

DISCOVERY ACADEMY OF LAKE ALFRED, 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, 2021



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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**DISCOVERY ACADEMY OF LAKE ALFRED, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of Discovery Academy of Lake Alfred, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. 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 balance at June 30, 2021 is approximately \$3.23 million, an increase of approximately \$1.6 million due to proceeds received from the issuance of debt.

- ❖ The School's governmental revenues and other financial sources exceeded total expenditures by approximately \$1.6 million.

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, 2021, 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 16 of this report.

Other Reports

This report 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

Fund Balances

The School's total governmental fund balance as of June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Assets:			
Current assets	\$ 3,877,113	\$ 2,388,504	\$ 1,488,609
Total assets	<u>3,877,113</u>	<u>2,388,504</u>	<u>1,488,609</u>
Liabilities:			
Accounts payable and accrued expenditures	581,441	485,854	95,587
Due to related party	-	157,128	(157,128)
Due to Special Revenue Fund	<u>69,042</u>	<u>99,054</u>	<u>(30,012)</u>
Total liabilities	<u>650,483</u>	<u>742,036</u>	<u>(91,553)</u>
Fund Balances:			
Nonspendable	-	21,463	(21,463)
Restricted for:			
Food services	324,405	152,590	171,815
Unassigned	<u>2,902,225</u>	<u>1,472,415</u>	<u>1,429,810</u>
Total fund balances	<u>\$ 3,226,630</u>	<u>\$ 1,646,468</u>	<u>\$ 1,580,162</u>

The increase in current assets is due to an increase in cash, investments and due from related party. The overall decrease in liabilities is related to due to related party.

Change in Fund Balances of Governmental Funds

The School's total revenues and other financial sources exceeded expenditures by approximately \$1.6 million in fiscal 2021—see table below.

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal sources	\$ 1,641,280	\$ 1,074,288	\$ 566,992
State and local sources	7,201,806	6,762,191	439,615
Contributions and other revenues	2,096,024	947,978	1,148,046
Total revenues	<u>10,939,110</u>	<u>8,784,457</u>	<u>2,154,653</u>
Expenses:			
Instruction	4,136,584	3,380,345	756,239
Pupil personnel services	588,634	724,843	(139,209)
Instructional media services	94,931	96,519	(1,588)
Instructional staff training	81,349	153,115	(71,766)
Board	41,137	29,745	11,392
General administration	85,854	82,358	3,496
School administration	1,298,751	927,018	371,733
Facilities acquisition and construction	766,848	-	766,848
Fiscal services	65,825	68,645	(2,820)
Food services	634,076	726,775	(92,699)
Central services	44,571	11,240	33,331
Pupil transportation	1,065,300	983,171	82,129
Operation of plant	307,176	416,622	(109,446)
Debt service			
Principal	17,026,581	328,155	16,698,426
Interest	1,271,273	864,881	406,392
Capital outlay	4,614,307	633,064	3,981,243
Total expenses	<u>32,123,197</u>	<u>9,426,496</u>	<u>22,696,701</u>
Excess (deficiency) of revenues over expenditures	(21,184,087)	(642,039)	(20,542,048)
Other Financial Sources			
Proceeds from issuance of debt	<u>22,764,249</u>	<u>2,006,440</u>	<u>20,757,809</u>
Change in fund balance	<u>\$ 1,580,162</u>	<u>\$ 1,364,401</u>	<u>\$ 215,761</u>

The increase in Federal revenues is due to additional funds related to the grants associated with the COVID 19 pandemic. State and local sources increased due to an increase in student population. Instructional expenditures increased due to an increase in expenditures related to the COVID 19 pandemic. Administrative expenditures increased due to the increase in bond issuance costs. Debt service related cost increased as a result the debt refinancing in the current year. Capital outlay expenditures increased as a result of construction and expansion projects in 2021.

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 \$3.2 million.

General and Special Revenue Funds Budgetary Highlights

During the fiscal year, the School issued no amendments to its budgets. 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 exceeded budgeted amounts by approximately \$1,000,000. Actual expenditures exceeded budgeted by approximately \$199,000.

In the special revenue fund, total actual revenues exceeded budgeted amounts by approximately \$825,000 and actual expenditures exceeded budgeted amounts by approximately 730,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2021, the School invested approximately \$27 million in capital assets, gross of accumulated depreciation of approximately \$4.4 million.

As of June 30, 2021 and 2020 information regarding the School's capital assets is as follows:

	Governmental Activities		Increase (Decrease)
	2021	2020	
Land	\$ 1,870,537	\$ 1,870,537	\$ -
Construction in progress	5,193,871	583,264	4,610,607
Building	15,828,909	15,828,909	-
Furniture, fixtures, and equipment	1,300,323	1,296,623	3,700
Vehicles	2,979,042	2,979,042	-
Total capital assets	\$ <u>27,172,682</u>	\$ <u>22,558,375</u>	\$ <u>4,614,307</u>

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

- Construction of building - \$4,610,607

Furniture and equipment assets are presented in Note 5 to the financial statements.

Long-Term Debt

As of June 30, 2021, the School has a total of approximately \$29 million in notes payable outstanding. For more detailed information about the School's long-term liabilities, see Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Amounts available for appropriation in the general fund are approximately \$8.9 million, a decrease of approximately \$184,000 from 2021 actual amount exclusive of revenues from internal funds.

Budgeted expenditures in the general fund are approximately \$7 million, including funding for the debt service payments. If these estimates are realized, the School's general fund balance is expected to increase by the end of 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 1000 North Buena Vista Drive, Lake Alfred, Florida 33850.



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Discovery Academy of Lake Alfred, 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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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, 2021, 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 42 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 44 is presented for purposes of additional analysis as required by U.S. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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CERTIFIED PUBLIC ACCOUNTANTS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 30, 2021

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DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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

Statement of Net Position

June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,914,463
Reserved cash - bond reserves	5,146,552
Investments	1,042,555
Due from other agencies	199,184
Due from related party	651,869
Capital assets:	
Land	1,870,537
Construction in progress	5,193,871
Building	15,828,909
Furniture, fixtures and equipment	1,300,323
Vehicles	2,979,042
Less accumulated depreciation	<u>(4,354,178)</u>
Total capital assets, net	<u>22,818,504</u>
Due from related party	<u>593,185</u>
Total assets	<u>\$ 32,366,312</u>
DEFERRED OUTFLOW OF RESOURCES	
Amount deferred on pension liability	2,938,002
LIABILITIES	
Accounts payable and accrued expenses	\$ 581,441
Due to related party	
Compensated absences payable	520,381
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	1,205,255
Portion due or payable after one year:	
Notes payable	27,922,971
Pension liability	<u>6,929,589</u>
Total liabilities	<u>37,159,637</u>
DEFERRED INFLOW OF RESOURCES	
Amount deferred on pension liability	159,685
NET POSITION	
Invested in capital assets, net of related debt	547,875
Restricted for:	
Debt service	5,146,552
Food services	324,405
Unrestricted	<u>(8,033,840)</u>
Total net position	<u>\$ (2,015,008)</u>

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

DISCOVERY ACADEMY OF LAKE ALFRED, 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, 2021

	<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	\$ 5,023,843	\$ -	\$ 661,470	\$ -	\$ (4,362,373)	\$ (4,362,373)
Pupil personnel services	589,735	-	219,465	-	(370,270)	(370,270)
Instructional media services	94,931	-	-	-	(94,931)	(94,931)
Instructional staff training	81,349	-	78,296	-	(3,053)	(3,053)
Board	41,137	-	-	-	(41,137)	(41,137)
General administration	85,854	-	-	-	(85,854)	(85,854)
School administration	2,071,755	-	-	-	(2,071,755)	(2,071,755)
Facilities acquisition and construction	450,315	-	-	-	(450,315)	(450,315)
Fiscal services	65,825	-	-	-	(65,825)	(65,825)
Food services	664,993	138,246	667,646	-	140,899	140,899
Central services	43,097	-	3,675	-	(39,422)	(39,422)
Pupil transportation	1,270,555	-	-	-	(1,270,555)	(1,270,555)
Operation of plant	301,620	-	10,728	-	(290,892)	(290,892)
Interest	1,271,273	-	-	-	(1,271,273)	(1,271,273)
Total primary government	\$ 12,056,282	\$ 138,246	\$ 1,641,280	\$ -	(10,276,756)	(10,276,756)
General revenues:						
State and local sources					7,201,806	7,201,806
Contributions and other revenues					1,957,778	1,957,778
Total general revenues					9,159,584	9,159,584
Change in net position					(1,117,172)	(1,117,172)
Net position at beginning of year					(897,836)	(897,836)
Net position at end of year					\$ (2,015,008)	\$ (2,015,008)

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

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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

Balance Sheet - Governmental Funds

June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
	<hr/>	<hr/>	<hr/>
ASSETS			
Cash and cash equivalents	\$ 1,820,288	\$ 94,175	\$ 1,914,463
Investments	1,042,555	-	1,042,555
Due from other agencies	3,054	196,130	199,184
Due from related party	651,869	-	651,869
Due from general fund	-	69,042	69,042
	<hr/>	<hr/>	<hr/>
Total assets	\$ 3,517,766	\$ 359,347	\$ 3,877,113
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable and accrued expenditures	\$ 546,499	\$ 34,942	\$ 581,441
Due to special revenue fund	69,042	-	69,042
	<hr/>	<hr/>	<hr/>
Total liabilities	615,541	34,942	650,483
	<hr/>	<hr/>	<hr/>
FUND BALANCES			
Restricted:			
Food services	-	324,405	324,405
Spendable:			
Unassigned	2,902,225	-	2,902,225
	<hr/>	<hr/>	<hr/>
Total fund balance	2,902,225	324,405	3,226,630
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 3,517,766	\$ 359,347	\$ 3,877,113
	<hr/>	<hr/>	<hr/>

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

DISCOVERY ACADEMY OF LAKE ALFRED, 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, 2021

Total fund balances - governmental funds \$ 3,226,630

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

Bond reserves in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds 5,146,552

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 assets at year end consist of:

Capital assets 27,172,682
Accumulated depreciation (4,354,178)

Due to 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:

Due to related party 593,185

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. (520,381)

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 (29,128,226)
Pension liability (6,929,589)

Deferred amounts are reported in the Statement of Net Position as deferred outflow or deferred inflow of resources but are not reported in the funds. 2,778,317

Total net position - governmental activities \$ (2,015,008)

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

DISCOVERY ACADEMY OF LAKE ALFRED, 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, 2021

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Federal sources passed through local school district	\$ -	\$ 1,641,280	\$ -	\$ -	\$ 1,641,280
State and local sources	7,201,806	-	-	-	7,201,806
Contributions and other revenue	1,957,778	138,246	-	-	2,096,024
Total revenues	9,159,584	1,779,526	-	-	10,939,110
EXPENDITURES					
Current:					
Instruction	3,475,114	661,470	-	-	4,136,584
Pupil personnel services	369,169	219,465	-	-	588,634
Instructional media services	94,931	-	-	-	94,931
Instructional staff training	3,053	78,296	-	-	81,349
Board	41,137	-	-	-	41,137
General administration	85,854	-	-	-	85,854
School administration	1,298,751	-	-	-	1,298,751
Facilities acquisition and construction	55,671	-	711,177	-	766,848
Fiscal services	65,825	-	-	-	65,825
Food services	-	634,076	-	-	634,076
Central services	40,896	3,675	-	-	44,571
Pupil transportation	1,065,300	-	-	-	1,065,300
Operation of plant	296,448	10,728	-	-	307,176
Debt service:					
Principal	-	-	-	17,026,581	17,026,581
Interest	-	-	-	1,271,273	1,271,273
Capital Outlay	-	-	4,614,307	-	4,614,307
Total expenditures	6,892,149	1,607,710	5,325,484	18,297,854	32,123,197
Excess (deficiency) of revenues over expenditures	2,267,435	171,816	(5,325,484)	(18,297,854)	(21,184,087)
OTHER FINANCIAL SOURCES (USES)					
Proceeds from issuance of debt	-	-	27,910,801	-	27,910,801
Transfer of debt proceeds to reserves	-	-	(5,146,552)	-	(5,146,552)
Operating transfer in	19,602	-	-	18,297,854	18,317,456
Operating transfer out	(878,691)	-	(17,438,765)	-	(18,317,456)
Total other financial sources (uses)	(859,089)	-	5,325,484	18,297,854	22,764,249
Net changes in fund balances	1,408,346	171,816	-	-	1,580,162
Fund balances at beginning of year	1,493,879	152,589	-	-	1,646,468
Fund balances at end of year	\$ 2,902,225	\$ 324,405	\$ -	\$ -	\$ 3,226,630

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

DISCOVERY ACADEMY OF LAKE ALFRED, 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, 2021

Net changes in fund balances - total governmental funds \$ 1,580,162

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 for the period ended:

Capital outlay	4,614,307
Accumulated depreciation	(751,769)

Principal payments on long-term liabilities are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 17,026,581

Proceeds from issuance of long-term debt are reported as an other financial source in the governmental funds. However, in the statement of net position, the amount of funds borrowed is reported as an increase in long-term debt liabilities. (27,910,801)

Transfer of debt proceeds are reported as an other financial source in the governmental funds. However, in the statement of net position, the amount of funds held in reserves is reported as restricted cash and cash equivalents. 5,146,552

In the Statement of Activities, some revenues and expenses are recognized that do not provide current financial resources and are not recognized in the governmental funds, such as deferred inflow and outflow of resources. (822,204)

Change in net position of governmental activities \$ (1,117,172)

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

DISCOVERY ACADEMY OF LAKE ALFRED, 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, 2021

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Discovery Academy of Lake Alfred, 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. Effective July 1, 2001, the School converted from a public school to a charter school.

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 current charter expires June 30, 2033 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 ACADEMY OF LAKE ALFRED, INC.

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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.
- Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.
- Debt Service Fund – to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by School purchased with capital outlay funds.

For the purpose of these statements, the general, special revenue and capital projects funds are considered major funds. The debt service fund is reported as an other governmental fund.

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 ACADEMY OF LAKE ALFRED, INC.

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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 collectible 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, 2021.

DISCOVERY ACADEMY OF LAKE ALFRED, 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 general fund has recorded total receivables of approximately \$99,000 which relates to amounts paid by the special revenue fund on behalf of the general fund.

Interfund Transfers

During the process of refinancing the loans, there was a net transfer of approximately \$900,000. This transfer includes approximately an \$18 million transfer in the debt service fund. Additionally, there was approximately \$900,000 and \$17.5 million transfer out of the general fund and capital projects fund, respectively.

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
Vehicles	10
Building	39

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.

Pensions

In the government-wide statement of net position, liabilities are recognized for the School's proportionate share of each pension plan's net pension liability. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Notes to Financial Statements

(continued)

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The School's retirement plans and related amounts are described in Note 7.

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.”

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.

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

**A Charter School and Component Unit of the
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Notes to Financial Statements

(continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school has one item that qualifies for reporting in this category which is the deferred amount of pension reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category which is the deferred amount of pension reported in the government-wide statement of net position. A deferred amount of pension results from the difference in the expected and actual amounts of experience, earnings and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan. However, earnings are amortized over 5 years.

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

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Notes to Financial Statements

(continued)

restricted for capital outlay expenditures. As of June 30, 2021, 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, 2021, the School reported 1010 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 was June 30, 2021 until GASB 95 was issued as discussed below.

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 was June 30, 2021 until GASB 95 was issued as discussed below.

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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 was June 30, 2021 until GASB 95 was issued as we discussed below.

The GASB issued in May 2021, 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.

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Notes to Financial Statements

(continued)

The estimated fair value of the School's pension liability and related deferred outflows and inflows determined using Level 3 inputs is based on information provided by the Auditor General. The estimated fair value of the School's pensions and related deferred outflows and inflows using Level 3 inputs is determined by calculating the present value of the future distributions expected to be paid, using published life expectancy tables and discount rates ranging from approximately 2% to 7.6%. There were no changes in valuation techniques during the year.

The carrying values of cash and cash equivalents, investments, cash restricted for long-term purposes, 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.

Estimated fair value of certain assets and (liabilities) measured on a recurring basis at June 30, 2021, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 1,042,555	\$ -	\$ -	\$ 1,042,555
Pension liability	-	-	(6,929,589)	(6,929,589)
Deferred inflows and outflows relating to pension liability	-	-	2,778,318	2,778,317
Total	<u>\$ 1,042,555</u>	<u>\$ -</u>	<u>\$(4,151,271)</u>	<u>\$(3,108,717)</u>

3 INVESTMENTS

The School had the following investments and maturities as of June 30, 2021:

Investment	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
Exchange traded equity funds	\$ 413,683	\$ 413,683	\$ -
Equity mutual funds	423,966	423,966	-
Bond mutual funds	186,429	186,429	-
Total securities	\$ 1,024,078	\$ 1,024,078	\$ -
Cash	18,477	18,477	-
Total investment balance	<u>\$ 1,042,555</u>	<u>\$ 1,042,555</u>	<u>\$ -</u>

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

**A Charter School and Component Unit of the
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Notes to Financial Statements

(continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses, the School's investment policy adheres to Florida Statutes.

Credit Risk: State law limits investments of surplus public funds to the Prudent Investment Act. The School's investment policy is to follow the guidelines of the Prudent Investment Act. All of the School's investments are in compliance as of June 30, 2021.

Concentration of Credit Risk: More than 5 percent of the School's investments are from the following issuers:

Issuer:	Amount	Percentage of Total Investments
Glenmede Large Cap Growth Fund	\$143,850	10.95%
IShares Russell 1000 Growth ETF	\$126,516	9.63%
JPMorgan Equity Income Select Shares	\$134,526	10.24%
IShares Russell 1000 Value EFT	\$102,539	7.80%

4 DUE FROM OTHER AGENCIES

Due from other agencies included in the accompanying financial statements primarily consists of reimbursements from the School Board for expenses related to Title I. Based on the source of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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

Notes to Financial Statements

(continued)

5 CAPITAL ASSETS

Capital assets as of June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Furniture, fixtures & equipment	\$ 1,296,623	\$ 3,700	\$ -	\$ 1,300,323
Vehicles	2,979,042	-	-	2,979,042
Land	1,870,537	-	-	1,870,537
Building	15,828,909	-	-	15,828,909
Construction in progress	583,264	4,610,607	-	5,193,871
Total capital assets	<u>22,558,375</u>	<u>4,614,307</u>	<u>-</u>	<u>27,172,682</u>
Accumulated depreciation:				
Furniture, fixtures and equipment	(717,374)	(151,870)	-	(869,244)
Buildings	(1,019,203)	(394,644)	-	(1,413,847)
Vehicles	(1,865,832)	(205,255)	-	(2,071,087)
Total accumulated depreciation	<u>(3,602,409)</u>	<u>(751,769)</u>	<u>-</u>	<u>(4,354,178)</u>
Capital assets, net	<u>\$ 18,955,966</u>	<u>\$ 3,862,538</u>	<u>\$ -</u>	<u>\$ 22,818,504</u>
Depreciation expense:				
Instruction			\$ 50,651	
Pupil personnel services			1,101	
School administration			61,827	
Facilities acquisition			394,644	
Food service			30,918	
Central services			2,201	
Transportation services			205,255	
Operations of plant			5,172	
Total governmental activities depreciation expense			<u>\$ 751,769</u>	

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

**A Charter School and Component Unit of the
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Notes to Financial Statements

(continued)

6 NOTES PAYABLE

The School's long-term notes payable are as 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 consists of the construction of non-educational facility to be used by the School. 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. 27,080,000

Note payable to a financial institution is secured by the School's vehicles purchased under the notes. Terms of the note include monthly interest and principal payments of \$5,938, with a fixed interest rate of 5.25%. The note payable matures September 2022. 39,123

Note payable to a financial institution is secured by the School's vehicles purchased under the notes. Terms of the note include monthly interest and principal payments of \$1,968, with a fixed interest rate of 6.50%. The note payable matures September 2023. 54,569

Note payable to a financial institution is secured by the School's vehicles purchased under the notes. Terms of the note include monthly interest and principal payments of \$6,152, with a fixed interest rate of 6.15%. The note payable matures July 2024. 243,489

In April 2021, the School entered into a note payable with CenterState Bank as lender. The School received this loan pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES) which is funded by Small Business Administration. The School anticipates using all the proceeds for eligible expenses and, therefore, expects all of the loan will be forgiven. 1,711,045

Total \$ 29,128,226

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Notes to Financial Statements

(continued)

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

Year Ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	2,176,107	1,347,366	3,523,473
2023	464,901	1,312,264	1,777,165
2024	466,901	1,292,438	1,759,370
2025	405,285	1,274,469	1,679,754
2026	405,000	1,258,850	1,663,850
2027 - 2031	2,275,000	6,038,450	8,313,450
2032 - 2036	2,845,000	5,463,000	8,308,000
2037 - 2041	3,635,000	4,676,500	8,311,500
2042 - 2046	4,635,000	3,672,780	8,307,780
2047 - 2051	5,920,000	2,392,250	8,312,250
2052 - 2056	5,900,000	755,470	6,655,470
Total	\$ 29,128,226	\$ 29,483,836	\$ 58,612,062

Interest paid during the year ended June 30, 2021 totaled approximately \$1,271,273.

Activity during fiscal year 2021 was as follows:

Balance outstanding at the beginning of year	\$ 18,244,006
Additions	27,099,602
Reductions	<u>16,215,382</u>
Balance outstanding at the end of year	<u>\$ 29,128,226</u>

7 PENSION PLANS

The Florida Department of Management Services, Division of Retirement (“Division”), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (“System”). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly available, audited comprehensive annual financial report (CAFR) on behalf of the system that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR, which is available online, or by contacting the Division.

Sharing Defined Benefit Plans

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), this report includes the allocation of the collective net pension liability and associated pension expense, deferred outflows of resources and deferred

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Notes to Financial Statements

(continued)

inflows of resources for each of the participating employers in the system's cost-sharing, multiple employer defined benefit plans:

- The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.
- The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Over 1,000 participating employers are served by the two defined benefit plans. Of these, more than 900 employers, referred to as reporting employers, report payroll and remit contributions to the division for their covered employees and, in some cases, for the covered employees of associated participating employers.

Basis of Accounting

Employers participating in the FRS Pension Plan and HIS Program are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB 68. The Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (pension allocation schedules) and notes to the schedules provide employers with the required information for reporting.

The underlying financial information used to prepare the pension allocation schedules is based on the system's records. The financial statements for the cost-sharing defined benefit plans are

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Notes to Financial Statements

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prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States. The system's financial statements are available online or by contacting the Division. There have been no significant changes since the publication of the financial statements.

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer is located in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2020. The system's CAFR and the actuarial valuation reports referenced herein are available online at: http://www.dms.myflorida.m/workforce_operations/retirement/publications.

Employer Contributions

Contributions are recognized as revenue in the period for which the contributions are due pursuant to statutory and contractual requirements. Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements and in the pension allocation schedules for the cost-sharing defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

Contributions

Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. Effective July 1, 2011, FRS members are required to make employee contributions in addition to employer contributions to establish service credit for work performed in a regularly established position. The total uniform contribution rates by membership class for Fiscal Year 2020-21- are as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Regular class	3%	10.00%
Senior management	3%	27.29%
Drop	N/A	16.98%

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy, assessment of 0.06% for administration for the FRS Investment Plan and the administration of the MyFRS Financial Guidance Program for both plans, and an unfunded actuarial liability contribution determined by membership class.

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Net Pension Liability

The components of the collective net position liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2020 are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 204,909,739	\$ 12,588,098
Plan fiduciary net position	(161,568,265)	(378,261)
Net pension liability	<u>\$ 43,341,474</u>	<u>\$ 12,209,837</u>
Plan fiduciary net position as a percentage Of the total pension liability	78.85%	3.00%

The total pension liability for the FRS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2020. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

The total pension liability for the HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2020. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Actuarial Methods and Assumptions

The Florida Retirement System (FRS) Actuarial Assumption conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate

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and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.210% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2020:

- FRS: The long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 3.50% to 2.21%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, protected generationally with Scale MP-2018.

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Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2020.

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
5.80%	6.80%	7.80%	1.21%	2.21%	3.21%
\$7,403,898	\$4,636,617	\$2,325,372	\$2,650,574	\$2,292,972	\$2,000,277

Basis of Allocation

At June 30, 2020, the School reported a liability of \$6,929,589 for its proportionate share of the Plan's net pension liability. The School's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ended June 30, 2013, through June 30, 2020, for employers that were members of the FRS and HIS during those fiscal years.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-20 fiscal year contributions of all participating members.

The School's proportions are as follows:

	FRS	HIS
June 30, 2020	.01030%	.01877%
June 30, 2019	.01069%	.01731%
Change	.00039%	.00146%

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In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Employer contributions to the pension plans from the School's employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans on June 30, 2020, was 5.9 years for FRS and 7.2 years for HIS.

On June 30, 2020, the School reported deferred outflows of resources and deferred inflow of resources related to the pensions from the following sources:

Description	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 177,453	\$ -
Changes of assumptions	839,375	-
Net difference between projected and actual investment earnings	276,069	-
Employer-specific amounts due to changes in employer proportion	378,187	16,230
School FRS contributions subsequent to the measurement date	388,706	-
Total	\$ 2,059,790	\$ 16,230

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<u>Description</u>	<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 93,796	\$ 1,769
Changes of assumptions	246,560	133,327
Net difference between projected and actual investment earnings	11,831	-
Employer-specific amounts due to changes in employer proportion	419,000	8,359
School FRS contributions subsequent to the measurement date	117,025	-
Total	\$ 878,212	\$ 143,455

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

<u>Measurement period ending June 30,</u>	<u>FRS Expense</u>	<u>HIS Expense</u>
2021	\$ 341,025	\$ 170,962
2022	531,127	126,816
2023	451,456	34,653
2024	269,882	80,466
2025	61,364	109,568
Thereafter		95,267
Total	\$ 1,654,854	\$ 617,732

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**A Charter School and Component Unit of the
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Notes to Financial Statements

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8 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Polk County, Florida:

Florida Education Finance Program	\$ 4,219,440
Class size reduction	872,568
Transportation	579,477
Discretionary millage funds	299,416
Discretionary local effort	285,578
Supplemental academic instruction	259,818
Discretionary stabilization	203,075
Total salary increase	154,128
ESE guaranteed allocation	93,245
Instructional materials	76,813
Total funds compression	55,082
Safe schools	43,471
Reading allocation	39,600
Lead teacher	17,215
Prior year allocation	1,568
Digital classroom allocation	1,212
Total	<u>\$ 7,201,806</u>

The administrative fee paid to the School Board during the year ended June 30, 2021 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.

9 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.

10 RELATED PARTY TRANSACTIONS

The School is related to Discovery High School, Inc. by a common board of directors. There are several transactions that occurred between the School and Discovery High School. The following transactions occurred:

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- The School purchased land with the intention of leasing the land to the Discovery High School. The agreement indicates that the amount will be determined annually. Under the current agreement, rent expense charged to Discovery High School was \$1,100,000.
- Financing was originally secured with note payables from local banks. The two schools were co-borrowers on the original loan secured by the land and buildings being constructed.
- The School and Discovery High School refinanced the loans in the current period with proceeds from Revenue bonds issued in the approximate amount of \$27 million to construct and refinance school facilities. The land and newly constructed buildings remain collateral security for the new indebtedness.
- There is approximately \$652,000 payable to Discovery High School for operating costs in the current year.
- Discovery Academy provided food and transportation services for Discovery High School students. The School received approximately \$253,000 in transportation revenue from Discovery High School.

11 COMMITMENTS AND CONTINGENT LIABILITIES

In response to the order by the Governor of Florida and in response to the coronavirus (COVID-19) pandemic, in March 2021, 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.

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.

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.

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12 CAMPUS FACILITIES

The title of the school building and facilities acquired prior to July 1, 2001 remain with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter school or to the parents and educators who organize the charter school.

In management's opinion, the value of facilities utilized by the School are significant; therefore, any substantial changes in Florida Statutes related to facilities used by conversion schools could have a material effect on the School's operations.

Originally, any capital assets acquired prior to July 1, 2001 also remained with the School Board. However, on May 14, 2013, the School District transferred ownership, title and all inherent duties related to these capital assets located on the School campus to Discovery Academy of Lake Alfred, Inc.

13 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 past three tax years are subject to examination by tax authorities, and may change upon examination.

14 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 30, 2021 which is the date the financial statements were available to be issued. Management continues to evaluate the ongoing impact of the COVID-19 pandemic on the industry. The School has included this it is reasonably possible that the ongoing pandemic could have a negative impact on its financial position and results of operations, however, any possible impact is not readily determinable as of the date of these financial statements. The School has not recognized any provisions for possible ongoing impact in these financial statements.

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 6,842,992	\$ 6,842,992	\$ 7,201,806	\$ 358,814
Contributions and other revenue	1,295,000	1,295,000	1,957,778	662,778
Total revenues	8,137,992	8,137,992	9,159,584	1,021,592
EXPENDITURES				
Current:				
Instruction	3,414,827	3,414,827	3,475,114	60,287
Pupil personnel services	442,136	442,136	369,169	(72,967)
Instructional media services	108,583	108,583	94,931	(13,652)
Instructional staff training	15,000	15,000	3,053	(11,947)
Board	56,100	56,100	41,137	(14,963)
General administration	83,697	83,697	85,854	2,157
School administration	938,113	938,113	1,298,751	360,638
Facilities acquisition and construction	-	-	55,671	55,671
Fiscal services	63,000	63,000	65,825	2,825
Central services	20,700	20,700	40,896	20,196
Pupil transportation	1,049,658	1,049,658	1,065,300	15,642
Operation of plant	501,650	501,650	296,448	(205,202)
Total expenditures	6,693,464	6,693,464	6,892,149	198,685
Excess (deficiency) of revenues over expenditures	1,444,528	1,444,528	2,267,435	822,907
OTHER FINANCIAL SOURCES (USES)				
Proceeds from issuance of debt	-	-	-	-
Operating transfer in			19,602	
Operating transfer out	(1,282,311)	(1,282,311)	(878,691)	403,620
Total other financial sources (uses)	(1,282,311)	(1,282,311)	(859,089)	403,620
Net changes in fund balances	162,217	162,217	1,408,346	1,226,527
Fund balances at beginning of year	1,493,879	1,493,879	1,493,879	-
Fund balances at end of year	\$ 1,656,096	\$ 1,656,096	\$ 2,902,225	\$ 1,226,527

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Federal sources passed through local school district	\$ 835,259	\$ 835,259	\$ 1,641,280	\$ 806,021
Contributions and other revenue	119,648	119,648	138,246	18,598
Total revenues	954,907	954,907	1,779,526	824,619
EXPENDITURES				
Current:				
Instruction	134,465	134,465	661,470	527,005
Pupil personnel services	177,059	177,059	219,465	42,406
Instructional staff training	80,023	80,023	78,296	(1,727)
Food services	486,294	486,294	634,076	147,782
Central services	-	-	3,675	3,675
Operation of plant	-	-	10,728	10,728
Total expenditures	877,841	877,841	1,607,710	729,869
Net changes in fund balances	77,066	77,066	171,816	94,750
Fund balances at beginning of year	152,589	152,589	152,589	-
Fund balances at end of year	\$ 229,655	\$ 229,655	\$ 324,405	\$ 94,750

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

**A Charter School and Component Unit of the
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Notes to Budgetary Schedules

For the Year Ended June 30, 2021

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.

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Required Supplementary Information

For the Year Ended June 30, 2021

Schedule of the School's Proportionate Share of the Net Pension Liability-
Florida Retirement System Pension Plan

	2020	2019	2018	2017	2016	2015	2014
School's proportion of the FRS net pension liability (asset)	0.0106%	0.0103%	0.0096%	0.0080%	0.0072%	0.0077%	0.0079%
School's proportionate share of the FRS net pension liability (asset)	\$ 4,636,617	\$ 3,548,941	\$ 2,882,323	\$ 2,374,795	\$ 1,822,059	\$ 992,325	\$ 483,961
School's covered-employee payroll	\$ 4,197,746	\$ 3,701,072	\$ 3,690,313	\$ 3,819,590	\$ 3,705,121	\$ 3,953,168	\$ 3,725,715
School's proportionate share if the FRS net pension liability (asset) as a percentage of its covered-employee payroll	110.45%	95.89%	78.11%	62.17%	49.18%	25.10%	12.99%
FRS Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Schedule of School Contributions
Florida Retirement System Pension Plan

	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 388,706	\$ 352,426	\$ 298,068	\$ 272,717	\$ 209,003	\$ 187,311	\$ 187,311
FRS contribution in relation to the contractually required FRS contribution	\$ (388,706)	\$ (352,426)	\$ (298,068)	\$ (272,717)	\$ (209,003)	\$ (187,311)	\$ (187,311)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 4,197,746	\$ 3,701,072	\$ 3,690,313	\$ 3,819,590	\$ 3,705,121	\$ 3,953,168	\$ 3,725,715
FRS contribution as a percentage of covered employee payroll	9.26%	9.52%	8.08%	7.14%	5.64%	4.74%	5.03%

See Independent Auditor's Report.

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

**A Charter School and Component Unit of the
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**Required Supplementary Information
(continued)**

Schedule of the School's Proportionate Share of the Net Pension Liability-
Health Retirement System Pension Plan

	2020	2019	2018	2017	2016	2015	2014
School's proportion of the HIS net pension liability (asset)	0.0161%	0.0161%	0.0161%	0.1396%	0.0127%	0.0123%	0.0128%
School's proportionate share of the HIS net pension liability (asset)	\$ 2,292,972	\$ 1,937,852	\$ 1,707,366	\$ 1,493,232	\$ 1,484,939	\$ 1,249,207	\$ 1,191,786
School's covered-employee payroll	\$ 4,197,746	\$ 3,701,072	\$ 3,690,313	\$ 3,819,590	\$ 3,705,121	\$ 3,953,168	\$ 3,725,715
School's proportionate share if the HIS net pension liability (asset) as a percentage of its covered-employee payroll	54.62%	52.36%	46.27%	39.09%	40.08%	31.60%	31.99%
HIS Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.10%	0.50%	0.99%

Schedule of School Contributions
Florida Retirement System Pension Plan

	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 117,025	\$ 106,087	\$ 87,481	\$ 87,481	\$ 73,908	\$ 46,823	\$ 43,664
HIS contribution in relation to the contractually required HIS contribution	\$ 117,025	\$ (106,087)	\$ (87,481)	\$ (87,481)	\$ (73,908)	\$ (46,823)	\$ (43,664)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 4,197,746	\$ 3,701,072	\$ 3,690,313	\$ 3,819,590	\$ 3,705,121	\$ 3,953,168	\$ 3,725,715
HIS contribution as a percentage of covered employee payroll	2.79%	2.87%	2.37%	2.29%	1.99%	1.18%	1.17%

See Independent Auditor's Report.

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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA	Grant Period	Expenditures
United States Department of Agriculture / Florida Department of Agriculture / Polk County School District / School Lunch Program	10.555	7/1/20 - 6/30/21	\$ 483,953
United States Department of Agriculture / Florida Department of Agriculture / Polk County School District / School Breakfast Program	10.553	7/1/20 - 6/30/21	135,048
Total Food Program Cluster			<u>619,001</u>
United States Department of Agriculture / Florida Department of Agriculture / Polk County School District / Commodity Supplemental Food Program	10.565	7/1/20 - 6/30/21	48,645
United States Department of Education / Florida Department of Education / Polk County School District / Title I Grants to Local Education Agencies	84.010	7/1/20 - 6/30/21	292,969
United States Department of Education / Florida Department of Education / Polk County School District / Special Education Grants to States (IDEA, Part B)	84.027	7/1/20 - 6/30/21	118,008
United States Department of Education / Florida Department of Education / Polk Public Charter School Program COVID-19 Distance Learning	84.282A	7/1/20 - 6/30/21	299,707
Total Federal Award Expenditures			<u>\$ 1,378,330</u>

DISCOVERY ACADEMY OF LAKE ALFRED, INC.

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Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrued basis of accounting. The information in the schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

2 DE MINIMIS INDIRECT COST RATE

The auditee used actual costs and did not elect to use the 10% indirect cost rate.



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 Academy of Lake Alfred, 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, each major fund, and the aggregate remaining fund information of Discovery Academy of Lake Alfred, 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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 30, 2021.

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.

McCrady & Associates, PLLC

Altamonte Springs, Florida
September 30, 2021

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McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Discovery Academy of Lake Alfred, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

McCrary & Associates, PLLC

Altamonte Springs, Florida
September 30, 2021

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DISCOVERY ACADEMY OF LAKE ALFRED, INC.
A Charter School and Component Unit of the
District School Board of Polk County, Florida
Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None noted

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None noted

Type of auditor report issued on compliance for major programs? Unmodified

Audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? N/A

Identification of major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/20 – 6/30/21	School Breakfast Program (Food Cluster)
10.555	7/1/20 – 6/30/21	National School Lunch Program (Food Cluster)
84.010	7/1/20 – 6/30/21	Title I

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Qualified as a low-risk auditee? Yes

**DISCOVERY ACADEMY OF LAKE ALFRED, INC.
A Charter School and Component Unit of the
District School Board of Polk County, Florida
Schedule of Findings and Questioned Costs (cont.)**

For the Year Ended June 30, 2021

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Status of Prior Year Audit Findings

There were no prior year audit findings reported.

**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 Academy of Lake Alfred, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida.

Report on the Financial Statements

We have audited the financial statements of Discovery Academy of Lake Alfred, Inc. (the "School") as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 30, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, required the name or official title of the entity be disclosed in this management letter. The official title of the entity is Discovery Academy of Lake Alfred, Inc.

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.

McCrady & Associates, PLLC

Altamonte Springs, Florida
September 30, 2021

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