

**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, 2020**



**McCRADY & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

	<u>Page</u>
<b>Management’s Discussion and Analysis</b>	1 – 6
<b>Independent Auditor’s Report</b>	7 – 8
<b>Basic Financial Statements:</b>	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 – 26
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	27
Budgetary Comparison Schedule – Special Revenue Fund	28
Note to Required Supplementary Information	29
<b>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 <i>Government Auditing Standards</i></b>	30 – 31
<b>Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities:</i></b>	
Management Letter	32 – 34

**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, 2020. 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**

- ❖ On March 27, 2020, the President of the United State signed the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act offers, in part, stimulus funds in the form of forgivable loans, and modifications of tax provisions previously passed in the Tax Cuts and Jobs Act. The uncertainty of the pandemic required Schools to move to distance learning for end of the School year.
- ❖ The School's total governmental funds balance at June 30, 2020 is approximately \$253,000.
- ❖ For the fiscal year ended June 30, 2020, the School's revenues exceed expenditures by approximately \$91,000.

**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, 2020, 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, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
<b>Assets:</b>			
Current assets	\$ 547,611	\$ 401,355	\$ 146,256
Other current assets	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total assets	<u>549,611</u>	<u>403,355</u>	<u>146,256</u>
<b>Liabilities:</b>			
Current liabilities	<u>297,041</u>	<u>241,330</u>	<u>55,711</u>
Total liabilities	<u>297,041</u>	<u>241,330</u>	<u>55,711</u>
<b>Fund Balances:</b>			
Nonspendable			
Other current assets	2,709	7,444	(4,735)
Restricted for,			
Food services	56,356	40,549	15,807
Unassigned	<u>193,505</u>	<u>114,032</u>	<u>79,473</u>
Total fund balance	<u>\$ 252,570</u>	<u>\$ 162,025</u>	<u>\$ 90,545</u>

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

## Change in Fund Balances of Governmental Funds

The School's total revenues exceeded expenditures by approximately \$91,000 in fiscal 2020—see table below.

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal sources	\$ 237,531	\$ 212,102	\$ 25,429
State and local sources	5,820,921	4,820,302	1,000,619
Contributions and other revenues	<u>260,851</u>	<u>212,925</u>	<u>47,926</u>
Total revenues	<u>6,319,303</u>	<u>5,245,329</u>	<u>1,073,974</u>
<b>Expenditures:</b>			
Instruction	2,979,271	2,613,212	366,059
Pupil personnel services	596,897	457,922	138,975
Instructional media services	73,936	37,092	36,844
Board	7,210	14,013	(6,803)
General administration	80,884	80,377	507
School administration	655,971	622,499	33,472
Fiscal services	39,104	34,854	4,250
Food services	2,658	1,300	1,358
Central services	87,236	12,255	74,981
Pupil transportation	251,868	228,383	23,485
Operation of plant	1,437,212	1,272,416	164,796
Capital outlay	<u>16,511</u>	<u>11,731</u>	<u>4,780</u>
Total expenses	<u>6,228,758</u>	<u>5,386,054</u>	<u>842,704</u>
Change in net position	<u>\$ 90,545</u>	<u>\$ (140,725)</u>	<u>\$ 231,270</u>

The change in federal and state and local sources is a result of the increase in student population. The School ended fiscal year 2020 with approximately 829 FTE students, an increase of 160 from prior year. The increases in instruction, pupil personnel services and administration was a result of additional personnel to serve the increase in student population. Operation of plant increased due to additional expense to operate the facility.

## 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 balance of approximately \$253,000.

### 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 \$961,000. Expenditures were approximately \$575,000 less than budgeted amounts.

In the special revenue fund, total budgeted revenues were more than actual amounts by approximately \$65,000. Expenditures were approximately 6,000 more than budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2020, the School invested approximately \$141,000 in capital assets, net of accumulated depreciation of approximately \$185,000.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Capital assets</b>			
Furniture, fixtures and equipment	\$ 326,248	\$ 309,737	\$ 16,511
Less – accumulated depreciation	<u>(185,104)</u>	<u>(121,505)</u>	<u>(63,599)</u>
Total capital assets	<u>\$ 141,144</u>	<u>\$ 188,232</u>	<u>\$ (47,088)</u>

As of June 30, 2020 information regarding the Schools capital assets is as follows:

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

- Furniture and fixtures - \$16,511

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, 2020, the School is a co-borrower on a loan with a related party of approximately \$16,000,000. 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 \$6.3 million, an increase of \$650,000 from the 2020 actual amount, exclusive of revenues from internal funds. The School is budgeting a student FTE of 950 which is consistent with current year.

Budgeted expenditures in the general fund are approximately \$6.74 million, an increase of \$1.16 million from the 2020 actual amount, exclusive of expenditures from internal funds. The increase is primarily due to an increase in salaries and benefits and purchased central services expenditures.

If these estimates are realized, the School's general fund balance is expected to have a slight increase in fiscal year 2021.

## **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.





McCRAZY & 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

### Report of Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of 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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School, as of June 30, 2020, 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.

## Other Matters

### *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 on pages 1 - 6 and 27 - 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, 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.

*McCrady & Associates, PLLC*

Altamonte Springs, Florida  
September 28, 2020

107 Water Oak Lane | Altamonte Springs, FL 32714  
Office 407-960-4429 ■ [admin@mccradyandassociates.com](mailto:admin@mccradyandassociates.com)  
[www.mccradyandassociates.com](http://www.mccradyandassociates.com)

**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, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 255,486
Due from other agencies	67,409
Due from related party	157,148
Prepaid expenses	709
Other current assets	2,000
Capital assets:	
Furniture, fixtures and equipment	326,248
Less accumulated depreciation	(185,104)
Total capital assets, net	141,144
Due from related party	15,392,454
Total assets	<u>\$ 16,016,350</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 230,182
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	226,422
Portion due or payable after one year:	
Note payable	15,759,217
Total liabilities	<u>16,215,821</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	(452,041)
Unrestricted	252,570
Total net position	<u>\$ (199,471)</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, 2020**

	<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	\$ 3,002,992	\$ -	\$ 179	\$ -	\$ (3,002,813)	\$ (3,002,813)
Pupil personnel services	596,897	-	171,729	-	(425,168)	(425,168)
Instructional staff training	73,936	-	65,623	-	(8,313)	(8,313)
Board	7,210	-	-	-	(7,210)	(7,210)
General administration	80,884	-	-	-	(80,884)	(80,884)
School administration	667,038	-	-	-	(667,038)	(667,038)
Fiscal services	39,104	-	-	-	(39,104)	(39,104)
Food services	3,251	18,465	-	-	15,214	15,214
Central services	93,444	-	-	-	(93,444)	(93,444)
Pupil transportation	251,868	-	-	-	(251,868)	(251,868)
Operation of plant	1,459,222	-	-	417,882	(1,041,340)	(1,041,340)
<b>Total primary government</b>	<b>\$ 6,275,846</b>	<b>\$ 18,465</b>	<b>\$ 237,531</b>	<b>\$ 417,882</b>	<b>(5,601,968)</b>	<b>(5,601,968)</b>
General revenues:						
State and local sources					5,480,039	5,480,039
Contributions and other revenues					165,386	165,386
Total general revenues					5,645,425	5,645,425
Change in net position					43,457	43,457
Net position at beginning of year					(242,928)	(242,928)
Net position at end of year					\$ (199,471)	\$ (199,471)

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, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 199,130	\$ -	\$ 56,356	\$ 255,486
Due from other agencies	550	30,983	35,876	67,409
Due from related party	157,148	-	-	157,148
Prepaid expenses	709	-	-	709
Other current assets	2,000	-	-	2,000
Due from other fund	66,859	-	-	66,859
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 426,396</u>	<u>\$ 30,983</u>	<u>\$ 92,232</u>	<u>\$ 549,611</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 230,182	\$ -	\$ -	\$ 230,182
Due to related party	-	-	-	-
Due to general fund	-	30,983	35,876	66,859
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>230,182</u>	<u>30,983</u>	<u>35,876</u>	<u>297,041</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Other current assets	2,709	-	-	2,709
Restricted:				
Food services	-	-	56,356	56,356
Spendable:				
Unassigned	193,505	-	-	193,505
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>196,214</u>	<u>-</u>	<u>56,356</u>	<u>252,570</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 426,396</u>	<u>\$ 30,983</u>	<u>\$ 92,232</u>	<u>\$ 549,611</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, 2020**

**Total fund balances - governmental funds** **\$ 252,570**

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 is \$326,248 and the accumulated depreciation is \$185,104. 141,144

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 15,392,454

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 (15,985,639)

**Total net position - governmental activities** **\$ (199,471)**

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, 2020**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ -	\$ 237,531	\$ 237,531
State and local sources	5,480,039	417,882	-	5,897,921
Contributions and other revenues	165,386	-	18,465	183,851
Total revenues	<u>5,645,425</u>	<u>417,882</u>	<u>255,996</u>	<u>6,319,303</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	2,979,092	-	179	2,979,271
Pupil personnel services	425,168	-	171,729	596,897
Instructional staff training	8,313	-	65,623	73,936
Board	7,210	-	-	7,210
General administration	80,884	-	-	80,884
School administration	655,971	-	-	655,971
Fiscal services	39,104	-	-	39,104
Food services	-	-	2,658	2,658
Central services	87,236	-	-	87,236
Pupil transportation	251,868	-	-	251,868
Operation of plant	1,019,330	417,882	-	1,437,212
Capital Outlay	16,511	-	-	16,511
Total expenditures	<u>5,570,687</u>	<u>417,882</u>	<u>240,189</u>	<u>6,228,758</u>
Net changes in fund balances	74,738	-	15,807	90,545
Fund balances at beginning of year	121,476	-	40,549	162,025
Fund balances at end of year	<u>\$ 196,214</u>	<u>\$ -</u>	<u>\$ 56,356</u>	<u>\$ 252,570</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, 2020**

**Net changes in fund balances - total governmental funds** \$ 90,545

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 by which depreciation expense (\$63,599) exceeds capital outlays (\$16,511) in the current period.

(47,088)

**Change in net position of governmental activities** \$ 43,457

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, 2020**

**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 require, all 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, 2020.

# 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 \$67,000 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.

##### **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.

##### **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

## **DISCOVERY HIGH SCHOOL, INC.**

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

#### **Notes to Financial Statements (continued)**

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, 2020, 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, 2020, the School reported 828.50 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 January 2017, the GASB issued Statement No. 84, Fiduciary Activities, which provides additional clarity and improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Fiduciary activities include the cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School did not identify fiduciary activities that would materially affect financial statements for this reporting period. The effective implementation date is June 30, 2020.

In June 2017, the GASB issued Statement No. 87, Leases. This pronouncement requires recognition and reporting of certain lease assets and liabilities for leases that previously were classified as operating leases. 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 School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The effective implementation date is June 30, 2021.

## DISCOVERY HIGH SCHOOL, INC.

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

#### Notes to Financial Statements (continued)

In June 2018, the GASB issued Statement No. 89, Capitalized Interest. GASB would now require interest costs incurred during the 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, 2021.

The GASB issued in May 2020, Statement No 95, Postponement of the Effective Dates of Certain Authoritative Guidance, due to the ramifications of the Pandemic. This pronouncement was effective immediately upon issuance. The School will continue to evaluate these pronouncements with their current situation.

## 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, 2020 were as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets:</b>				
Furniture, fixtures and equipment	\$ 309,737	\$ 16,511	\$ -	\$ 326,248
Total capital assets	309,737	16,511	-	326,248
<b>Accumulated depreciation:</b>				
Furniture, fixtures and equipment	(121,505)	(63,599)	-	(185,104)
Total accumulated depreciation	(121,505)	(63,599)	-	(185,104)
Capital assets, net	\$ 188,232	\$ (47,088)	\$ -	\$ 141,144
 <b>Depreciation expense:</b>				
Instruction			\$ 23,721	
Administration			11,067	
Food and other			593	
Internal			982	
Central services			6,208	
Operation of plant			21,028	
Total governmental activities depreciation expense			\$ 63,599	



**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 NOTES PAYABLE**

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

Note payable to a financial institution secured by the land and building owned by a related party. There is a fixed interest rate of 5.88% per annum until January 2022. The interest rate will then be adjusted every 5 years to 4.0% over the U.S. Treasury Security 5 year rate. Terms of the note include annual interest only payments beginning February 2017 until January 2018. Annual principal and interest payments of \$45,767 commences February 2018. The note is due and payable in full in December 2041. \$ 6,669,878

Note payable to a financial institution secured by the land and building owned by a related party. There is a fixed interest rate of 5.03% per annum until September 2022. The interest rate will then be adjusted every 5 years to 3.2% over the U.S. Treasury 5 year rate. Terms of the note include annual interest only payments May 2018 until September 2018. Annual principal and interest payments of \$24,645 commences October 2018. The note is due and payable in full in September 2057. 4,940,279

USDA Guaranteed promissory note to a financial institution with maximum available of \$4,380,000 for the purpose additional school facilities. The interest rate is established by the 5-year Consistent Maturity Treasury (CMT) plus 280 basis points (6.5% at June 30, 2020). The interest rate is adjusted every 5-years during the term of the loan based on the 5-year CMT as of the adjustment date plus 280 basis points. Provisions of the loan provide for interest only payments for the first 12 months during the construction phase. The loan converts after the first 12 months to require monthly interest and principal payments amortized over the remaining term of the loan, which commence September 2020. The loan has a 40 year amortization and matures March 2059. 4,375,482

Total \$ 15,985,639

Activity during fiscal year 2020 was as follows:

Balance outstanding at the beginning of year	\$ 16,030,359
Additions	123,724
Reductions	<u>(168,444)</u>
Balance outstanding at the end of year	<u><u>\$ 15,985,639</u></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)**

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

<b>Year Ended June 30:</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 226,422	\$ 854,497	\$ 1,080,919
2022	247,659	857,858	1,105,517
2023	236,709	732,914	969,623
2024	290,993	819,454	1,110,447
2025	307,814	802,633	1,110,447
2026-2030	1,827,643	3,724,596	5,552,239
2031-2035	2,421,544	3,130,695	5,552,239
2036-2040	3,209,343	2,342,815	5,552,158
2041-2045	1,983,735	1,543,449	3,527,184
2046-2050	1,662,875	1,143,325	2,806,200
2051-2055	2,149,076	657,124	2,806,200
2056-2059	1,421,826	118,113	1,539,939
<b>Total</b>	<u>\$ 15,985,639</u>	<u>\$ 16,727,473</u>	<u>\$ 32,713,112</u>

**5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

**District School Board of Polk County, Florida:**

Florida Education Finance Program	\$ 3,490,203
Class size reduction	724,257
Capital outlay	417,882
Transportation	251,868
Discretionary millage funds	231,174
Supplemental academic instruction	213,100
Discretionary tax stabilization	211,975
Best and Brightest	77,000
ESE guaranteed allocation	76,280
Instructional materials	66,931
Compression adjustment	45,061
Safe schools	44,264
Reading allocation	32,206
Lead teachers	12,480
Digital classroom	2,488
Discretionary lottery funds	752
<b>Total</b>	<u>\$ 5,897,921</u>

The administrative fee paid to the School Board during the year ended June 30, 2020 totaled approximately \$81,000, 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. 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 year agreement, rent expense charged to the School was \$600,000.
- The School co-signed on the notes payable relating to the aforementioned land and building with Discovery Academy totaling approximately \$15.8 million.
- There is approximately \$15.4 million non-current asset relating to the notes payable the School co-signed.
- There is approximately \$160,000 receivable from 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 \$250,000 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.

However, in response to the order by the Governor of Florida and in response to the coronavirus (COVID-19) pandemic, in March 2020, most local business and Schools were required to close operations indefinitely or temporarily in order to attempt to slow the spread of the virus. The School does not know the overall financial effects, at this time, on its operation from COVID-19 pandemic.

**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, 2020 which is the date the financial statements were available to be issued. On September 24, 2020 the School closed on \$27,080,000 bond to refinance the existing property and addition to financing of a new building.

**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, 2020**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State and local sources	\$ 6,595,896	\$ 6,595,896	\$ 5,480,039	\$ (1,115,857)
Contributions and other revenues	10,100	10,100	165,386	155,286
<b>Total revenues</b>	<b>6,605,996</b>	<b>6,605,996</b>	<b>5,645,425</b>	<b>(960,571)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,114,997	3,114,997	2,979,092	(135,905)
Pupil personnel services	444,327	444,327	425,168	(19,159)
Curriculum development services	1,500	1,500	-	(1,500)
Instructional staff training	20,000	20,000	8,313	(11,687)
Board	25,200	25,200	7,210	(17,990)
General administration	86,628	86,628	80,884	(5,744)
School administration	545,941	545,941	655,971	110,030
Fiscal services	38,000	38,000	39,104	1,104
Central services	43,500	43,500	87,236	43,736
Pupil transportation	241,680	241,680	251,868	10,188
Operation of plant	1,554,115	1,554,115	1,019,330	(534,785)
Capital outlay	29,500	29,500	16,511	(12,989)
<b>Total expenditures</b>	<b>6,145,388</b>	<b>6,145,388</b>	<b>5,570,687</b>	<b>(574,701)</b>
<b>Net changes in fund balances</b>	<b>460,608</b>	<b>460,608</b>	<b>74,738</b>	<b>(385,870)</b>
Fund balances at beginning of year	121,476	121,476	121,476	-
<b>Fund balances at end of year</b>	<b>\$ 582,084</b>	<b>\$ 582,084</b>	<b>\$ 196,214</b>	<b>\$ (385,870)</b>

**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 190,774	\$ 190,774	\$ 237,531	\$ 46,757
Contributions and other revenues	-	-	18,465	18,465
<b>Total revenues</b>	<b>190,774</b>	<b>190,774</b>	<b>255,996</b>	<b>65,222</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	55,966	55,966	179	(55,787)
Pupil personnel services	112,808	112,808	171,729	58,921
Food services	500	-	2,658	2,658
<b>Total expenditures</b>	<b>169,274</b>	<b>168,774</b>	<b>174,566</b>	<b>5,792</b>
 Net changes in fund balances	 21,500	 22,000	 81,430	 59,430
Fund balances at beginning of year	40,549	40,549	40,549	-
Fund balances at end of year	<u>\$ 62,049</u>	<u>\$ 62,549</u>	<u>\$ 121,979</u>	<u>\$ 59,430</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.



McCRAZY & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2020, 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, 2020.

**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, 2020

**107 Water Oak Lane | Altamonte Springs, FL 32714**  
**Office 407-960-4429 ■ [admin@mccradyandassociates.com](mailto:admin@mccradyandassociates.com)**  
**[www.mccradyandassociates.com](http://www.mccradyandassociates.com)**

---

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***



McCRAZY & 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, 2020, and have issued our report thereon dated September 28, 2020.

**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, 2020, 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 proceeding 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, 2020

107 Water Oak Lane | Altamonte Springs, FL 32714  
Office 407-960-4429 ■ [admin@mccradyandassociates.com](mailto:admin@mccradyandassociates.com)  
[www.mccradyandassociates.com](http://www.mccradyandassociates.com)