

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Financial Statements
with Independent Auditor's Reports Thereon**

June 30, 2022



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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DISCOVERY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Discovery High School, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- ❖ The School's total governmental fund deficit at June 30, 2022 is approximately \$(383,000).
- ❖ For the fiscal year ended June 30, 2022, the School's expenditures exceeded revenues by approximately \$743,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for not directly related to the School's mission. For the year ended June 30, 2022, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund and special revenue fund as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedules show four columns: 1) the original budget as adopted by the board, 2) the final budget as amended by the board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

Other Reports

In addition, it also includes the Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, Audits of Charter Schools and Similar Entities.

GOVERNMENT-FUNDS ANALYSIS OF THE SCHOOL

The School's governmental funds balance as of June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Assets:			
Current assets	\$ 856,448	\$ 1,226,037	\$ (369,589)
Other current assets	8,342	10,664	(2,322)
Total assets	<u>864,790</u>	<u>1,236,701</u>	<u>(371,911)</u>
Liabilities:			
Current liabilities	<u>1,248,050</u>	<u>968,786</u>	<u>279,264</u>
Total liabilities	<u>1,248,050</u>	<u>968,786</u>	<u>279,264</u>
Fund Balances:			
Nonspendable			
Other current assets	8,342	10,664	(2,322)
Restricted			
Food services	295,193	69,787	225,406
Unassigned	<u>(686,795)</u>	<u>187,464</u>	<u>(874,259)</u>
Total fund balance	<u>\$ (383,260)</u>	<u>\$ 267,915</u>	<u>\$ (651,175)</u>

The change in current assets is due to an decrease in cash on hand at year end. Current liabilities increased due to an increase in due to related party. The change in fund balance is a result of current year operations.

Change in Fund Balances of Governmental Funds

The School's total expenditures exceeded revenues by approximately \$743,000 in fiscal 2022—see table below.

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal sources	\$ 367,239	\$ 681,189	\$ (313,950)
State and local sources	6,391,603	6,854,481	(462,878)
Contributions and other revenues	<u>212,271</u>	<u>251,864</u>	<u>(39,593)</u>
Total revenues	<u>6,971,113</u>	<u>7,787,534</u>	<u>(816,421)</u>
Expenditures:			
Instruction	3,964,540	3,974,995	(10,455)
Pupil personnel services	811,079	742,657	68,422
Instructional media services	1,522	1,141	381
Instructional staff training	20,569	57,398	(36,829)
Board	25,407	42,767	(17,360)
General administration	86,312	86,331	(19)
School administration	582,417	557,454	24,963
Facilities acquisition and construction	18,770	18,770	-
Fiscal services	40,000	35,704	4,296
Food services	3,907	1,174	2,733
Central services	148,544	71,053	77,491
Pupil transportation	254,456	250,800	3,656
Operation of plant	1,718,155	1,929,145	(210,990)
Capital outlay	<u>38,645</u>	<u>2,800</u>	<u>35,845</u>
Total expenses	<u>7,714,323</u>	<u>7,772,189</u>	<u>(57,866)</u>
Change in net position	<u>\$ (743,210)</u>	<u>\$ 15,345</u>	<u>\$ (758,555)</u>

The change in federal and state and local sources is a result of the decrease in student population. The School ended fiscal year 2022 with approximately 851 FTE students, an decrease of 74 from prior year. The increases in instruction, pupil personnel services and administration was a result of additional personnel to meet the academic needs of the current student population. Operation of plant increased due to restructuring of the debt and interest only payments.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of the School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund deficit of approximately \$(383,000).

General and Special Revenue Funds Budgetary Highlights

Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts and 3) changes in appropriations that become necessary to maintain services.

In the general fund, actual revenues were less than budgeted amounts by approximately \$836,000. Expenditures were approximately \$80,000 more than budgeted amounts.

In the special revenue fund, total actual revenues were approximately \$317,000 more than budgeted revenues. Actual expenditures were approximately \$278,000 more than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2022, the School invested approximately \$62,000 in capital assets, net of accumulated depreciation of approximately \$305,000.

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Capital assets			
Furniture, fixtures and equipment	\$ 366,569	\$ 327,924	\$ 38,645
Less – accumulated depreciation	<u>(304,755)</u>	<u>(249,342)</u>	<u>(55,413)</u>
Total capital assets	<u>\$ 61,814</u>	<u>\$ 78,582</u>	<u>\$ (16,768)</u>

As of June 30, 2022 information regarding the Schools capital assets is as follows:

This year's major capital asset additions included the following:

- Mobile modulars - \$28,000
- Furniture and fixtures – 10,645

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

As of June 30, 2022, the School is a co-borrower on a loan with a related party of approximately \$27,080,000. This loan payable required interest only payments during 2022 and refinanced the existing property as well as an addition to a new building. For more detailed information about the School's long-term liabilities see Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Amounts available for appropriation in the general fund are approximately \$7.57 million, an increase of \$1.42 million from the 2022 actual amount, exclusive of revenues from internal funds. The School is budgeting a student FTE of 950 which is an increase of approximately 100 students over the current year.

Budgeted expenditures in the general fund are approximately \$7.57 million, an increase of \$675,000 from the 2022 actual amount, exclusive of expenditures from internal funds.

If these estimates are realized, the School's general fund balance is expected to have a slight increase in fiscal year 2022.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 640 Evenhouse Road, Lake Alfred, Florida 33850



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of Discovery High School, Inc.
a Charter School and Component Unit of the District
School Board of Polk County, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Discovery High School, Inc. (the "School"), a Charter School and Component Unit of the District School Board of Polk County, Florida as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 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, each major fund, and the aggregate remaining fund information of the Discovery High School, Inc., a Charter School and Component Unit of the District School Board of Polk County, Florida as of and for the year ended June 30, 2022, and the respective changes in financial position 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. Our responsibilities under those standards are 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 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 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 Schools' 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.

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 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, 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, budgetary comparison information and pension liability 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

McCrary & Associates, PLLC

Altamonte Springs, Florida
September 28, 2022

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Statement of Net Position

June 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 674,348
Due from other agencies	91,050
Prepaid expenses	6,342
Other current assets	2,000
Capital assets:	
Furniture, fixtures and equipment	366,569
Less accumulated depreciation	<u>(304,755)</u>
Total capital assets, net	61,814
Due from related party	<u>26,735,000</u>
Total assets	<u>\$ 27,570,554</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 286,243
Compensated absences payable	161,262
Due to related party	870,757
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	345,000
Portion due or payable after one year:	
Note payable	<u>26,983,185</u>
Total liabilities	<u>28,646,447</u>
NET POSITION	
Invested in capital assets, net of related debt	(531,371)
Unrestricted	<u>(544,522)</u>
Total net position	<u>\$ (1,075,893)</u>

The accompanying notes to financial statements are an integral part of this statement.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Statement of Activities

For the Year Ended June 30, 2022

	<u>Program Specific Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction	\$ 3,999,035	\$ -	\$ 157,432	\$ -	\$ (3,841,603)	\$ (3,841,603)
Pupil personnel services	819,281	-	157,383	-	(661,898)	(661,898)
Instructional media	1,522	-	-	-	(1,522)	(1,522)
Instructional staff training	20,569	-	16,795	-	(3,774)	(3,774)
Board	25,407	-	-	-	(25,407)	(25,407)
General administration	86,312	-	-	-	(86,312)	(86,312)
School administration	638,173	-	35,629	-	(602,544)	(602,544)
Facilities acquisition and construction	18,770	-	-	-	(18,770)	(18,770)
Fiscal services	40,000	-	-	-	(40,000)	(40,000)
Food services	4,718	24,659	-	-	19,941	19,941
Central services	156,954	-	-	-	(156,954)	(156,954)
Pupil transportation	254,456	-	-	-	(254,456)	(254,456)
Operation of plant	1,735,025	-	-	450,632	(1,284,393)	(1,284,393)
Total primary government	\$ 7,800,222	\$ 24,659	\$ 367,239	\$ 450,632	(6,957,692)	(6,957,692)
General revenues:						
State and local sources					5,940,970	5,940,970
Contributions and other revenues					187,612	187,612
Total general revenues					6,128,582	6,128,582
Change in net position					(829,110)	(829,110)
Net position at beginning of year, as previously stated					(472,094)	(472,094)
Prior period adjustment (Note 1)					225,311	225,311
Net position at beginning of year, as restated					(246,783)	(246,783)
Net position at end of year					\$ (1,075,893)	\$ (1,075,893)

The accompanying notes to financial statements are an integral part of this statement.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Balance Sheet - Governmental Funds

June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 582,262	\$ 92,086	\$ 674,348
Due from other agencies	-	91,050	91,050
Prepaid expenses	6,342	-	6,342
Other current assets	2,000	-	2,000
Due from other funds	91,050	-	91,050
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 681,654</u>	<u>\$ 183,136</u>	<u>\$ 864,790</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 286,243	\$ -	\$ 286,243
Due to related party	870,757	-	870,757
Due to general fund	-	91,050	91,050
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,157,000</u>	<u>91,050</u>	<u>1,248,050</u>
FUND BALANCES			
Nonspendable:			
Other current assets	8,342	-	8,342
Restricted:			
Food services	-	295,193	295,193
Spendable:			
Unassigned	<u>(686,795)</u>	<u>-</u>	<u>(686,795)</u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>(678,453)</u>	<u>295,193</u>	<u>(383,260)</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 478,547</u>	<u>\$ 386,243</u>	<u>\$ 864,790</u>

The accompanying notes to financial statements are an integral part of this statement.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2022

Total fund balances - governmental funds \$ (383,260)

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets at yearend consist of:

Capital assets	366,569
Accumulated depreciation	(304,755)

Due from related party are not due and receivable in the current period and, therefore, are not reported as assets in the governmental funds. Long-term receivables at the end of the period consist of:

Notes receivable	26,735,000
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Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(161,262)

Long-term liabilities, including notes payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of:

Notes payable	<u>(27,328,185)</u>
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Total net position - governmental activities \$ (1,075,893)

The accompanying notes to financial statements are an integral part of this statement.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ -	\$ 367,239	\$ 367,239
State and local sources	5,940,971	450,632	-	6,391,603
Contributions and other revenues	212,271	-	-	212,271
Total revenues	<u>6,153,242</u>	<u>450,632</u>	<u>367,239</u>	<u>6,971,113</u>
EXPENDITURES				
Current:				
Instruction	3,807,108	-	157,432	3,964,540
Pupil personnel services	653,696	-	157,383	811,079
Instructional media services	1,522	-	-	1,522
Instructional staff training	3,774	-	16,795	20,569
Board	25,407	-	-	25,407
General administration	86,312	-	-	86,312
School administration	546,788	-	35,629	582,417
Facilities acquisition and construction	18,770	-	-	18,770
Fiscal services	40,000	-	-	40,000
Food services	3,907	-	-	3,907
Central services	148,544	-	-	148,544
Pupil transportation	254,456	-	-	254,456
Operation of plant	1,267,523	450,632	-	1,718,155
Capital Outlay	38,645	-	-	38,645
Total expenditures	<u>6,896,452</u>	<u>450,632</u>	<u>367,239</u>	<u>7,714,323</u>
Net changes in fund balances	(743,210)	-	-	(743,210)
Fund balances at beginning of year, as previously stated	(27,278)	-	295,193	267,915
Adjustment to beginning fund balance	92,035	-	-	92,035
Fund balance at beginning of year, as restated	<u>64,757</u>	<u>-</u>	<u>295,193</u>	<u>359,950</u>
Fund balances at end of year	<u>\$ (678,453)</u>	<u>\$ -</u>	<u>\$ 295,193</u>	<u>\$ (383,260)</u>

The accompanying notes to financial statements are an integral part of this statement.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds \$ (743,210)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount incurred in the current period

Capital outlays	38,645
Depreciation expenses	(55,413)

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(69,132)

Change in net position of governmental activities \$ (829,110)

The accompanying notes to financial statements are an integral part of this statement.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Notes to Financial Statements

For the Year Ended June 30, 2022

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Discovery High School, Inc. (the "School") is a not-for-profit corporation organized pursuant to chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors (the "Board"), 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 District School Board of Polk County, Florida, (the "School Board"). The School is considered a component unit of the School Board of Polk County, Florida and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB").

Charter Contract

The School was granted a 15 year charter which expires June 30, 2031 and may be renewed for a maximum of an additional fifteen years by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the Florida Department of Education ("FDOE").

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

DISCOVERY HIGH SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Polk County, Florida

Notes to Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds received are established by law while others are created by grant agreements. The following are the individual governmental funds that are reported in these fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.

For the purpose of these statements, the general, capital projects and special revenue funds are considered major funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

DISCOVERY HIGH SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Polk County, Florida

Notes to Financial Statements (continued)

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents and Investments

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

As State of Florida Statutes and the School's policy suggests deposits be made into and held by financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by the institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2022.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

Interfund Receivables and Payables

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. The capital projects and special revenue funds have recorded total amount of approximately \$91,000 which relates to amounts paid by the general revenue fund on behalf of the those funds.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of \$1,000 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Furniture, fixtures, and equipment	3 – 5

Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employee.

Net Position and Fund Balance Classifications

Government-Wide financial statements

Net position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

DISCOVERY HIGH SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Polk County, Florida

Notes to Financial Statements (continued)

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) that are legally restricted to expenditures for specified purposes.

Prior period adjustment

In the current fiscal year, it was determined that certain financial information relating to student activities associated with the school were erroneously excluded from the school's financial statements. In order to properly correct the prior year's net position and fund balance carried forward, a prior period adjustment to restate the beginning net position and fund balance is required. The beginning net position and fund balance was adjusted by approximately \$225,000 and \$92,000, respectively.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balances not included in the general funds are classified as restricted fund balance. It is possible for the amounts not included in the general fund to be classified as restricted fund balance. It is possible for the amounts not included in the general fund to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

DISCOVERY HIGH SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Polk County, Florida

Notes to Financial Statements (continued)

Revenue Sources

Revenues for operations are provided primarily from the District School Board of Polk County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School Board. The School Board receives a 5% administrative fee from the School, which is withheld from the respective Florida Education Finance Program (FEFP) payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students. The difference between the actual expense and the expense calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2022, the School had expended all restricted funds for this purpose.

Under 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 FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2022, the School reported 851 unweighted FTE.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation

DISCOVERY HIGH SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Polk County, Florida

Notes to Financial Statements (continued)

date was June 30, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting periods beginning after June 15, 2021. Management's adoption of this Statement did not result in any adjustments to the prior year's financial statements as the School is not currently engaged in leasing activities.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement would now require interest costs incurred before the end of construction period to be recognized as an expense in the period in which the cost is incurred under the economic resource measurement focus. The effective implementation date is June 30, 2022. Currently, the School is not engaged in any construction projects but is aware of the effect of the adoption of this Statement for future projects.

2 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

The carrying values of cash and cash equivalents, due from related party, accounts payable and the note payable do not differ materially from reasonable estimates of fair value, as the terms of such instruments do not vary significantly from the assumptions that would be made in estimating fair value.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

3 CAPITAL ASSETS

Capital assets as of June 30, 2022 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture, fixtures and equipment	\$ 327,924	\$ 38,645	\$ -	\$ 366,569
Total capital assets	327,924	38,645	-	366,569
 Accumulated depreciation:				
Furniture, fixtures and equipment	(249,342)	(55,413)	-	(304,755)
Accumulated depreciation	(249,342)	(55,413)	-	(304,755)
Capital assets, net	\$ 78,582	\$ (55,413)	\$ -	\$ 61,814
 Depreciation expense:				
Instruction			\$ 18,962	
Administration			10,360	
Food and other			811	
Internal			1,633	
Central services			8,410	
Operation of plant			15,237	
Total governmental activities depreciation expense			\$ 55,413	

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

4 LONG-TERM LIABILITIES

The School's long-term note payables are described below:

In September 2021, the School entered into a loan agreement with Florida Development Finance Corporation ("the Issuer"). The issuer agreed to issue bonds, ("Series 2020A and Series 2020B") in the aggregate amount of \$27,080,000 for the Discovery High School Project ("The Project"). The Series 2020 Project consist of the construction of non-educational facility to be used by the School. The loan agreement was funded by the issuance of:

Series 2020A Bonds – aggregate principle amount of \$26,530,000. Yields interest between 4%-5% and have various term bond due date between June 2030 – June 2055.

Series 2020B Bond – principle balance of \$550,000, yields interest at 4% and has a term bond date of June 2023.

Terms of the loan require bi-annual interest payment on June 1 and December 1 and annual principle payments on June 1. Effective June 2022, the School is required to commence annual aggregate principle and interest payments of approximately \$1,662,450.

Activity during fiscal year 2022 was as follows:

Balance outstanding at the beginning of year	\$ 27,673,185
Additions	-
Reductions	(345,000)
Balance outstanding at the end of year	<u>\$ 27,328,185</u>

Debt Covenants

Commencing with the fiscal year ending June 30, 2022, the School and Discovery Academy combined (the "Schools") must have a debt coverage ratio of at least 1.10 to 1.0. The Schools also have a cash on hand requirement for thirty and forty-five days. Both of these calculations are reported in a separate document including the combined schools financial information. Additionally, the School has a long term liability to Discovery Academy in the amount of \$593,185: there is no stated interest or maturity date. Therefore, the entire note payable is considered long term.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

Future debt service requirements related to the long-term note payable are as follows:

Year Ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 355,000	\$ 1,303,650	\$ 1,658,650
2024	375,000	1,289,450	1,664,450
2025	390,000	1,274,450	1,664,450
2026	405,000	1,258,850	1,663,850
2027	420,000	1,242,650	1,662,650
2028-2032	2,370,000	5,942,550	8,312,550
2033-2037	2,990,000	5,320,750	8,310,750
2038-2042	3,815,000	4,494,750	8,309,750
2043-2047	4,865,000	3,441,030	8,306,030
2048-2052	6,220,000	2,096,250	8,316,250
2053-2055	4,530,000	460,470	4,990,470
Total	<u>\$ 26,735,000</u>	<u>\$ 28,124,850</u>	<u>\$ 54,859,850</u>

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Polk County, Florida:

Florida Education Finance Program	\$ 3,647,121
Class size reduction	771,824
Capital outlay	450,632
Transportation	257,908
Discretionary millage funds	256,606
Discretionary local effort	246,959
Supplemental academic instruction	214,536
Teacher salary increase	161,423
ESE guaranteed allocation	84,114
Instructional materials	71,934
Miscellaneous	47,958
Additional allocation	45,921
Safe schools	44,560
Compression allocation	40,060
Reading allocation	32,266
Prior year adjustment	13,860
Digital classroom	964
Dual enrollment	2,957
Total	<u>\$ 6,391,603</u>

The administrative fee paid to the School Board during the year ended June 30, 2022 totaled approximately \$86,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

6 RELATED PARTY TRANSACTIONS

The School is related to Discovery Academy of Lake Alfred, Inc. ("Discovery Academy") by a common board of directors. There are several transactions that occurred between the School and Discovery Academy. The following transactions occurred:

- Discovery Academy purchased land with the intention of leasing the land to the School. The agreement indicates that the amount will be determined annually. Under the current annual year agreement, rent expense charged to the School was \$1,200,000.
- The School co-signed on the notes payable relating to the aforementioned land and building with Discovery Academy totaling approximately \$27 million.
- There is approximately \$27 million of a non-current asset relating to the notes payable the School co-signed.
- There is approximately \$870,000 payable to Discovery Academy for operating costs in the current year.
- Discovery Academy provided for food and transportation services for Discovery High School students. The School paid approximately \$254,000 in transportation expense to Discovery Academy.

7 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

8 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as of year end may be impaired.

Management also believes there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. Management believes the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

9 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the prior three years is subject to examination by tax authorities, and may change upon examination.

10 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 28, 2022 which is the date the financial statements were available to be issued.

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 6,989,456	\$ 6,989,456	\$ 5,940,971	\$ (1,048,485)
Contributions and other revenues	100	100	212,271	212,171
Total revenues	6,989,556	6,989,556	6,153,242	(836,314)
EXPENDITURES				
Current:				
Instruction	3,685,450	3,685,450	3,807,108	121,658
Pupil personnel services	498,472	498,472	653,696	155,224
Instructional media services	25,748	25,748	1,522	(24,226)
Curriculum development services	1,500	1,500	-	(1,500)
Instructional staff training	20,000	20,000	3,774	(16,226)
Board	25,200	25,200	25,407	207
General administration	86,496	86,496	86,312	(184)
School administration	609,968	609,968	546,788	(63,180)
Facilities acquisition and construction	-	-	18,770	18,770
Fiscal services	35,000	35,000	40,000	5,000
Food services	1,500	1,500	3,907	2,407
Central services	87,000	87,000	148,544	61,544
Pupil transportation	255,390	255,390	254,456	(934)
Operation of plant	1,495,537	1,495,537	1,267,523	(228,014)
Capital outlay	13,000	13,000	38,645	25,645
Total expenditures	6,840,261	6,840,261	6,896,452	56,191
Net changes in fund balances	149,295	149,295	(743,210)	(892,505)
Fund balances at beginning of year	(27,278)	(27,278)	(27,278)	-
Fund balances at end of year	\$ 122,017	\$ 122,017	\$ (770,488)	\$ (892,505)

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources passed through local school district	\$ 348,145	\$ 348,145	\$ 367,239	\$ 19,094
Total revenues	<u>348,145</u>	<u>348,145</u>	<u>367,239</u>	<u>19,094</u>
EXPENDITURES				
Current:				
Instruction	110,551	110,551	157,432	46,881
Pupil personnel services	195,084	195,084	157,383	(37,701)
Instructional staff training	19,010	19,010	16,795	(2,215)
School administration	-	-	3,960	(3,960)
Total expenditures	<u>324,645</u>	<u>324,645</u>	<u>335,570</u>	<u>3,005</u>
Net changes in fund balances	23,500	23,500	31,669	16,089
Fund balances at beginning of year	<u>295,193</u>	<u>295,193</u>	<u>295,193</u>	<u>-</u>
Fund balances at end of year	<u>\$ 318,693</u>	<u>\$ 318,693</u>	<u>\$ 326,862</u>	<u>\$ 16,089</u>

DISCOVERY HIGH SCHOOL, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

1 BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.



**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**

To the Board of Directors of Discovery High School, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, 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, Discovery High School, Inc., a Charter School and Component Unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 28, 2022.

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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McCrary & Associates, PLLC

Altamonte Springs, Florida
September 28, 2022

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Discovery High School, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the financial statements of Discovery High School, Inc. (the "School") as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 28, 2022.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, if applicable, which is dated, September 28, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Discovery High School, Inc. The School code is 8181.

Financial Condition and Management

Sections 10.854(1)(e)2., and 10.855(11). Rules of the Auditor General, require 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 the specific condition(s) 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 the 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 that we address noncompliance 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 which warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Polk County School Board and is not intended to be and should not be used by anyone other than these specified parties.

McCrary & Associates, PLLC

Altamonte Springs, Florida

September 28, 2022

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