

**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, 2023**



**McCRADY & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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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, 2023. 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, 2023 is approximately \$1.8 million.
- ❖ The School's total expenditures exceeded governmental revenues and other financial sources by approximately \$818,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for not directly related to the School's mission. For the year ended June 30, 2023, 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, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>Assets:</b>			
Current assets	\$ 2,536,723	\$ 3,291,399	\$ (754,676)
Total assets	<u>2,536,723</u>	<u>3,291,399</u>	<u>(754,676)</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenditures	<u>746,474</u>	<u>578,477</u>	<u>167,997</u>
Total liabilities	<u>746,474</u>	<u>578,477</u>	<u>167,997</u>
<b>Fund Balances:</b>			
Restricted for:			
Food services	737,068	633,067	104,001
Unassigned	<u>1,053,181</u>	<u>1,976,129</u>	<u>(922,948)</u>
Total fund balances	<u>\$ 1,790,249</u>	<u>\$ 2,609,196</u>	<u>\$ (818,947)</u>

The decrease in current assets is due to a decrease in cash and investments. The overall decrease in fund balances is due to the current year operating deficit.

## Change in Fund Balances of Governmental Funds

The School's total expenditures exceeded total revenues and other financial sources by approximately \$819,000 in fiscal 2023—see table below.

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal sources	\$ 2,785,422	\$ 2,096,192	\$ 689,230
State and local sources	7,017,465	7,072,654	(55,189)
Contributions and other revenues	<u>1,600,460</u>	<u>1,284,209</u>	<u>316,251</u>
Total revenues	<u>11,403,347</u>	<u>10,453,055</u>	<u>950,292</u>
<b>Expenses:</b>			
Instruction	4,538,211	4,343,345	194,866
Pupil personnel services	694,416	774,244	(79,828)
Instructional media services	30,081	55,365	(25,284)
Instructional staff training	83,879	46,527	37,352
Board	57,753	49,191	8,562
General administration	90,222	90,502	(280)
School administration	1,033,938	979,660	54,278
Fiscal services	87,375	72,741	14,634
Food services	901,837	894,997	6,840
Central services	94,576	67,540	27,036
Pupil transportation	1,518,872	1,281,158	237,714
Operation of plant	727,260	455,510	271,750
<b>Debt service</b>			
Principal	449,141	152,014	297,127
Interest	1,342,586	1,649,181	(306,595)
Capital outlay	<u>572,147</u>	<u>3,489,816</u>	<u>(2,917,669)</u>
Total expenses	<u>12,222,294</u>	<u>14,401,791</u>	<u>(2,179,497)</u>
Excess (deficiency) of revenues over expenditures	(818,947)	(3,948,736)	3,129,789
<b>Other Financial Sources</b>			
Proceeds from issuance of debt	<u>-</u>	<u>3,331,302</u>	<u>(3,331,302)</u>
Change in fund balance	<u>\$ (818,947)</u>	<u>\$ (617,434)</u>	<u>\$ (201,513)</u>

The increase in Federal revenues is due to additional funds related ESSER grants. State and local sources decreased due to a decrease in student population. Instructional, administrative and operation of plant expenditures increased in connection with incurring expenditures for grant reimbursement. Capital outlay expenditures and related loan proceeds decreased due to the majority of the construction and expansion project occurred during fiscal 2022.

## 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 \$1.8 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, budgeted revenues exceeded actual amounts by approximately \$1,257,000. Actual expenditures were less than budgeted by approximately \$462,000.

In the special revenue fund, total actual revenues exceeded budgeted amounts by approximately \$1,152,000 and actual expenditures exceeded budgeted amounts by approximately \$1,094,000.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2023, the School invested approximately \$31 million in capital assets, gross of accumulated depreciation of approximately \$6 million.

As of June 30, 2023 and 2022 information regarding the School's capital assets is as follows:

	Governmental Activities		Increase (Decrease)
	2023	2022	
Land	\$ 2,681,713	\$ 2,681,713	\$ -
Construction in progress	289,204	-	289,204
Building	23,578,125	23,578,125	-
Furniture, fixtures, and equipment	1,553,581	1,295,990	257,591
Vehicles	3,090,806	3,090,806	-
Total capital assets	\$ 31,193,429	\$ 30,646,634	\$ 546,795

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

- Construction in progress - \$289,204

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

### **Long-Term Debt**

As of June 30, 2023, the School has a total of approximately \$26.5 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 \$10.2 million, an increase of approximately \$1.7 million from 2023 actual amount exclusive of revenues from internal funds.

Budgeted expenditures in the general fund are approximately \$10.2 million, including funding for the debt service payments. If these estimates are realized, the School's general fund balance is expected to remain consistent at the end of fiscal year 2024.

### **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

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Discovery Academy of Lake Alfred, Inc. (the 'School'), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-6 and 39-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School's internal control over financial reporting and compliance.

The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are not presented and are not a required part of the basic financial statements.

*McCrary & Associates, PLLC*

Altamonte Springs, Florida  
September 29, 2023

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

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

**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, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,551,327
Reserved cash - bond reserves	1,621,670
Investments	301
Due from other agencies	241,234
Due from related party	743,861
Capital assets:	
Land	2,681,713
Construction in progress	289,204
Building	23,578,125
Furniture, fixtures and equipment	1,553,581
Vehicles	3,090,806
Less accumulated depreciation	<u>(6,002,458)</u>
Total capital assets, net	<u>25,190,971</u>
Due from related party	<u>593,229</u>
Total assets	<u>\$ 29,942,593</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Amount deferred on pension liability	3,185,157
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 746,474
Compensated absences payable	554,985
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	457,780
Portion due or payable after one year:	
Notes payable	26,013,246
Pension liability	<u>7,188,117</u>
Total liabilities	<u>34,960,602</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Amount deferred on pension liability	360,026
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	(1,280,055)
Restricted for:	
Debt service	1,621,670
Food services	737,068
Unrestricted	<u>(3,271,561)</u>
Total net position	<u>\$ (2,192,878)</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, 2023**

	Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Total
					Activities	
Governmental Activities:						
Instruction	\$ 5,116,298	\$ -	\$ 1,342,143	\$ -	\$ (3,774,155)	\$ (3,774,155)
Pupil personnel services	692,322	-	243,462	-	(448,860)	(448,860)
Instructional media services	17,386	-	1,200	-	(16,186)	(16,186)
Instructional staff training	83,879	-	83,408	-	(471)	(471)
Board	57,753	-	-	-	(57,753)	(57,753)
General administration	90,222	-	-	-	(90,222)	(90,222)
School administration	1,140,548	-	12,000	-	(1,128,548)	(1,128,548)
Facilities acquisition and construction	492,054	-	-	-	(492,054)	(492,054)
Fiscal services	87,375	-	-	-	(87,375)	(87,375)
Food services	949,031	168,846	1,009,705	-	229,520	229,520
Central services	95,844	-	6,405	-	(89,439)	(89,439)
Pupil transportation	1,672,910	-	18,533	-	(1,654,377)	(1,654,377)
Operation of plant	737,215	-	12,000	-	(725,215)	(725,215)
Interest	1,342,586	-	-	-	(1,342,586)	(1,342,586)
<b>Total primary government</b>	<b>\$ 12,575,423</b>	<b>\$ 168,846</b>	<b>\$ 2,728,856</b>	<b>\$ -</b>	<b>(9,677,721)</b>	<b>(9,677,721)</b>
General revenues:						
Federal Sources					56,567	56,567
State and local sources					7,017,465	7,017,465
Contributions and other revenues					1,431,614	1,431,614
<b>Total general revenues</b>					<b>8,505,646</b>	<b>8,505,646</b>
Change in net position					(1,172,075)	(1,172,075)
Net position at beginning of year					(1,172,223)	(1,172,223)
Prior period adjustment (see Note 13)					151,420	151,420
Net position at beginning of year, as restated					(1,020,803)	(1,020,803)
Net position at end of year					<b>\$ (2,192,878)</b>	<b>\$ (2,192,878)</b>

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, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 925,312	\$ 626,015	\$ 1,551,327
Investments	301	-	301
Due from other agencies	82,222	159,012	241,234
Due from related party	743,861	-	743,861
Due from special revenue	15,750	-	15,750
	<hr/>	<hr/>	<hr/>
Total assets	<b>\$ 1,767,446</b>	<b>\$ 785,027</b>	<b>\$ 2,552,473</b>
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable and accrued expenditures	\$ 714,265	\$ 32,209	\$ 746,474
Due to general fund	-	15,750	15,750
	<hr/>	<hr/>	<hr/>
Total liabilities	<b>714,265</b>	<b>47,959</b>	<b>762,224</b>
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES</b>			
Restricted:			
Food services	-	737,068	737,068
Spendable:			
Unassigned	1,053,181	-	1,053,181
	<hr/>	<hr/>	<hr/>
Total fund balance	<b>1,053,181</b>	<b>737,068</b>	<b>1,790,249</b>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<b>\$ 1,767,446</b>	<b>\$ 785,027</b>	<b>\$ 2,552,473</b>
	<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, 2023**

**Total fund balances - governmental funds** \$ 1,790,249

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 1,621,670

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 31,193,429  
Accumulated depreciation (6,002,458)

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 593,229

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. (554,985)

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 (26,471,026)  
Pension liability (7,188,117)

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. 2,825,131

**Total net position - governmental activities** \$ (2,192,878)

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, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ 2,785,422	\$ -	\$ 2,785,422
State and local sources	7,017,465	-	-	7,017,465
Contributions and other revenue	1,431,614	168,846	-	1,600,460
<b>Total revenues</b>	<b>8,449,079</b>	<b>2,954,268</b>	<b>-</b>	<b>11,403,347</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,196,068	1,342,143	-	4,538,211
Pupil personnel services	450,954	243,462	-	694,416
Instructional media services	28,881	1,200	-	30,081
Instructional staff training	471	83,408	-	83,879
Board	57,753	-	-	57,753
General administration	90,222	-	-	90,222
School administration	1,021,938	12,000	-	1,033,938
Fiscal services	87,375	-	-	87,375
Food services	-	901,837	-	901,837
Central services	88,171	6,405	-	94,576
Pupil transportation	1,500,339	18,533	-	1,518,872
Operation of plant	715,260	12,000	-	727,260
Debt service:				
Principal	-	-	449,141	449,141
Interest	-	-	1,342,586	1,342,586
Capital Outlay	342,868	229,279	-	572,147
<b>Total expenditures</b>	<b>7,580,300</b>	<b>2,850,267</b>	<b>1,791,727</b>	<b>12,222,294</b>
Excess (deficiency) of revenues over expenditures	868,779	104,001	(1,791,727)	(818,947)
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Operating transfer in	-	-	1,791,727	1,791,727
Operating transfer out	(1,791,727)	-	-	(1,791,727)
<b>Total other financial sources (uses)</b>	<b>(1,791,727)</b>	<b>-</b>	<b>1,791,727</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>(922,948)</b>	<b>104,001</b>	<b>-</b>	<b>(818,947)</b>
Fund balances at beginning of year	1,976,129	633,067	-	2,609,196
<b>Fund balances at end of year</b>	<b>\$ 1,053,181</b>	<b>\$ 737,068</b>	<b>\$ -</b>	<b>\$ 1,790,249</b>

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, 2023**

**Net changes in fund balances - total governmental funds** \$ (818,947)

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	572,151
Accumulated depreciation	(860,965)

Loss on disposal of assets is reported in the statement of activities, whereas no expense is reported in the governmental funds. (4,783)

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (83,079)

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. 449,141

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. (425,593)

**Change in net position of governmental activities** \$ (1,172,075)

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, 2023

#### 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.

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

### Notes to Financial Statements

(continued)

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

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

#### Fund Financial Statements

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

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- 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 debt service funds are considered major funds.

#### Basis of Accounting

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

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

**DISCOVERY 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)**

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. 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, 2023.

**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 \$16,000 which relates to amounts paid by the general fund on behalf of the special fund.

**Interfund Transfers**

During fiscal 2023 there were approximately \$1.8 million in transfers from the general fund to the debt service fund for debt service payments.

**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 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.

**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)**

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

**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.

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

### Notes to Financial Statements

(continued)

restricted for capital outlay expenditures. As of June 30, 2023, 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, 2023, the School reported 897.55 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.

## 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).



**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)**

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

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

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

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

The 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, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 301	\$ -	\$ -	\$ 301
Pension liability	-	-	(7,188,117)	(7,188,117)
Deferred inflows and outflows relating to pension liability	-	-	(2,825,131)	(2,825,131)
Total	<u>\$ 301</u>	<u>\$ -</u>	<u>\$ (10,013,248)</u>	<u>\$ (10,012,947)</u>

**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)

**3 INVESTMENTS**

The School had the following investments and maturities as of June 30, 2023:

<b>Investment</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less than 1</b>	<b>1 - 5</b>
Exchange traded equity funds	\$ -	\$ -	\$ -
Equity mutual funds	-	-	-
Bond mutual funds	-	-	-
Total securities	\$ -	\$ -	\$ -
Cash	301	301	-
Total investment balance	\$ 301	\$ 301	\$ -

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, 2023.

**4 DUE FROM OTHER AGENCIES**

Due from other agencies included in the accompanying financial statements primarily consists of reimbursements from the District for expenses related to Elementary and Secondary School Emergency Relief funds. 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, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers / Decreases</u>	<u>Ending Balance</u>
<b>Capital assets:</b>				
Land	\$ 2,681,713	\$ -	\$ -	\$ 2,681,713
Furniture, fixtures & equipment	1,295,990	282,943	(25,352)	1,553,581
Vehicles	3,090,806	-	-	3,090,806
Building	23,578,125	-	-	23,578,125
Construction in progress	-	289,204	-	289,204
Total capital assets	<u>30,646,634</u>	<u>572,147</u>	<u>(25,352)</u>	<u>31,193,429</u>
 <b>Accumulated depreciation:</b>				
Furniture, fixtures and equipment	(1,017,464)	(200,333)	20,570	(1,197,227)
Buildings	(1,905,901)	(492,052)	-	(2,397,953)
Vehicles	<u>(2,238,698)</u>	<u>(168,580)</u>	-	<u>(2,407,278)</u>
Total accumulated depreciation	<u>(5,162,063)</u>	<u>(860,965)</u>	<u>20,570</u>	<u>(6,002,458)</u>
 Capital assets, net	\$ <u>25,484,571</u>	\$ <u>(288,818)</u>	\$ <u>(4,782)</u>	\$ <u>25,190,971</u>
 <b>Depreciation expense:</b>				
Instruction			\$ 100,939	
Pupil personnel services			244	
School administration			45,513	
Facilities acquisition			492,054	
Food service			47,194	
Central services			1,268	
Transportation services			168,580	
Operations of plant			<u>5,173</u>	
Total governmental activities depreciation expense			<u>\$ 860,965</u>	

**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)**

**6 NOTES PAYABLE**

The School's long-term notes payable are as described below:

In September 2020, 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 2023, the School is required to commence annual aggregate principle and interest payments of approximately \$1,662,450.	\$ 26,380,000
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 \$1,968, with a fixed interest rate of 6.50%. The note payable matures September 2023.	12,019
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.	<u>79,007</u>
Total	<u><u>\$ 26,471,026</u></u>

**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)**

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

<b>Year Ended June 30:</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 457,780	\$ 1,292,438	\$ 1,750,218
2025	398,246	1,274,469	1,672,715
2026	405,000	1,258,850	1,663,850
2027	420,000	1,242,650	1,662,650
2028	435,000	1,225,850	1,660,850
2029 - 2033	2,475,000	5,837,700	8,312,700
2034 – 2038	3,140,000	5,171,250	8,311,250
2039 – 2043	4,005,000	4,304,030	8,309,030
2044 – 2048	5,110,000	3,197,750	8,307,750
2049 – 2053	6,530,000	1,785,250	8,315,250
2054 – 2056	3,095,000	233,970	3,328,970
Total	<u>\$ 26,471,026</u>	<u>\$ 28,824,207</u>	<u>\$ 53,295,233</u>

Interest paid during the year ended June 30, 2023 totaled approximately \$1,700,000.

Activity during fiscal year 2023 was as follows:

Balance outstanding at the beginning of year	\$ 26,920,167
Additions	-
Reductions	(449,141)
Balance outstanding at the end of year	<u>\$ 26,471,026</u>

**7 PENSION PLANS**

**PENSION PLANS**

The Florida Department of Management Services, Division of Retirement (the “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). For the fiscal year ended June 30, 2022, the division administered two cost-sharing, multiple employer defined benefit plans, one single employer defined benefit plan, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. The division issued a publicly available, audited annual comprehensive financial report (ACFR) 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 ACFR, which is available online, or by contacting the division.

## 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)

#### Cost-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 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 non-integrated 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, 2022, 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

**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)**

Amounts by Employer (pension allocation schedules) and notes to the schedules, along with the system's ACFR, 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 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.

**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 2021-22 are as follows:

<b>Class or Plan</b>	<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer (A)</b>
<b>Regular class</b>	<b>3.3%</b>	<b>10.82%</b>
<b>Senior management</b>	<b>4.6%</b>	<b>29.01%</b>
<b>Drop</b>	<b>N/A</b>	<b>18.40%</b>

(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.

**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)

**Use of Estimates**

The preparation of these schedules, and the associated financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and changes therein, including appropriate disclosures at the date of the financial statements. Actual results could differ from those estimates.

**Net Pension Plan's Fiduciary Net Position**

The components of the collective fiduciary's net position liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2022 are shown below (*in thousands*):

	<u>FRS</u>	<u>HIS</u>
<b>Total pension liability</b>	<b>\$ 217,434,441</b>	<b>\$ 11,126,966</b>
<b>Plan fiduciary net position</b>	<b>(180,226,405)</b>	<b>(535,368)</b>
<b>Net pension liability</b>	<b><u>\$ 37,208,036</u></b>	<b><u>\$ 10,591,598</u></b>
<b>Plan fiduciary net position as a percentage Of the total pension liability</b>	<b>82.89%</b>	<b>4.81%</b>

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, 2022. 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. Update procedures were not used.

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, 2022. 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.

**Basis of Allocation**

At June 30, 2022, the School reported a liability of \$4,987,672 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, 2022, for employers that were members of the FRS and HIS during those fiscal years.



## **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)**

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The School's proportionate share of the net pension liability was based on the School's 2021-22 fiscal year contributions of all participating members.

#### **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 and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. 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 3.54% 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 2022:

- FRS: The long-term expected rate of return decreased from 6.80% to 6.70%.
- HIS: The demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB5007, HB689, and SB838.

**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)**

- HIS: The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.
- HIS: The municipal bond rate used to determine total pension liability was increased from 2.16% to 3.54%.

**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, 2022.

<b>School's Proportionate Share of FRS Net Pension Liability</b>			<b>School's Proportionate Share of HIS Net Pension Liability</b>		
<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
5.70%	6.70%	7.70%	2.54%	3.54%	4.54%
\$8,625,836	\$4,987,672	\$1,945,734	\$2,517,490	\$2,200,445	\$1,938,097

The School's proportions are as follows:

	<b>FRS</b>	<b>HIS</b>
June 30, 2022	.01340%	.02078%
June 30, 2021	.01188%	.01865%
Change	-.00152%	-.00213%

**Pension Expense and Deferred Outflow / Inflow of Resources**

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:

**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)**

- 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 are 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 at June 30, 2022, was 5.5 years for FRS and 6.4 years for HIS.

At June 30, 2022, the School reported deferred outflows of resources and deferred inflow of resources related to the pensions from the following sources:

<u>Description</u>	<b>FRS</b>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 236,886	\$ -
Changes of assumptions	614,253	-
Net difference between projected and actual investment earnings	329,335	-
Employer-specific amounts due to changes in employer proportion	754,859	-
School FRS contributions subsequent to the measurement date	<u>472,853</u>	<u>-</u>
Total	<u>\$ 2,408,186</u>	<u>\$ -</u>

**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)

<u>Description</u>	<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,789	\$ 9,682
Changes of assumptions	126,131	340,407
Net difference between projected and actual investment earnings	3,186	-
Employer-specific amounts due to changes in employer proportion	438,466	9,937
School FRS contributions subsequent to the measurement date	<u>142,399</u>	<u>-</u>
Total	<u>\$ 776,971</u>	<u>\$ 360,026</u>

**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)**

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:

<b>Measurement period ending June 30,</b>	<b>FRS Expense</b>	<b>HIS Expense</b>
<b>2023</b>	\$ 468,030	\$ 65,749
<b>2024</b>	176,610	35,455
<b>2025</b>	(158,056)	16,211
<b>2026</b>	1,375,211	35,883
<b>2027</b>	73,538	83,290
<b>Thereafter</b>	<u>-</u>	<u>37,958</u>
<b>Total</b>	<u>\$ 1,935,333</u>	<u>\$ 274,546</u>

**Additional Financial and Actuarial Information**

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 ACFR for the fiscal year ended June 30, 2022. The system’s ACFR and the actuarial valuation reports referenced herein are available online at: [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

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

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

Florida Education Finance Program	\$ 4,015,718
Class size reduction	807,114
Transportation	712,897
Discretionary millage funds	319,735
Discretionary local effort	303,968
Supplemental academic instruction	224,862
Total salary increase	210,634
ESE guaranteed allocation	178,367
Instructional materials	75,274
Safe schools	54,189
Total funds compression	52,611
Reading allocation	44,039
Lead teacher	13,800
Proration of funds	4,257
<b>Total</b>	<u><u>\$ 7,017,465</u></u>

# 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)

The administrative fee paid to the School Board during the year ended June 30, 2023 totaled approximately \$90,000, 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:

- 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 \$1,200,000.
- 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 2020 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 \$744,000 receivable from Discovery High School for operating costs in the current year.
- There is approximately \$593,000 receivable from Discovery High School for furniture and fixtures from the School's first year of operations.
- Discovery Academy provided food and transportation services for Discovery High School students. The School received approximately \$319,000 in transportation revenue from Discovery High School.

**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)**

**11 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

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

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

**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.

**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.

**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)**

**13 PRIOR PERIOD ADJUSTMENT**

In the prior years, the School erroneously understated the bond reserves. The understatement was detected in the current year and accordingly beginning net position of the school was restated by \$151,420.

**14 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.

**15 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 29, 2023 which is the date the financial statements were available to be issued.



**DISCOVERY ACADEMY OF LAKE ALFRED, INC.**

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

**Budgetary Comparison Schedule - General Fund**

**For the Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State and local sources	\$ 8,161,170	\$ 8,161,170	\$ 7,017,465	\$ (1,143,705)
Contributions and other revenue	1,545,000	1,545,000	1,431,614	(113,386)
<b>Total revenues</b>	<b>9,706,170</b>	<b>9,706,170</b>	<b>8,449,079</b>	<b>(1,257,091)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,046,437	4,046,437	3,196,068	(850,369)
Pupil personnel services	575,222	575,222	450,954	(124,268)
Instructional media services	55,576	55,576	28,881	(26,695)
Instructional staff training	148,473	148,473	471	(148,002)
Board	58,600	58,600	57,753	(847)
General administration	90,699	90,699	90,222	(477)
School administration	1,059,600	1,059,600	1,021,938	(37,662)
Fiscal services	63,000	63,000	87,375	24,375
Central services	47,500	47,500	88,171	40,671
Pupil transportation	1,390,465	1,390,465	1,500,339	109,874
Operation of plant	471,650	471,650	715,260	243,610
Capital outlay	35,500	35,500	342,868	307,368
<b>Total expenditures</b>	<b>8,042,722</b>	<b>8,042,722</b>	<b>7,580,300</b>	<b>(462,422)</b>
Excess (deficiency) of revenues over expenditures	1,663,448	1,663,448	868,779	(794,669)
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Operating transfer out	(1,660,550)	(1,660,550)	(1,791,727)	(131,177)
<b>Total other financial sources (uses)</b>	<b>(1,660,550)</b>	<b>(1,660,550)</b>	<b>(1,791,727)</b>	<b>(131,177)</b>
Net changes in fund balances	2,898	2,898	(922,948)	(925,846)
Fund balances at beginning of year	1,976,129	1,976,129	1,976,129	-
Fund balances at end of year	\$ 1,979,027	\$ 1,979,027	\$ 1,053,181	\$ (925,846)

**DISCOVERY ACADEMY OF LAKE ALFRED, INC.**

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

**Budgetary Comparison Schedule - Special Revenue Fund**

**For the Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 1,649,361	\$ 1,649,361	\$ 2,785,422	\$ 1,136,061
Contributions and other revenue	152,527	152,527	168,846	16,319
<b>Total revenues</b>	<b>1,801,888</b>	<b>1,801,888</b>	<b>2,954,268</b>	<b>1,152,380</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	157,255	157,255	1,342,143	1,184,888
Pupil personnel services	278,465	278,465	243,462	(35,003)
Instructional media services	-	-	1,200	1,200
Instructional staff training	185,437	185,437	83,408	(102,029)
School administration	-	-	12,000	12,000
Food services	1,134,524	1,134,524	901,837	(232,687)
Pupil transportation	-	-	18,533	18,533
Central services	-	-	6,405	6,405
Operation of plant	-	-	12,000	12,000
Capital outlay	-	-	229,279	229,279
<b>Total expenditures</b>	<b>1,755,681</b>	<b>1,755,681</b>	<b>2,850,267</b>	<b>1,094,586</b>
 Net changes in fund balances	 46,207	 46,207	 104,001	 57,794
Fund balances at beginning of year	152,589	152,589	633,067	-
Fund balances at end of year	<u>\$ 198,796</u>	<u>\$ 198,796</u>	<u>\$ 737,068</u>	<u>\$ 57,794</u>

**DISCOVERY ACADEMY OF LAKE ALFRED, INC.**

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

**Notes to Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2023**

**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.

**DISCOVERY ACADEMY OF LAKE ALFRED, INC.**

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

**Required Supplementary Information**

**For the Year Ended June 30, 2023**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
	0.0134%	0.0119%	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)	\$ 4,987,672	\$ 897,775	\$ 4,636,617	\$ 3,548,941	\$ 2,882,323	\$ 2,374,795	\$ 1,822,059	\$ 992,325	\$ 483,961
School's covered-employee payroll	\$ 4,343,162	\$ 4,200,609	\$ 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	114.84%	21.37%	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	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Schedule of School Contributions  
Florida Retirement System Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 472,853	\$ 428,720	\$ 388,706	\$ 352,426	\$ 298,068	\$ 272,717	\$ 209,003	\$ 187,311	\$ 187,311
FRS contribution in relation to the contractually required FRS contribution	\$ (472,853)	\$ (428,720)	\$ (388,706)	\$ (352,426)	\$ (298,068)	\$ (272,717)	\$ (209,003)	\$ (187,311)	\$ (187,311)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 4,343,162	\$ 4,200,609	\$ 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	10.89%	10.21%	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  
District School Board of Polk County Florida**

**Required Supplementary Information  
(continued)**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's proportion of the HIS net pension liability (asset)	0.0000%	0.0161%	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)	\$ 2,200,445	\$ 2,287,652	\$ 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	\$ 4,343,162	\$ 4,200,609	\$ 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	50.66%	54.46%	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	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.10%	0.50%	0.99%

Schedule of School Contributions  
Florida Retirement System Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 142,399	\$ 129,090	\$ 117,025	\$ 106,087	\$ 87,481	\$ 87,481	\$ 73,908	\$ 46,823	\$ 43,664
HIS contribution in relation to the contractually required HIS contribution	\$ 142,399	\$ 129,090	\$ 117,025	\$ (106,087)	\$ (87,481)	\$ (87,481)	\$ (73,908)	\$ (46,823)	\$ (43,664)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 4,343,162	\$ 4,200,609	\$ 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	3.28%	3.07%	2.79%	2.87%	2.37%	2.29%	1.99%	1.18%	1.17%

See Independent Auditor's Report.



McCRAZY & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
On an Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

To the Board of Directors of Discovery 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, the business-type activities, the aggregate discretely presented component units and each major fund of Discovery Academy of Lake Alfred (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2023.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. In connection with our audit, we did identify the following deficiency:

2023-01-Monitoring and Amendments to the Budget: During our audit procedures, we noted that the school's financial conditions deteriorated significantly from prior year, and the budget was not closely monitored to control, reduce or mitigate the deficit before year-end. In order to continue to meet required annual obligations, plans should be developed to increase fund balance.

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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

*McCrary & Associates, PLLC*

Altamonte Springs, Florida  
September 29, 2023

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

**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 (the “School”) as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated September 29, 2023.

**Auditor’s Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 29, 2023, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

**Official Title**

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Discovery Academy of Lake Alfred. The School code is 1961.

**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. Based on our procedures, the entity has met one or more conditions described in Sections 10.854(1)(e)6.a and 10.855(12), as the School's cash and investments decreased significantly in the current year to cover operating costs. In order to continue to meet required annual obligations, plans should be developed to increase fund balance.

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 have the one recommendation Finding 2023-01 as noted on page 44.

### **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 such findings nor did the school or management represent 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 the District School Board of Polk County 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 29, 2023

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

# Discovery Schools

Carol Fulks, Executive  
Director



Discovery Academy of Lake Alfred  
1000 N. Buena Vista Drive  
Lake Alfred, FL 33850  
www.discoveryacademy.org  
863-295-5955

Discovery High School  
640 Evenhouse Road  
Lake Alfred, FL 33850  
www.discoveryfl.org  
863-268-7178

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September 28, 2023

McCrary & Associates, PLLC  
Attn: Stacy McCrary, Managing Member  
107 Water Oak Lane  
Altamonte Springs, FL 32714

To Our Audit Team—

Discovery Academy of Lake Alfred, Inc. and Discovery High School, Inc. (the “Discovery Schools” or the “Schools”) have had combined losses on fund-basis operations for the fiscal years ending 2022 and 2023 in the amount of \$1,360,644 and \$1,192,468, respectively. We are writing this letter to inform you of our turnaround plan to ensure the Schools can continue operations in the future for at least 12-months from June 30, 2023.

The recent combined losses have had a negative effect on the Schools’ combined cash balance which has necessitated the sale of the Schools’ long-term investments to supplement available operating cash. The following circumstances and plans serve as mitigating factors in preventing similar operating losses in the future.

- The Florida Legislature has increased the per-student FEFP allocation by approximately 9% for the fiscal year 2023-2024. This will serve to bolster the Schools’ financial surplus for this fiscal year. As a result, the Schools’ combined year-to-date surplus as of August 31, 2023 is \$788,974, which is expected to be adequate to support a turnaround of the recent losses.
- Administration of the Schools is determined to ensure the waiting list for students is exhausted this year, and all students’ families are presented with the option to enroll in order to fill all available student enrollment slots.
- We own land purchased with bond funds that is not currently being used in operations that could be sold if additional working capital is needed.
- We will monitor expenses to ensure we do not expend funding in excess of our budgeted amounts, and
- We will review the monthly financial statements with the board to keep the members informed of the current financial status.

## Discovery Schools

Carol Fulks, Executive  
Director



Discovery Academy of Lake Alfred  
1000 N. Buena Vista Drive  
Lake Alfred, FL 33850  
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Lake Alfred, FL 33850  
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863-268-7178

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Please consider these factors in your determination of the Discovery Schools' viability for the fiscal year ended June 30, 2024. We look forward to additional discussion on this topic that can assist the Schools in maintaining a viable financial status.

Sincerely,

A handwritten signature in blue ink that reads "Carol Fulks".

Carol Fulks  
Executive Director