Balance, End of Year	<u>\$ (39,398)</u>	<u>\$ (124,453)</u>	<u>\$ 278,841</u>	<u>\$ 403,294</u>

See accompanying notes.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
AS OF JUNE 30, 2019
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA

	Internal Accounts
Assets	
Cash	\$ 310,001
Due from General Fund	183,747
Total Assets	493,748
 Liabilities	
Due to Students and Student Organizations	\$ 493,748

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 fund). 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 three parts - net investment in capital assets, restricted for food services, and unrestricted net position. Fiduciary funds that are fiduciary in nature are not included in the government-wide financial statements.

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 three 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.
- **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 elementary, primary, and intermediate buildings.

■ Additionally, the School reports the following fiduciary fund type:

- **Agency Fund**—to account for resources of the school internal funds which are used to administer monies collected for student athletic activities and student organizations.

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 inter-fund activity have been eliminated from the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

■ **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 balance that is 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 fully insured by Federal Depository Insurance Corporation (FDIC) since they are held in FDIC regulated non-interest bearing deposit accounts. Additionally, cash deposits for public funds are collateralized with securities held in Florida's multiple financial institution collateral pools as required by Chapter 280, Florida Statutes.

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 is 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**

<p>5-10 Years 3 Years 5-15 Years 15 Years 15 to 40 Years</p>	<p>Library Books Software Machinery, Equipment, and Vehicles Infrastructure Improvements</p>
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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 2018-2019 school year, the School received A+ funds under the Bush/Brogan A+ Plan for Education.

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 GAAP basis for the General and Special Revenue Fund.

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, 2019, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	
Government Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 54,875	\$ 111,825	\$ (54,875)	\$ 111,825
Capital Assets Being Depreciated:				
Furniture and Equipment	2,974,551	192,448	(42,764)	3,124,235
Buildings	425,457	-	-	425,457
Library Books	822,428	7,615	(56,750)	773,293
Leasehold Improvements	338,293	114,935	-	453,228
Vehicles	470,605	51,850	-	522,455
Infrastructure	47,452	-	-	47,452
Total Capital Assets Being Depreciated	5,133,661	478,673	(154,389)	5,457,945
Less Accumulated Depreciation for:				
Furniture and Equipment	(1,971,525)	(220,960)	42,764	(2,149,721)
Buildings	(133,147)	(10,909)	-	(144,056)
Library Books	(773,016)	(20,103)	56,750	(736,369)
Leasehold Improvements	(72,939)	(12,994)	-	(85,933)
Vehicles	(258,657)	(86,634)	-	(345,291)
Infrastructure	(22,395)	(2,905)	-	(25,300)
(Total Accumulated Depreciation)	(3,231,679)	(354,505)	99,514	(3,486,670)
Total Capital Assets Being Depreciated, Net	1,901,982	124,168	(54,875)	1,971,275
Government Activities Capital Assets, Net	\$ 1,901,982	\$ 124,168	\$ (54,875)	\$ 1,971,275

Depreciation expense for the period was \$354,505, which is all shown as unallocated in the statement of activities.

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

The following is a summary of inter-fund receivables and payables reported in the fund shown as Due To/Due From Other Fund in the financial statements:

Funds	Due To	Due From
General Fund	\$ 183,747	\$ 88,995
Special Revenue Fund	88,995	-
Agency Fund	-	183,747

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.

**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**

Inter-fund transfers represent the Charter School Capital Outlay funds received and transferred to the General Fund for payment of the building operating lease. The transfers during the year ended June 30, 2019, were as follows:

	<u>Transfer In</u>	<u>Transfer (Out)</u>
General Fund	\$ 1,549,298	\$ -
Capital Project Fund	-	1,549,298

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

As of June 30, 2019, the fund balance in the general fund had a deficit of (\$1,831,820).

Note 6 - Related-Party Transactions

During the year ended June 30, 2019, there were various transactions between the School and related parties. A listing of these transactions is as follows:

- The Villages of Lake Sumter, Inc., the incorporator of the School, leases the elementary school buildings to the School. Rent expense paid under this agreement was \$1,549,298.
- The Holding Company of The Villages made contributions in the amount of \$8,039,868 to the School for operating costs with accounts payable of \$124,510 as of, and during the year ended June 30, 2019.
- The Holding Company of The Villages made a short-term advance in the amount of \$218,695 at year-end to cover operating expenses.

Note 7 - Operating Leases

Buildings Lease Agreement

The School leases the elementary, primary, and intermediate buildings under a non-cancellable operating lease agreement with The Villages of Lake Sumter, Inc. (a related-party). The lease agreement has a 60-month term with two automatic 60-month extensions ending 2021, which is structured based upon the receipt of the School's State Capital Outlay funds provided by the District. Operating lease expenditure was \$1,549,298 for the year ended June 30, 2019. The future scheduled rent payments for the next five years based on the projected 2019-2020 fiscal year capital outlay funds are 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>Year</u>	<u>Amount</u>
2020	\$ 1,600,000
2021	1,600,000
2022	-
2023	-
2024	-
Total	<u>\$ 3,200,000</u>

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 \$40,796 for the year ended June 30, 2019. The future scheduled rent payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 38,291
2021	31,345
2022	30,274
2023	14,286
2024	544
Total	<u>\$ 114,740</u>

Note 8 - Defined Contribution Plan

The School provides a defined contribution plan administered by Wells Fargo. 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 up to 100% of their total salary for the fiscal year. 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 \$580,544 and \$1,040,695, 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:

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

Year	Claims Payable Beginning of Year	Claims Incurred	Claims Paid	Claims Payable End of Year
2018	\$ 512,593	\$ 2,586,216	\$ (2,487,420)	\$ 611,389
2019	611,389	3,318,549	(3,412,281)	517,657

Note 10 - Subsequent Events

The operating deficit in the General Fund was funded subsequent to year-end through contributions from The Holding Company of the Villages.

**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, 2019, 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 18, 2019.

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) to determine 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 18, 2019
Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE 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 programs for the year ended June 30, 2019. 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 each of its major federal program for the year ended June 30, 2019.

Certified Public Accountants

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1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE 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 18, 2019
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
THE VILLAGES CHARTER SCHOOL, INC.
THE VILLAGES, FLORIDA**

<u>GRANTOR/Pass-Through Agency(ies) Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
Passed Through the Sumter County School Board		
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 220,635
Career and Technical Education (Perkins IV)	84.048A	7,000
Title II Part A	84.367A	<u>28,308</u>
Total U.S. Department of Education		<u>255,943</u>
U.S. Department of Agriculture		
Passed Through the Florida Department of Education		
<i>Child Nutrition Cluster:</i>		
National School Lunch Program	10.555	687,164
School Breakfast Program	10.553	<u>124,895</u>
Total U.S. Department of Agriculture		<u>812,059</u>
Total Expenditures of Federal Awards		<u>\$ 1,068,002</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
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, 2019
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.
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
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, 2019, and have issued our report thereon dated October 18, 2019.

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 18, 2019, 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

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site 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 18, 2019
Ocala, Florida