

2023

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, 2023

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of The Villages Charter School, Inc. (the School), a component unit of the Sumter County District School Board, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison statement for the General Fund and major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient to and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

INDEPENDENT AUDITOR'S REPORT

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, 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.

Purvis Gray

December 7, 2023
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, 2023. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be read in conjunction with the preceding Independent Auditor's Report and financial statements following this section.

Overview of Financial Statements

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

Governmental Activities Financial Statements and Financial Analysis

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

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

THE VILLAGES CHARTER SCHOOL, INC. NET POSITION

	Governmental Activities 2023	Governmental Activities 2022
Current Assets	\$ 8,832,903	\$ 3,540,193
Capital Assets	225,733,002	2,238,565
Total Assets	234,565,905	5,778,758
Total Liabilities	3,423,259	2,628,391
Invested in Capital Assets	225,733,002	2,238,565
Restricted for Food Services	892,665	912,878
Restricted for Student Activities	716,444	677,338
Unrestricted	3,800,535	(678,414)
Total Net Position	\$ 231,142,646	\$ 3,150,367

The total assets of the Charter School increased by \$228,787,147 in 2023. The increase is mainly due to the donation of capital assets in the amount of \$225,583,694 received in 2023. The total liabilities of the Charter School increased by \$794,868 in 2023. The Charter School has no long-term debt. The total net position increased by \$227,992,279 in 2023, due to donated capital assets received in 2023.

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 2023	Governmental Activities 2022
Revenues		
Program Revenue:		
Capital Grants and Contributions	\$ 227,439,798	\$ 1,761,247
Operating Grants and Contributions	5,069,689	5,528,221
Charges for Services	4,827,585	3,516,958
General Revenue:		
Florida Education Finance Program	21,965,643	20,421,454
Advance Placement Funds	213,053	189,175
School Recognition Funds	616,931	-
Contributions	25,814,244	10,824,529
Lease Revenue	6,673,944	
Miscellaneous	277,584	221,730
Total Revenues	292,898,471	42,463,314
Expenses		
Instruction	35,064,005	19,762,358
Instructional Support Services	4,130,825	2,708,042
General Support Services	13,250,002	8,267,830
Facilities Operating Lease	885,659	1,760,685
Maintenance of Plant	2,593,962	2,456,183
Community Services	1,633,491	1,423,288
Food Services	2,828,514	2,199,483
Athletic Events and Student Activities	1,429,839	1,181,122
Depreciation - Unallocated	3,089,895	345,398
Total Expenses	64,906,192	40,104,389
Change in Net Position	\$ 227,992,279	\$ 2,358,925

The Capital Grants revenue increased by \$225,678,551 due to the donation of capital assets of \$225,583,694 received in 2023. The Florida Education Finance Program revenue increased \$1,544,189 in 2023 due to an increase in the base student allocation and an increase in student enrollment. Contributions increased by \$14,989,715 mainly to help offset the costs of furniture and equipment for the new south charter school campus to open in July 2023.

Expenses related to Instruction and Instructions Support Services increased by \$16,724,430, and expenses related to General Support Services increased by \$4,982,172 mainly due to the purchase of furniture and equipment for the new south campus and due to the utilization of federal grant relief funds received due to the COVID-19 pandemic. Food Services expenditures increased by \$414,102 due to increased enrollment. Athletic Events and Student Activities are presented in the statement of activities under the new Governmental Accounting Standards Board (GASB) Statement No. 84 standard implemented in 2021.

Fund Financial Statements and Financial Analysis

Governmental Fund

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund balance - unassigned in the general fund increased \$4,478,949 due to an increase in general fund revenue. Fund balance - restricted in the food service special revenue fund decreased by (\$20,213) primarily due to increased purchases of equipment for the new south campus. Fund balance - restricted in the student activities special revenue fund is presented under the new GASB 84 standard implemented in 2021; it increased by \$39,106. The Charter School's governmental fund statement of revenues, expenses, and changes in fund balance shows a total net change in fund balances of \$4,497,842 for 2023.

Capital Assets

The Charter School's investment in capital assets for its governmental activities amounts to \$225,733,002 (net of accumulated depreciation). During the school year, the charter school received \$225,583,694 in donated capital assets. This investment in capital assets includes land, buildings, leasehold improvements, furniture and equipment, vehicles, and library books.

Budgetary Comparison Analysis-General Fund

Actual contributions were \$875,267 less than the final budget amount at June 30, 2023. The variance illustrates that the Charter School received less contributions in 2023 than expected. Lease Revenue was \$2,488,538 more than the final budget amount illustrating the Charter School received more than expected. General Support expenses were \$1,173,809 less than the final budget amount illustrating less general support expenses 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 2024 fiscal year will be critical to ensure that the Charter School continues to operate effectively.

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2023
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	\$ 7,441,865
Accounts Receivable	588,849
Prepaid Expenses	107,216
Inventory	23,875
Due from Other Agencies	671,098
Capital Assets, Net of Accumulated Depreciation	225,733,002
Total Assets	234,565,905

LIABILITIES AND NET POSITION

Liabilities

Accounts Payable - Trade	801,952
Accounts Payable - Related-Party	70,721
Health Claims Payable	861,003
Accrued Salary and Related Payroll Expenses	925,274
Unearned Revenue	764,309
Total Liabilities	3,423,259

Net Position

Net Investment in Capital Assets	225,733,002
Restricted for Food Services	892,665
Restricted for Student Activities	716,444
Unrestricted	3,800,535
Total Net Position	\$ 231,142,646

See accompanying notes.

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
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) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 35,064,005	\$ -	\$ 1,647,491	\$ 225,583,694	\$ 192,167,180
Instructional Support Services	4,130,825	-	1,384,054	-	(2,746,771)
General Support Services	13,250,002	-	513,963	-	(12,736,039)
Facilities Operating Lease	885,659	-	-	885,659	-
Maintenance of Plant	2,593,962	-	-	970,445	(1,623,517)
Community Services	1,633,491	1,972,427	-	-	338,936
Food Services	2,828,514	1,211,741	1,698,653	-	81,880
Athletic Events	1,000,747	1,026,671	-	-	25,924
Student Activities	429,092	437,777	4,497	-	13,182
Depreciation - Unallocated	3,089,895	-	-	-	(3,089,895)
Total Governmental Activities	\$ 64,906,192	\$ 4,648,616	\$ 5,248,658	\$ 227,439,798	172,430,880

General Revenues

Florida Education Finance Program	21,965,643
Advance Placement Funds	213,053
School Recognition Funds	616,931
Contributions	25,814,244
Lease Revenue	6,673,944
Other Miscellaneous	277,584
Total General Revenues	55,561,399

Change in Net Position 227,992,279

Net Position, Beginning of Year \$ 3,150,367

Net Position, End of Year \$ 231,142,646

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
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 CRRSA-ESSER	Special Revenue Fund Student Activities	Capital Projects Funds	Total Governmental Total
Assets						
Cash in Bank	\$ 5,492,565	\$ 912,416	\$ -	\$ 1,036,884	\$ -	\$ 7,441,865
Accounts Receivable	570,357	10,794	7,698	-	-	588,849
Due from Other Agencies	17,213	-	653,885	-	-	671,098
Prepaid Items	107,216	-	-	-	-	107,216
Inventory	-	23,875	-	-	-	23,875
Due from Other Funds	466,261	32,946	-	-	-	499,207
Total Assets	\$ 6,653,612	\$ 980,031	\$ 661,583	\$ 1,036,884	\$ -	\$ 9,332,110

LIABILITIES AND FUND EQUITY

Liabilities						
Accounts Payable - Trade	\$ 791,210	\$ 10,174	\$ 568	\$ -	\$ -	\$ 801,952
Accounts Payable - Related-Party	70,721	-	-	-	-	70,721
Health Claims Payable	800,775	19,200	41,028	-	-	861,003
Accrued Expenses	797,879	6,615	120,780	-	-	925,274
Unearned Revenue	392,492	51,377	-	320,440	-	764,309
Due to Other Funds	-	-	499,207	-	-	499,207
Total Liabilities	2,853,077	87,366	661,583	320,440	-	3,922,466
Fund Balances						
Non-Spendable:						
Inventory	-	23,875	-	-	-	23,875
Prepaid Items	107,216	-	-	-	-	107,216
Restricted	-	868,790	-	716,444	-	1,585,234
Unassigned	3,693,319	-	-	-	-	3,693,319
Total Fund Balance	3,800,535	892,665	-	716,444	-	5,409,644
Total Liabilities and Fund Balance	\$ 6,653,612	\$ 980,031	\$ 661,583	\$ 1,036,884	\$ -	\$ 9,332,110

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

Total Fund Balance - Governmental Funds	\$	5,409,644
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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 \$233,049,051 (including Donated Capital Assets of \$225,583,694) and the accumulated depreciation is \$7,316,049 for the year ended June 30, 2023.

225,733,002

Total Net Position - Governmental Funds	\$	<u><u>231,142,646</u></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, 2023
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	General Fund	Special Revenue Fund Food Service	Special Revenue Fund CRRSA-ESSER	Special Revenue Fund Student Activities	Capital Projects Fund	Total
Revenue						
State - Through the Sumter County						
District School Board:						
Florida Education Finance Program	\$ 21,965,643	\$ -	\$ -	\$ -	\$ -	\$ 21,965,643
Charter School Capital Outlay Funds	-	-	-	-	1,856,104	1,856,104
Advance Placement Funds	213,053	-	-	-	-	213,053
School Recognition Funds	616,931	-	-	-	-	616,931
Federal Through State:						
National School Lunch Program	-	1,483,724	-	-	-	1,483,724
Other Grants	412,121	-	3,072,765	-	-	3,484,886
Local:						
Food Services	-	1,211,741	-	-	-	1,211,741
Grants and Contracts	60,622	-	-	-	-	60,622
Contributions	25,814,244	-	-	4,497	-	25,818,741
Child Care and Other Fees	1,972,427	-	-	-	-	1,972,427
Membership Dues	-	-	-	16,622	-	16,622
Athletic Events	-	-	-	1,026,671	-	1,026,671
Student Events and Services	-	-	-	421,155	-	421,155
Lease Revenue	6,673,944	-	-	-	-	6,673,944
Miscellaneous	277,584	-	-	-	-	277,584
Total Revenue	58,006,569	2,695,465	3,072,765	1,468,945	1,856,104	67,099,848
Expenditures						
Current:						
Instruction	33,509,492	-	1,554,513	-	-	35,064,005
Instructional Support Services	3,097,564	-	1,033,261	-	-	4,130,825
General Support Services	12,765,011	-	484,991	-	-	13,250,002
Facilities Operating Lease	885,659	-	-	-	-	885,659
Maintenance of Plant	2,593,962	-	-	-	-	2,593,962
Community Services	1,633,491	-	-	-	-	1,633,491
Food Services	-	2,613,585	-	-	-	2,613,585
Athletic Events	-	-	-	1,000,747	-	1,000,747
Student Activities Donations and Supplies	-	-	-	429,092	-	429,092
Capital Outlay	898,545	102,093	-	-	-	1,000,638
(Total Expenditures)	(55,383,724)	(2,715,678)	(3,072,765)	(1,429,839)	-	(62,602,006)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,622,845	(20,213)	-	39,106	1,856,104	4,497,842
Other Financing Sources (Uses)						
Transfers In/(Out)	1,856,104	-	-	-	(1,856,104)	-
Net Change in Fund Balances	4,478,949	(20,213)	-	39,106	-	4,497,842
Fund Balance (Deficit), Beginning of Year	(678,414)	912,878	-	677,338	-	911,802
Fund Balance, End of Year	\$ 3,800,535	\$ 892,665	\$ -	\$ 716,444	\$ -	\$ 5,409,644

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, 2023
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	\$	4,497,842
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Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Net Effect of Donated Food Non-Cash Assistance (\$214,929)		-
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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 \$226,584,332 (including Donated Capital Assets of \$225,583,694) is less than depreciation expense (\$3,089,895) for the year ended June 30, 2023.

		<u>223,494,437</u>
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Total Change in Net Position - Governmental Funds	\$	<u><u>227,992,279</u></u>
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See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
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	\$ 21,409,161	\$ 21,961,661	\$ 21,965,643	\$ 3,982
Advance Placement Funds	198,000	213,000	213,053	53
School Recognition Funds	-	616,000	616,931	931
Local:				
Grants and Contracts	271,390	469,940	472,743	2,803
Contributions	30,073,811	26,689,511	25,814,244	(875,267)
Child Care and Other Fees	1,835,380	1,963,000	1,972,427	9,427
Lease Revenue	-	4,185,406	6,673,944	2,488,538
Miscellaneous	190,000	167,437	277,584	110,147
Total Revenue	<u>53,977,742</u>	<u>56,265,955</u>	<u>58,006,569</u>	<u>1,740,614</u>
Expenditures				
Current:				
Instruction	33,939,394	34,286,694	33,509,492	777,202
Instructional Support Services	2,327,831	3,173,031	3,097,564	75,467
General Support Services	11,529,599	13,938,993	12,765,011	1,173,982
Facilities Operating Lease	1,746,000	951,000	885,659	65,341
Maintenance of Plant	2,429,094	2,625,094	2,593,962	31,132
Community Services	1,488,324	1,641,380	1,633,491	7,889
Capital Outlay	2,263,500	1,504,263	898,545	605,718
(Total Expenditures)	<u>(55,723,742)</u>	<u>(58,120,455)</u>	<u>(55,383,724)</u>	<u>2,736,731</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,746,000)	(1,854,500)	2,622,845	4,477,345
Other Financing Source				
Transfers In	1,746,000	1,854,500	1,856,104	1,604
Net Changes in Fund Balances	-	-	4,478,949	4,478,949
Fund (Deficit) Balance, Beginning of Year	-	-	(678,414)	(678,414)
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,800,535</u>	<u>\$ 3,800,535</u>

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
SPECIAL REVENUE FUND - FOOD SERVICES
FOR THE YEAR ENDED JUNE 30, 2023
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	\$ 995,000	\$ 1,302,900	\$ 1,483,724	\$ 180,824
Local:				
Food Services	1,135,448	1,414,738	1,211,741	(202,997)
Total Revenue	<u>2,130,448</u>	<u>2,717,638</u>	<u>2,695,465</u>	<u>(22,173)</u>
Expenditures				
Current:				
Food Service	2,130,448	2,615,542	2,613,585	1,957
Capital Outlay	-	102,096	102,093	3
(Total Expenditures)	<u>(2,130,448)</u>	<u>(2,717,638)</u>	<u>(2,715,678)</u>	<u>1,960</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(20,213)	(20,213)
Fund Balance, Beginning of Year	-	-	912,878	912,878
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,665</u>	<u>\$ 892,665</u>

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
SPECIAL REVENUE FUND - CRRSA-ESSER
FOR THE YEAR ENDED JUNE 30, 2023
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	\$ 3,672,699	\$ 3,881,644	\$ 3,072,765	\$ (808,879)
Total Revenue	<u>3,672,699</u>	<u>3,881,644</u>	<u>3,072,765</u>	<u>(808,879)</u>
Expenditures				
Current:				
Instruction	1,824,554	2,022,132	1,554,513	467,619
Instructional Support Services	958,093	969,460	1,033,261	(63,801)
General Support Services	890,052	890,052	484,991	405,061
(Total Expenditures)	<u>(3,672,699)</u>	<u>(3,881,644)</u>	<u>(3,072,765)</u>	<u>808,879</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

**BUDGETARY COMPARISON STATEMENT
SPECIAL REVENUE FUND - STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
THE VILLAGES CHARTER SCHOOL, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE SUMTER
COUNTY DISTRICT SCHOOL BOARD) - THE VILLAGES, FLORIDA**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue				
Local:				
Contributions	\$ 10,000	\$ 10,000	\$ 4,497	\$ (5,503)
Membership Dues	15,000	15,000	16,622	1,622
Athletic Events	847,000	847,000	1,026,671	179,671
Student Events and Services	315,000	315,000	421,155	106,155
Total Revenue	<u>1,187,000</u>	<u>1,187,000</u>	<u>1,468,945</u>	<u>281,945</u>
Expenditures				
Current:				
Athletic Events	847,000	847,000	1,000,747	(153,747)
Student Activities	340,000	340,000	429,092	(89,092)
(Total Expenditures)	<u>(1,187,000)</u>	<u>(1,187,000)</u>	<u>(1,429,839)</u>	<u>(242,839)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	39,106	39,106
Fund Balance, Beginning of Year	-	-	677,338	677,338
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716,444</u>	<u>\$ 716,444</u>

See accompanying notes.

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Presentation

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

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

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

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

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

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

Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the School:

■ **Governmental Funds**

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

- **General Fund**—is the general operating fund of the School. It is used to account for all financial resources. This fund is considered a major fund.
- **Special Revenue Fund**—to account for certain federal grants program resources, such as the National School Lunch Program. This fund is considered a major special revenue fund.
- **Special Revenue Fund**—to account for the *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSA Act), and the *American Rescue Plan Act* (ARP Act); 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 for part of the year and for other maintenance costs.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Fund Equity

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

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

Cash in Bank

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

Inventory

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

Capital Assets

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

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

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

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

During the 2022-2023 School year, the School received federal grant funds under the CRRSA Act and ARP Act.

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

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

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

Compensated Absences

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

Management’s Review

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

Budgetary Information

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

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

Note 2 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Government Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 99,026	\$ -	\$ 99,026
Land	-	9,350,000	-	9,350,000
Total Capital Assets Not Being Depreciated	-	9,449,026	-	9,449,026
Capital Assets Being Depreciated:				
Furniture and Equipment	3,867,147	538,115	(57,985)	4,347,277
Buildings	425,457	188,408,358	-	188,833,815
Library Books	817,842	14,874	-	832,716
Leasehold Improvements	583,820	-	-	583,820
Vehicles	780,986	348,623	-	1,129,609
Infrastructure	47,452	27,825,336	-	27,872,788
Total Capital Assets Being Depreciated	6,522,704	217,135,306	(57,985)	223,600,025
Less Accumulated Depreciation for:				
Furniture and Equipment	(2,567,944)	(246,244)	57,985	(2,756,203)
Buildings	(176,783)	(2,366,014)	-	(2,542,797)
Library Books	(767,899)	(12,007)	-	(779,906)
Leasehold Improvements	(166,158)	(27,316)	-	(193,474)
Vehicles	(571,340)	(87,592)	-	(658,932)
Infrastructure	(34,015)	(350,722)	-	(384,737)
(Total Accumulated Depreciation)	(4,284,139)	(3,089,895)	57,985	(7,316,049)
Total Capital Assets Being Depreciated, Net	2,238,565	214,045,411	-	216,283,976
Government Activities Capital Assets, Net	\$ 2,238,565	\$ 223,494,437	\$ -	\$ 225,733,002

The School received donated capital assets with an acquisition value of \$225,583,694, as of June 30, 2023.

Depreciation expense for the period was \$3,089,895, 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:

Funds	Due To	Due From
General Fund	\$ -	\$ 466,261
Special Revenue Funds	499,207	32,946

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

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, 2023, were as follows:

	<u>Transfer In</u>	<u>Transfer (Out)</u>
General Fund	\$ 1,856,104	\$ -
Capital Project Fund	-	1,856,104

Note 4 - Federal and State Taxes

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

Note 5 - Related-Party Transactions

During the year ended June 30, 2023, 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 \$885,659. Amounts payable to VLS as of June 30, 2023, is \$15,497.
- VLS, the incorporator of the School, donated land and several school buildings to the School in December 2023. VLS had a valuation performed by a third party and determined that the acquisition value of the buildings, land, and improvements was \$225,583,694. This amount has been included in the financial statements as donated land and buildings.
- The Villages Technology Solutions Group (TSG) provides technology services to the School and purchases of computer equipment. Total technology expense paid was \$728,623. Amounts payable to TSG as of June 30, 2023, was \$55,224.
- The Holding Company of The Villages (parent company of VLS) made contributions in the amount of \$25,377,985 to the School for operating costs and purchases of furniture and equipment for a new campus.

Note 6 - Leases

Buildings Lease Agreement

The School leases buildings under an initial non-cancellable operating lease agreement with VLS (a related-party). The lease agreement had a 60-month term with two automatic 60-month extensions ended June 30, 2021 (fiscal year), which is structured based upon the receipt of the School’s State Capital Outlay funds provided by the District. The lease renewal agreement dated July 1, 2022, states that after the initial terms, the lease shall automatically renew for one-year terms “unless either party gives notice of the cancellation clause by both parties within one year, under **GASB Statement No. 87, Leases**, this

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

of termination to the other party not less than 90 days prior to the end of any one-year term". Because contract is considered a short-term lease and not subject to the capitalization criteria. On December 21, 2022, the intermediate elementary buildings were donated to the school. Therefore, the building lease agreement was terminated during the school year.

Operating lease expenditure was \$885,659 for the year ended June 30, 2023.

Donated Buildings and Assignment of Lease

VLS was the owner of several school buildings leased to the District on behalf of the students of the School. In December 2022, VLS donated the majority of these school buildings to the School (see capital asset note). The current lease agreement between VLS and the District was assigned to the School, and the School now leases the buildings to the District.

The terms of this lease agreement require the amount of the annual lease payments to be determined by a percentage of the millage of the taxable value of real property within The Villages. Because the terms of the agreement are based on a future performance of property values, GASB Statement No. 99, *Omnibus 2022*, states the following: "variable payments, such as those based on future performance of the lessee or usage of the underlying asset, should not be included in the measurement of the lease liability". Therefore, the terms of this lease are not required to be reported under the guidance of GASB Statement No. 87, *Leases*. Lease revenue under the terms of this agreement was \$6,673,944 during the year ended June 30, 2023.

Copier Lease Agreements

The School has lease agreements for multiple copiers accounted for as a short-term operating lease. Total lease expense for these agreements was \$47,321 for the year ended June 30, 2023.

Note 7 - Defined Contribution Plan

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

The plan document allows employees to contribute a percentage of their total salary in accordance with the annual Internal Revenue Service limits, including catch-up contributions. The School is required to match 100% of the first 5% of the employee's contribution. Employees have 100% vesting in the plan for their portion of contributions but must follow a graduated vesting schedule for the employer's matching contributions. Total contributions made by the employer and employee were \$824,997 and \$1,491,654, respectively.

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 8 - Risk Management Programs

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

<u>Year</u>	<u>Claims Payable Beginning of Year</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Claims Payable End of Year</u>
2022	\$ 612,423	\$ 3,131,804	\$ (2,714,532)	\$ 1,029,695
2023	1,029,695	3,942,473	(4,111,165)	861,003

Note 9 - Subsequent Event

Subsequent to year-end, the School opened a new campus in August 2023, serving students in grades K-12. The Villages High School has relocated to the new campus beginning with the 2023-2024 school year.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of The Villages Charter School, Inc. (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on

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

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

the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 7, 2023
Ocala, Florida

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited The Villages Charter School, Inc.'s (the School) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal program for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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The Villages, Florida

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

Purvis Gray

December 7, 2023
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023
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 District School Board		
Special Education Grants to States (IDEA, Part B)	84.027A	\$ 261,242
COVID-19 – Special Education Grants to States (IDEA, Part B)	84.027X	<u>60,648</u>
Total Special Education Grants to States (IDEA, Part B)		<u>321,890</u>
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	8,930
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048A	<u>10,993</u>
Total Career and Technical Education – Basic Grants to States (Perkins IV)		<u>19,923</u>
Supporting Effective Instruction State Grant - Title II Part A	84.367A	<u>41,391</u>
COVID-19 – Education Stabilization Fund	84.425D	371,954
COVID-19 – Education Stabilization Fund	84.425U	<u>2,729,728</u>
Total Education Stabilization Fund		<u>3,101,682</u>
Total U.S. Department of Education		<u>3,484,886</u>
U.S. Department of Agriculture		
Passed Through the Florida Department of Agriculture and Consumer Services		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	180,833
National School Lunch Program	10.555	<u>1,517,820</u>
Total Child Nutrition Cluster		
Total U.S. Department of Agriculture		<u>1,698,653</u>
Total Expenditures of Federal Awards		<u>\$ 5,183,539</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023
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 - Non-Cash USDA Food Commodities

During the year, The Villages Charter School, Inc. received food commodities valued at \$214,929 and is shown in the Schedule of Federal Awards within the National School Lunch Program AL# 10.555.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023
THE VILLAGES CHARTER SCHOOL, INC.
THE VILLAGES, FLORIDA**

Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified?	None Reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Identification of Major Programs:	
Federal Program or Cluster	Federal Assistance Listing No.
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Education Stabilization Fund	84.425 (D and U)
Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$750,000
Auditee Qualified as Low-Risk Auditee Pursuant to the Uniform Guidance?	Yes

Other Issues

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

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of The Villages Charter School, Inc. (the School) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 7, 2023.

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 December 7, 2023, 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.

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The Villages, Florida

MANAGEMENT LETTER

Financial Condition and Management

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

Transparency

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and 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.



December 7, 2023
Ocala, Florida

PURVIS GRAY

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