

FINANCIAL STATEMENTS
MOUNTAIN DISCOVERY CHARTER SCHOOL
OF SWAIN COUNTY
BRYSON CITY, NORTH CAROLINA
JUNE 30, 2021

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY
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FINANCIAL SECTION

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

JUNE 30, 2021

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Independent Auditor's Report

Board of Directors
Mountain Discovery Charter School of Swain County
Bryson City, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mountain Discovery Charter School of Swain County, North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Mountain Discovery Charter School of Swain County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mountain Discovery Charter School of Swain County, North Carolina, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 14 and the Schedule of the Proportionate Share of the Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 44 through 49, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mountain Discovery Charter School of Swain County, North Carolina's basic financial statements. The combining and individual non-major fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of Mountain Discovery Charter School of Swain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountain Discovery Charter School of Swain County's internal control over financial reporting and compliance.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 19, 2021

Management's Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021

As management of Mountain Discovery Charter School (MDCS), we offer readers of MDCS's financial statements this narrative overview and analysis of the financial activities of MDCS for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements which follow this narrative.

Important Financial Points

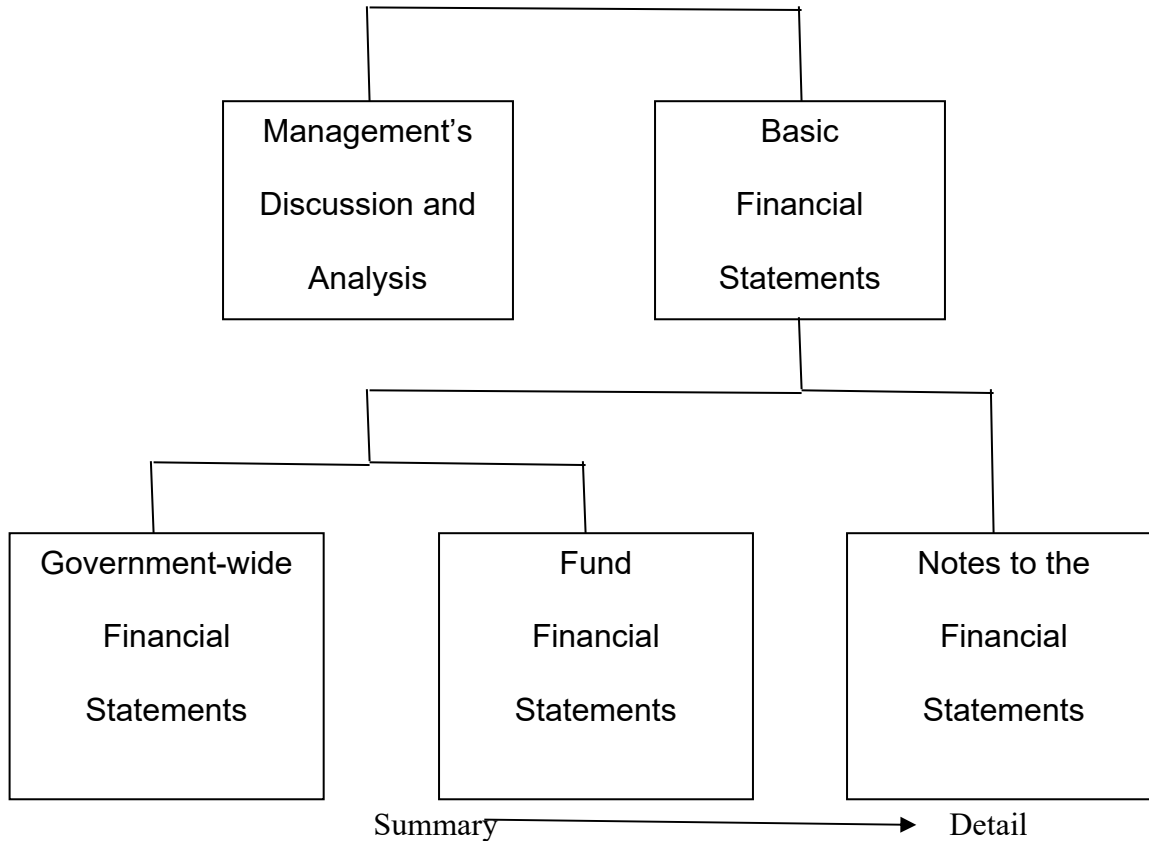
- The liabilities of MDCS exceeded its assets and deferred inflows at the close of the fiscal year by \$188,711 (*net position*).
- The school's total net position actually increased by \$356,916. Liabilities exceed assets primarily because of the assumption of a \$2.6M loan in FY2018 to fund construction of a new gymnasium.
- As of the close of the current fiscal year, MDCS's governmental funds reported combined ending fund balances of \$591,206, an increase of \$165,160 in comparison with the prior year. This increase is higher than a typical year's operating surplus due to state and federal aid received to accommodate unplanned expenses associated with providing remote learning and savings on operating expense associated with remote learning. Transportation, utilities, and substitute expenses were all significantly lower than a typical year.
- Enrollment actually spiked to an all-time high of 194.
- In addition to the aforementioned construction loan, in FY 19 MDCS assumed an additional loan to fund the purchase of two 2021 school buses. As of 6-30-21, the outstanding principal amount was \$86,908. The debt will be retired as of February, 2025. Our pension liability totaled \$700,756.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MDCS'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 (see Figure 1). 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 reader's understanding of the financial condition of MDCS.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Management Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with 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 how they have changed. Net position is the difference between the School's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. After School child care services offered by MDCS are the only activity falling into this category.

The government-wide financial statements are Exhibits 1 and 2 of this report.

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 that is used to maintain control over resources that have been segregated for specific activities or objectives. MDCS, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of MDCS can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less 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.

MDCS adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each

Management Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021

of the funds demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – MDCS has two proprietary funds, both of which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. MDCS uses enterprise funds to account for its child care function.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The liabilities of MDCS exceeded assets and deferred inflows of resources by \$188,711 as of June 30, 2021. As of June 30, 2020, the net position of MDCS stood at (\$545,627). The School's net position increased by \$356,916 for the fiscal year ended June 30, 2021, compared to an increase of \$144,194 in 2020. The net position reflects an investment in capital assets less outstanding debt issued to acquire those items (e.g. land, buildings, machinery and equipment) of \$1,366,628. Mountain Discovery uses these assets to provide services to its students; consequently, these assets are not available for future spending. The School has \$2,509 restricted for net OPEB asset and the remaining balance of (\$1,557,848) is unrestricted. In 2020, the amount of net investment in capital assets was \$1,275,954, \$2,019 restricted for net OPEB, with unrestricted net position standing at (\$1,823,600).

**Management Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021**

MDCS's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 599,267	\$ 460,642	\$ 302,877	\$ 261,587	\$ 902,144	\$ 722,229
Capital assets	540,796	589,958	3,075,370	3,200,097	3,616,166	3,790,055
Total assets	1,140,063	1,050,600	3,378,247	3,461,684	4,518,310	4,512,284
Deferred outflows of resources	471,320	418,865	-	-	471,320	418,865
Long-term liabilities	86,908	308,901	2,363,130	2,405,700	2,450,038	2,714,601
Net pension and OBEB liabilities	2,064,977	2,104,546	-	-	2,064,977	2,104,546
Other liabilities	5,552	3,513	-	3	5,552	3,516
Total liabilities	2,157,437	2,416,960	2,363,130	2,405,703	4,520,567	4,822,663
Deferred inflows of resources	657,774	654,113	-	-	657,774	654,113
Net Position:						
Net investment in capital assets	654,388	481,557	712,240	794,397	1,366,628	1,275,954
Restricted	2,509	2,019	-	-	2,509	2,019
Unrestricted	(1,860,725)	(2,085,184)	302,877	261,584	(1,557,848)	(1,823,600)
Total Net Position	\$ (1,203,828)	\$ (1,601,608)	\$ 1,015,117	\$ 1,055,981	\$ (188,711)	\$ (545,627)

Several particular aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget for all funds except the Clubs and Activities Fund. The School's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The School applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of exceptional children.
- The School received a significant amount of state and federal aid to offset the costs of transitioning to distance and distanced in-person learning.
- The School realized significant savings on operating expenses like utilities, transportation, and substitute teachers.
- Management is capitalizing on the population boom in western North Carolina and is focusing efforts on attracting students throughout the region.

Management Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021

MDCS Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 717	\$ 8,865	\$ 717	\$ 8,865
Operating grants and contributions	94,724	79,112	-	-	94,724	79,112
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
County, State, and Federal funds	1,837,195	1,683,414	-	-	1,837,195	1,683,414
Grants and contributions not restricted to specific programs	-	-	(11,205)	77,820	(11,205)	77,820
Other	263,500	152,627	105,000	105,400	368,500	
Total revenues	<u>2,195,419</u>	<u>1,915,153</u>	<u>94,512</u>	<u>192,085</u>	<u>2,289,931</u>	<u>1,849,211</u>
Expenses:						
Instructional services	1,410,526	1,472,033	-	-	1,410,526	1,472,033
System-wide support services	364,587	342,398	-	-	364,587	342,398
Ancillary services*	-	380	-	-	-	380
Non-programmed charges	-	-	-	-	-	-
School food service	-	-	-	-	-	-
Enterprise expenses	-	-	153,881	146,527	153,881	146,527
Interest on long-term debt	4,021	1,706	-	-	4,021	1,706
Total expenses	<u>1,779,134</u>	<u>1,816,517</u>	<u>153,881</u>	<u>146,527</u>	<u>1,933,015</u>	<u>1,963,044</u>
Increase in net position before transfers	416,285	98,636	(59,369)	45,558	356,916	144,194
Transfers	(18,505)	(12,934)	18,505	12,934	-	-
Increase (decrease) in net position	397,780	85,702	(40,864)	58,492	356,916	144,194
Net position, July 1	(1,601,608)	(1,687,310)	1,055,981	997,489	(545,627)	(689,821)
Net position, June 30	<u>\$ (1,203,828)</u>	<u>\$ (1,601,608)</u>	<u>\$ 1,015,117</u>	<u>\$ 1,055,981</u>	<u>\$ (188,711)</u>	<u>\$ (545,627)</u>

Governmental activities: Governmental activities increased the School’s net position by \$397,780 before restatement.

Business-type activities: Business-type activities decreased MDCS’s net position by \$40,864.

**Management Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021**

Financial Analysis of the School’s Funds: As noted earlier, MDCS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of MDCS’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing MDCS’s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of MDCS. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$590,379 while the total fund balance reached \$591,206.

Proprietary Funds. The School’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Before and After School Fund at the end of the fiscal year amounted to \$23,753. There was no growth, or decrease, in net position for the Before and After School Fund. Other factors concerning the finances of this fund have already been addressed in the discussion of the School’s business-type activities.

Capital Asset and Debt Administration

Capital assets. MDCS’s investment in capital assets for its governmental and business–type activities as of June 30, 2021, totals \$3,616,166 (net of accumulated depreciation). These assets include equipment and furniture, vehicles, land and buildings.

**Mountain Discovery Charter School’s Capital Assets
(Net of Depreciation) Figure 4**

	Governmental Activities		Business Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,500	\$ 1,500	\$ 470,688	\$ 470,688	\$ 472,188	\$ 472,188
School buildings and improvement	-	-	2,572,627	2,667,909	2,572,627	2,667,909
School equipment	-	-	17,769	44,357	17,769	44,357
Computer equipment	4,882	-	-	-	4,882	-
Furniture and fixtures	17,777	20,095	-	-	17,777	20,095
Vehicles	132,419	168,285	14,286	17,143	146,705	185,428
Leasehold improvements	322,247	334,731	-	-	322,247	334,731
Land improvements	61,971	65,347	-	-	61,971	65,347
Total	\$ 540,796	\$ 589,958	\$ 3,075,370	\$ 3,200,097	\$ 3,616,166	\$ 3,790,055

Additional information on the School’s capital assets can be found in note III.A.2. of the Basic Financial Statements.

Management Discussion and Analysis
Mountain Discovery Charter School
June 30, 2021

Long-term Debt. As of June 30, 2021, MDCS had \$2,363,130 debt outstanding. Our net pension liability totaled \$700,756.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- Per-pupil base funding from the state increased by \$152.77 per pupil compared to the previous year. This equated to an increase of 2.2%.
- The student population has remained stable for the K through fifth grade. Sixth through eighth grades experienced some attrition. School growth has been historically referral-based. School leadership is addressing the issue with programming changes and increased marketing efforts. Middle school enrollment will be constantly monitored for trends in attrition.
- The website will continue to be maintained for the purpose of communicating school information for parents and students as well as to the general public. The site contains information related to school activities as well as school forms, curriculum and registration information.
- The school will focus on capital development as a long-term goal, thereby ensuring the school's ability to serve area students and their families for years to come.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, MDCS, 890 Jenkins Branch Rd., Bryson City, NC 28713 Telephone 828.488.1222.

Mountain Discovery Charter School of Swain County
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 573,007	\$ 302,877	\$ 875,884
Due from other governments	22,846	-	22,846
Accounts receivable - trade	78	-	78
Net OPEB asset	2,509	-	2,509
Prepaid expenses	827	-	827
Capital assets:			
Land, improvements, and construction in progress	1,500	470,688	472,188
Other capital assets, net of depreciation	539,296	2,604,682	3,143,978
Total capital assets	540,796	3,075,370	3,616,166
Total assets	1,140,063	3,378,247	4,518,310
DEFERRED OUTFLOWS OF RESOURCES	471,320	-	471,320
LIABILITIES			
Accounts payable - trade	5,552	-	5,552
Long-term liabilities:			
Net pension liability	700,756	-	700,756
Net OPEB liability	1,364,221	-	1,364,221
Due within one year	-	44,617	44,617
Due in more than one year	86,908	2,318,513	2,405,421
Total liabilities	2,157,437	2,363,130	4,520,567
DEFERRED INFLOWS OF RESOURCES	657,774	-	657,774
NET POSITION			
Net investment in capital assets	654,388	712,240	1,366,628
Restricted for capital assets	-	-	-
Restricted for OPEB asset	2,509	-	2,509
Unrestricted	(1,860,725)	302,877	(1,557,848)
Total net position	\$ (1,203,828)	\$ 1,015,117	\$ (188,711)

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

Mountain Discovery Charter School of Swain County
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 1,410,526	\$ -	\$ 94,724	\$ -	\$ (1,315,802)	\$ -	\$ (1,315,802)
Athletics, arts and clubs	-	-	-	-	-	-	-
Support services	364,587	-	-	-	(364,587)	-	(364,587)
Community services	-	-	-	-	-	-	-
Interest on long-term debt	4,021	-	-	-	(4,021)	-	(4,021)
Total governmental activities	1,779,134	-	94,724	-	(1,684,410)	-	(1,684,410)
Business-type activities:							
Foundation	134,659	-	-	-	-	(134,659)	(134,659)
Before and after school fund	19,222	717	-	-	-	(18,505)	(18,505)
Total business-type activities	153,881	717	-	-	-	(153,164)	(153,164)
Total primary government	\$ 1,933,015	\$ 717	\$ 94,724	\$ -	(1,684,410)	(153,164)	(1,837,574)
General revenues:							
Unrestricted county appropriations					248,752	-	248,752
Unrestricted State appropriations					1,523,948	-	1,523,948
Unrestricted Federal appropriations					58,625	-	58,625
Unrestricted fines and forfeitures					5,870	-	5,870
Rental income					-	105,000	105,000
Debt forgiveness					200,500	-	200,500
OPEB non capital contributions					23,369	-	23,369
Donations - general					25,271	32,750	58,021
Miscellaneous, unrestricted					14,360	(43,955)	(29,595)
Transfers					(18,505)	18,505	-
Total general revenues, special items, and transfers					2,082,190	112,300	2,194,490
Change in net position					397,780	(40,864)	356,916
Net position- beginning					(1,601,608)	1,055,981	(545,627)
Net position-ending					\$ (1,203,828)	\$ 1,015,117	\$ (188,711)

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

**Mountain Discovery Charter School of Swain County
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds		Total Non-Major Funds		Total Governmental Funds
	General	State Public School	Federal Grants		
ASSETS					
Cash and cash equivalents	\$ 573,007	\$ -	\$ -	\$ -	\$ 573,007
Due from other governments	22,846	-	-	-	22,846
Accounts receivable - other	78	-	-	-	78
Prepaid items	827	-	-	-	827
Security deposits	-	-	-	-	-
Total assets	596,758	-	-	-	596,758
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	5,552	-	-	-	5,552
Short term note payable	-	-	-	-	-
Total liabilities	5,552	-	-	-	5,552
DEFERRED INFLOWS OF RESOURCES					
	-	-	-	-	-
Fund balances:					
Nonspendable:					
Prepaid items	827	-	-	-	827
Unassigned	590,379	-	-	-	590,379
Total fund balances	591,206	-	-	-	591,206
Total liabilities, deferred inflows of resources, and funds balances	\$ 596,758	\$ -	\$ -	\$ -	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	540,796
Net OPEB asset	2,509
Deferred outflows of resources	471,320
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(86,908)
Net pension liability	(700,756)
Net OPEB liability	(1,364,221)
Deferred inflows of resources	(657,774)
Net position of governmental activities	\$ (1,203,828)

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

Mountain Discovery Charter School of Swain County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
Revenues				
State of North Carolina	\$ -	\$ 1,523,948	\$ -	\$ 1,523,948
Local education agencies	248,752	-	-	248,752
U.S. Government	58,625	-	94,724	153,349
Fines and forfeitures	5,870	-	-	5,870
Contributions and donations	25,271	-	-	25,271
Other	14,360	-	-	14,360
Total revenues	352,878	1,523,948	94,724	1,971,550
EXPENDITURES				
Current:				
Instructional programs	82,695	1,199,633	94,724	1,377,052
Athletics, arts and clubs	-	-	-	-
Support services	48,777	315,810	-	364,587
Community services	-	-	-	-
Capital outlay	20,732	-	-	20,732
Debt service:				
Principal	14,241	7,252	-	21,493
Interest and other charges	2,768	1,253	-	4,021
Total expenditures	169,213	1,523,948	94,724	1,787,885
Excess (deficiency) of revenues over expenditures	183,665	-	-	183,665
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(18,505)	-	-	(18,505)
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	(18,505)	-	-	(18,505)
Net change in fund balance	165,160	-	-	165,160
Fund balances-beginning	426,046	-	-	426,046
Fund balances-ending	\$ 591,206	\$ -	\$ -	\$ 591,206

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

Mountain Discovery Charter School of Swain County
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	165,160
Change in fund balance due to change in reserve for inventory		-
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(49,162)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		132,980
Contributions to the OPEB plans in the current fiscal year are not included on the statement of activities		60,912
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Forgiveness of Paycheck Protection Program Loan		200,500
OPEB non capital contributions		23,369
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		21,493
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		(203,015)
OBEP expense		45,546
Rounding adjustment		(3)
		(3)
Total changes in net position of governmental activities	\$	397,780

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

Mountain Discovery Charter School of Swain County
Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Funds		
	Major Fund	Non-major Fund	
	Foundation	Before & After School	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 279,124	\$ 23,753	\$ 302,877
Due from other governments	-	-	-
Receivables (net)	-	-	-
Inventories	-	-	-
Total current assets	279,124	23,753	302,877
Noncurrent assets:			
Capital assets:			
Land and construction in progress	470,688	-	470,688
Other assets, net	2,604,682	-	2,604,682
Total noncurrent assets	3,075,370	-	3,075,370
Total assets	\$ 3,354,494	\$ 23,753	\$ 3,378,247
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	44,617	-	44,617
Due in more than one year	2,318,513	-	2,318,513
Total long-term liabilities	2,363,130	-	2,363,130
Total liabilities	2,363,130	-	2,363,130
NET POSITION			
Net investment in capital assets	712,240	-	712,240
Restricted for capital assets	-	-	-
Unrestricted	279,124	23,753	302,877
Total net position	\$ 991,364	\$ 23,753	\$ 1,015,117

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

Mountain Discovery Charter School of Swain County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		
	Major Fund Foundation	Non-major Fund Before and After School	Total
OPERATING REVENUES			
Before and after school	\$ -	\$ 717	\$ 717
Donations	32,750	-	32,750
Rental income	105,000	-	105,000
Other revenues	635	-	635
Total operating revenues	138,385	717	139,102
OPERATING EXPENSES			
Salaries and related costs	-	19,222	19,222
Supplies and equipment	-	-	-
Facilities and equipment	5,686	-	5,686
Depreciation	124,728	-	124,728
Advertising	-	-	-
Insurance	270	-	270
Contracted services	3,975	-	3,975
Conferences and meetings	-	-	-
Total operating expenses	134,659	19,222	153,881
Operating income (loss)	3,726	(18,505)	(14,779)
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	-	-	-
Total nonoperating revenue (expenses)	-	-	-
Income (loss) before contributions and transfers	3,726	(18,505)	(14,779)
Interest and investment income (expense), net	(44,590)	-	(44,590)
Transfers from general fund	-	18,505	18,505
Change in net position	(40,864)	-	(40,864)
Total net position - beginning	1,032,228	23,753	1,055,981
Total net position - ending	\$ 991,364	\$ 23,753	\$ 1,015,117

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

Mountain Discovery Charter School of Swain County of Swain County
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		
	Major Fund	Non-major Fund	
	Foundation	Before & After School	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 138,385	\$ 717	\$ 139,102
Cash paid for goods and services	(9,931)	-	(9,931)
Cash paid to employees for services	-	(19,225)	(19,225)
Net cash provided (used) by operating activities	<u>128,454</u>	<u>(18,508)</u>	<u>109,946</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from local fund	-	18,505	18,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	-	-	-
Payments to loans	(42,571)	-	(42,571)
Transfers from general fund	-	-	-
Interest income (expense)	(44,590)	-	(44,590)
Rounding adjustment	-	-	-
Net cash (used) by capital and related financing	<u>(87,161)</u>	<u>-</u>	<u>(87,161)</u>
Net increase (decrease) in cash and cash equivalents	41,293	(3)	41,290
Balances-beginning of the year	<u>237,831</u>	<u>23,756</u>	<u>261,587</u>
Balances-end of the year	<u>\$ 279,124</u>	<u>\$ 23,753</u>	<u>\$ 302,877</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 3,726	\$ (18,505)	\$ (14,779)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	124,728	-	124,728
Transfers in from general fund	-	-	-
Changes in assets and liabilities:			
(Increase) in due from other governments	-	-	-
(Increase) Decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	(3)	(3)
Increase in salaries and wages payable	-	-	-
Total adjustments	<u>124,728</u>	<u>(3)</u>	<u>124,725</u>
Net cash provided by operating activities	<u>\$ 128,454</u>	<u>\$ (18,508)</u>	<u>\$ 109,946</u>

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

Mountain Discovery Charter School of Swain County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Mountain Discovery Charter School of Swain County, North Carolina (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (SBE) to unilaterally abolish a school with all the assets reverting to a local education agency, the charter schools in North Carolina follow the governmental reporting model, as used by local education agencies. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Mountain Discovery Charter School of Swain County is a North Carolina non-profit corporation incorporated in October 1997. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), Mountain Discovery Charter School of Swain County has been approved to operate the Mountain Discovery Charter School, a public school serving approximately 180 students. The School operates under an approved charter received from the SBE and applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA) and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2027 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter.

As required by generally accepted accounting principles, these financial statements present the School and its component unit, a legally separate entity for which the School is financially accountable. Swain Community Education Foundation. exist to provide a building and components for the School to educate their students. The Foundation is reported as an enterprise fund in the School's financial statements. The Foundation is reported using the blended presentation method which presents the component unit as a department of the School and offers no separate presentation as with the discrete method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Swain Community Education Foundation	Blended	The Foundation is fiscally dependent on the School and the School is obligated to repay the debt of the Foundation. The Foundation only exists to support the School.	Yes, issued by Les Merritt PO Box 127 Zebulon, NC 27597 (919) 269-8553

B. Basis of Presentation

In accordance with GASB Statements No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34), Mountain Discovery Charter School of Swain County is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system and is reported as a special revenue fund.

The School reports the following non-major governmental funds:

Federal Fund. The Federal Fund is used to account for the Federal moneys that are passed through the State Department of Public Instruction to the School.

The School reports the following major enterprise fund:

Foundation. The Foundation Fund is used to report all activity of the Swain Community Education Foundation within the School. The Foundation provides a building and components to the School while in return the School pays rent to the Foundation.

The School reports the following non-major enterprise fund:

Before and After School Fund. The Before and After School Fund is used to account for the before and after school program within the school system.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statement. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the

revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the School at June 30, 2021. All appropriations lapse at year end.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

1. Deposits and Investments

All deposits of the School are made in a local bank, whose accounts are FDIC insured.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$3,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Building and leasehold improvements	20
Furniture and office equipment	10
Electronic equipment	3

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 and so will not be recognized as an expense or expenditure until then. The School has several items that meet this criterion – pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. In addition to liabilities, the statement of financial position will sometimes report 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 revenue until then. The School has several items that meet this criterion – unearned revenue in the general fund and pension and OPEB related deferrals.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

6. Compensated Absences

Employees do not accumulate vacation pay. The sick leave policy of the School provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

7. Net position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance –This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Unassigned fund balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Mountain Discovery Charter School of Swain County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Board of Directors will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance, classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

8. Defined Benefit Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers’ and State Employees’ Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC’s fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board’s employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

9. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$1,795,034) consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 972,733
Less accumulated depreciation	(431,937)
Net OPEB asset	2,509
Pension related deferred outflows of resources	288,348
OPEB related deferred outflows of resources	182,972
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	(86,908)
PPP Loan	-
Net pension liability	(700,756)
Net OPEB liability	(1,364,221)
Deferred inflows of resources related to pensions	-
Deferred inflows of resources related to OPEB	(657,774)
Total adjustment	<u>\$ (1,795,034)</u>

F. Revenues, Expenditures, and Expenses

1. Funding

Mountain Discovery Charter School of Swain County is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (i.e. Jackson County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2021, Mountain Discovery Charter School of Swain County received funding from the Boards of Education for Graham (\$7,018), Jackson (\$194,184), Macon (\$5,377) and Swain (\$48,043) Counties.

Furthermore, Mountain Discovery Charter School of Swain County has received donations of cash and/or equipment from private organizations. The cash has been used for the purchase of new equipment for the School's facilities.

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$232,620 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 20,732
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(69,894)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	132,980
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities.	60,912
Forgiveness of Paycheck Protection Program loan	200,500
OPEB non capital contribution	23,369
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	21,493
Pension expense	(203,015)
OPEB expnese	45,546
Rounding adjustment	(3)
Total	<u>\$ 232,620</u>

G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net position of Individual Funds

The Schools government wide financial statements present a deficit net position of \$1,203,828 due to the pension and OPEB related accruals.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2021, the School had deposits with banks and savings and loans with a carrying amount of \$596,560. The bank balances with the financial institutions totaled \$599,072 of which \$250,000 is insured by the FDIC, the remaining \$349,072 is a credit risk at June 30, 2021. The School does not have a deposit policy for custodial credit risk. The School has petty cash of \$100. The Foundation had deposits with banks and savings and loans with a carrying amount of \$279,124. The bank balances with the financial institutions totaled \$279,124 of which \$144,603 is insured by the FDIC, the remaining \$134,521 is a credit risk at June 30, 2021.

2. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,500	\$ -	\$ -	\$ 1,500
Capital assets being depreciated:				
Vehicles	255,445	-	-	255,445
Computer equipment	33,850	5,043	-	38,893
Furniture and fixtures	35,646	-	-	35,646
Leasehold improvements	558,039	15,689	-	573,728
Land improvements	67,521	-	-	67,521
Total capital assets being depreciated	950,501	20,732	-	971,233
Less accumulated depreciation for:				
Vehicles	87,160	35,866	-	123,026
Computer equipment	33,850	161	-	34,011
Furniture and fixtures	15,551	2,318	-	17,869
Leasehold improvements	223,308	28,173	-	251,481
Land improvements	2,174	3,376	-	5,550
Total accumulated depreciation	362,043	\$ 69,894	\$ -	431,937
Total capital assets being depreciated, net	588,458			539,296
Governmental activity capital assets, net	\$ 589,958			\$ 540,796

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 69,894
Supporting services	-
	<u>\$ 69,894</u>

	Beginning	Increases	Decreases	Ending
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 470,688	\$ -	\$ -	\$ 470,688
Construction in progress	-	-	-	-
Total capital assets not being depreciated	470,688	-	-	470,688
Capital assets being depreciated:				
School buildings and improvements	2,858,475	-	-	2,858,475
Vehicles	20,000	-	-	20,000
School equipment and improvements	265,881	-	-	265,881
Total capital assets being depreciated	3,144,356	-	-	3,144,356
Less accumulated depreciation for:				
School buildings and improvements	190,566	95,282	-	285,848
Vehicles	2,857	2,857	-	5,714
School equipment and improvements	221,524	26,588	-	248,112
Total accumulated depreciation	414,947	\$ 124,727	\$ -	539,674
Total capital assets being depreciated, net	2,729,409			2,604,682
Business type activities capital assets, net	\$ 3,200,097			\$ 3,075,370

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and

institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers’ and State Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member’s average final compensation times the member’s years of creditable service. A member’s average final compensation is calculated as the average of a member’s four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life or a return of the member’s contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life or a return of the member’s contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board’s contractually required contribution rate for the year ended June 30, 2021, was 14.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$132,980 for the year ended June 30, 2021.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by TSERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Board reported a liability of \$700,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and 2020 the Board's proportion was .00580% and .00546%, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of \$203,015. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,615	\$ -
Changes of assumptions	23,747	-
Net difference between projected and actual earnings on pension plan investments	77,496	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	25,891	-
Board contributions subsequent to the measurement date	<u>132,980</u>	<u>-</u>
Total	<u>\$ 298,729</u>	<u>\$ -</u>

\$132,980 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 59,298
2023	45,560
2024	37,805
2025	23,087
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2017. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 1,261,196	\$ 700,756	\$ 230,663

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Other Employment Benefits

1. Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2019-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% of covered payroll which amounted to \$60,102.

At June 30, 2021, Board reported a liability of \$1,364,221 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.00492% and 0.00486%, respectively.

\$60,102 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ 202,437
2023	202,287
2024	73,768
2025	17,589
2026	40,673
Thereafter	-

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases based on service	Teachers: 7.55% grading down to 3.50% Law Enforcement Officers: 8.10% grading down to 3.50% General Employees: 5.50% grading down to 3.50%
Investment rate of return	7.00%

Healthcare cost trend rates	
Medical	6.50% grading down to 5.00% by 2024 for non-MA and MA coverage
Prescription drug	9.50% grading down to 5.00% by 2028
Administrative costs	3.00%
Post-Retirement Mortality Rates	RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78, and projected for mortality improvement using Scale MP-2015

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.21%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	<u>1% decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Net OPEB liability	\$ 1,617,880	\$ 1,364,221	\$ 1,159,857

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates (6.5% Medical, 7.25% Rx, 3.00 Admin Expenses)</u>	<u>1% Increase in Trend Rates</u>
Net OPEB liability	\$ 1,099,809	\$ 1,364,221	\$ 1,717,644

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

2. Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$810 for the year ended June 30, 2021.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2021, Board reported an asset of \$2,509 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.00510% and 0.00468%, respectively.

\$810 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$	451
2023		280
2024		107
2025		219
2026		(1)
Thereafter		(15)

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases	3.5%-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB asset	\$ 2,167	\$ 2,509	\$ 2,841

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the healthcare cost trend rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be in relation to the healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB asset	\$ 2,513	\$ 2,509	\$ 2,505

Common actuarial assumptions for both OPEB plans. The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB asset was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates

of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB

Following is information related to the proportionate share and pension expense:

	RHBF	DIPNC	Total
OPEB Expense	\$ (47,645)	\$ 2,099	\$ (45,546)
OPEB Liability (Asset)	1,364,221	(2,509)	1,361,712
Proportionate share of the net OPEB liability (asset)	0.00492%	0.00510%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	1,236	1,817	3,053
Changes of assumptions	59,829	195	60,024
Net difference between projected and actual earnings on plan investments	2,874	-	2,874
Changes in proportion and differences between Board contributions and proportionate share of contributions	55,969	140	56,109
Board contributions subsequent to the measurement date	60,102	810	60,912
Deferred of Inflows of Resources			
Differences between expected and actual experience	53,370	-	53,370
Changes of assumptions	553,622	198	553,820
Net difference between projected and actual earnings on plan investments	-	425	425
Changes in proportion and differences between Board contributions and proportionate share of contributions	49,668	491	50,159

3. Deferred Inflows/Outflows of Resources

The balance in deferred inflows and outflows of resources at year-end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,668	\$ 53,370
Changes of assumptions	83,771	553,820
Net difference between projected and actual earnings on pension plan investments	69,989	425
Changes in proportion and differences between Board contributions and proportionate share of contributions	82,000	50,159
Board contributions subsequent to the measurement date	193,892	-
Total	<u>\$ 471,320</u>	<u>\$ 657,774</u>

4. Long-term Obligations

a.) Payroll Protection Program

On April 15, 2021, the School received loan proceeds in the amount of \$200,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

This loan was forgiven in full on December 1, 2020.

b.) Notes Payable

During 2021, the School had a direct borrowing with a bank for the purchase of school buses. The loan was for \$141,833 and is repayable in monthly installments of \$2,781 with an interest rate of 4.0%. The note matures in February 2025. The balance at June 30, 2021 was \$86,908.

Future minimum payments are expected to be:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2022	\$ 22,449	\$ 3,065	\$ 25,514
Year Ending June 30, 2023	23,364	2,150	25,514
Year Ending June 30, 2024	24,316	1,198	25,514
Year Ending June 30, 2025	16,779	251	17,030
	<u>\$ 86,908</u>	<u>\$ 6,664</u>	<u>\$ 93,572</u>

The Swain Community Education Foundation, Inc. obtained a note from the USDA on December 15, 2017 in the amount of \$2,600,000 for the construction of a school building. The note bears interest at 2.375% and annual payments of \$101,426 in principal and interest begin on December 15, 2021. Final payment is due December 15, 2057. The balance as of June 30, 2021 totaled \$2,363,130.

Future minimum payments are expected to be:

	Principal	Interest	Total
Year Ending June 30, 2022	\$ 43,582	\$ 57,844	\$ 101,426
Year Ending June 30, 2023	44,617	56,809	101,426
Year Ending June 30, 2024	45,676	55,750	101,426
Year Ending June 30, 2025	46,761	54,665	101,426
Year Ending June 30, 2026	47,872	53,554	101,426
Years Ending June 30, 2027-2031	256,963	250,167	507,130
Years Ending June 30, 2032-2036	288,963	218,167	507,130
Years Ending June 30, 2037-2041	324,944	182,186	507,130
Years Ending June 30, 2042-2046	365,409	141,721	507,130
Years Ending June 30, 2047-2051	410,912	96,218	507,130
Years Ending June 30, 2052-2056	466,702	40,428	507,130
Years Ending June 30, 2057	20,729	6,943	-
	<u>\$ 2,363,130</u>	<u>\$ 1,214,452</u>	<u>\$ 3,549,910</u>

b.) Changes in General Long-Term Obligations

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Governmental activities:					
Net pension liability	\$ 566,036	\$ 134,720	\$ -	\$ 700,756	\$ -
Net OPEB liability	1,538,510	-	174,289	1,364,221	-
Direct Borrowing Bank Note	108,401	-	21,493	86,908	22,449
Payroll Protection Program	200,500	-	200,500	-	-
Total Governmental activities	<u>\$ 2,413,447</u>	<u>\$ 134,720</u>	<u>\$ 396,282</u>	<u>\$ 2,151,885</u>	<u>\$ 22,449</u>
Business-type activities:					
Note payable - USDA	<u>\$ 2,405,700</u>	<u>\$ -</u>	<u>\$ 42,570</u>	<u>\$ 2,363,130</u>	<u>\$ 43,582</u>

5. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the School are eligible to receive health care benefits up to a \$2 million lifetime limit. In addition, employees have the option of receiving health care benefits through one of the available health maintenance organizations (HMOs). The School pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan and makes an equal contribution for employees enrolled in one of the available HMO plans [G.S. 115C-238.29F(e)(4)].

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

6. Operating Leases

The School leases the facilities in which it operates from the Foundation created in support of the School (Refer to Note IV). The lease commenced on November 12, 2004 ran for a ten-year term that ended June 30, 2015. The School now leases the facilities on a month to month basis. The amount of rent remains the same at \$4,200 per month. Lease payments under the terms of the month to month arrangement over the next five years are expected to be \$50,400 per year. The School also has a copier lease which extends through March 2021. The lease calls for payments of \$415 per month. During the year ended June 30, 2021, the School paid a one-time payment of \$55,000 in addition to the \$50,400 lease amount for a total of \$105,400 paid to the Foundation.

Future expected payments under the leases are expected to be \$105,400 each year.

C. Fund Balance

Mountain Discovery Charter School of Swain County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Board of Directors will use resources in the following hierarchy: federal funds, State funds, local non-School funds, Mountain Discovery Charter School of Swain County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School. The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$591,206
Less:	
Prepaid Items	827
Remaining Fund Balance	\$590,379

IV. Related Party Transactions

The School leases land from the Swain Community Education Foundation, Inc., the discretely presented component unit, created in support of Mountain Discovery Charter School of Swain County. The Foundation has a separate board of directors; however, the Board membership is common with that of Mountain Discovery Charter School of Swain County sufficient to establish control. In addition, the not for profit status of the foundation before the Internal Revenue Service comes from the stated purpose of providing support to a public charter school, which is Mountain Discovery Charter School of Swain County.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Subsequent Events – Date of Management’s Review

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor’s Report. The School has not evaluated subsequent events after that date.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of the Board's Proportionate Share of Net OPEB Liability for Retiree Health Benefit Fund
- Schedule of Board Contributions to Retiree Health Benefit Fund
- Schedule of the Board's Proportionate Share of Net OPEB Asset for Disability Income Plan of North Carolina
- Schedule of Board Contributions to Disability Income Plan of North Carolina

Mountain Discovery Charter School of Swain County
Schedules of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teachers' and State Employees' Retirement System
Last Eight Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.0058%	0.0055%	0.0055%	0.0052%	0.0063%	0.0060%	0.0065%	0.0480%
Board's proportionate share of the net pension liability (asset)	\$ 700,756	\$ 566,036	\$ 543,602	\$ 414,178	\$ 578,116	\$ 221,480	\$ 66,594	\$ 339,977
Board's covered-employee payroll	\$ 911,565	\$ 877,537	\$ 841,506	\$ 820,726	\$ 828,703	\$ 832,281	\$ 707,227	\$ 707,227
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.87%	64.50%	64.60%	50.46%	69.76%	26.61%	9.42%	48.07%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	92.01%	87.61%	89.51%	87.32%	98.24%	98.24%	90.60%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Mountain Discovery Charter School of Swain County
Schedules of Board Contributions
Teachers' and State Employees' Retirement System
Last Eight Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 132,980	\$ 118,230	\$ 107,849	\$ 90,714	\$ 81,908	\$ 75,826	\$ 76,154	\$ 61,458
Contributions in relation to the contractually required contribution	132,980	118,230	107,849	90,714	81,908	75,826	76,154	61,458
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board covered-employee payroll	\$ 899,726	\$ 911,565	\$ 877,537	\$ 841,506	\$ 820,726	\$ 828,703	\$ 832,281	\$ 707,227
Contributions as a percentage of covered-employee payroll	14.78%	12.97%	12.29%	10.78%	9.98%	9.15%	9.15%	8.69%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Mountain Discovery Charter School of Swain County
Schedules of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Retiree Health Benefit Fund
Last Five Fiscal Years *

	2021	2020	2019	2018	2017
Board's proportion of the net pension liability (asset)	0.00492%	0.00486%	0.00474%	0.00482%	0.00506%
Board's proportionate share of the net pension liability (asset)	\$ 1,364,221	\$ 1,538,510	\$ 1,350,506	\$ 1,581,166	\$ 2,200,294
Board's covered-employee payroll	\$ 911,565	\$ 877,537	\$ 841,506	\$ 820,726	\$ 828,703
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	149.66%	175.32%	160.49%	192.65%	265.51%
Plan fiduciary net position as a percentage of the total pension liability	6.92%	4.40%	4.40%	3.52%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Mountain Discovery Charter School of Swain County
Schedules of Board Contributions
Retiree Health Benefit Fund
Last Five Fiscal Years *

	2021	2020	2019	2018	2017
Contractually required contributions	\$ 60,102	\$ 58,978	\$ 55,022	\$ 50,911	\$ 49,408
Contributions in relation to the contractually required contribution	60,102	58,978	55,022	50,911	49,408
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Board covered-employee payroll	 \$ 899,726	 \$ 911,565	 \$ 877,537	 \$ 841,506	 \$ 820,726
 Contributions as a percentage of covered-employee payroll	 6.68%	 6.47%	 6.27%	 6.05%	 6.02%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Mountain Discovery Charter School of Swain County
Schedules of Required Supplementary Information
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
Disability Income Plan of North Carolina
Last Five Fiscal Years *

	2021	2020	2019	2018	2017
Board's proportion of the net pension asset	0.00510%	0.00468%	0.00477%	0.00441%	0.00544%
Board's proportionate share of the net pension asset	\$ 2,509	\$ 2,019	\$ 1,449	\$ 2,695	\$ 3,378
Board's covered-employee payroll	\$ 911,565	\$ 877,537	\$ 841,506	\$ 820,726	\$ 828,703
Board's proportionate share of the net pension liability asset as a percentage of its covered-employee payroll	0.28%	0.23%	0.17%	0.33%	0.41%
Plan fiduciary net position as a percentage of the total pension asset	115.57%	116.47%	108.47%	116.23%	116.06%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Mountain Discovery Charter School of Swain County
Schedules of Board Contributions
Disability Income Plan of North Carolina
Last Five Fiscal Years *

	2021	2020	2019	2018	2017
Contractually required contributions	\$ 810	\$ 912	\$ 1,229	\$ 1,178	\$ 3,119
Contributions in relation to the contractually required contribution	810	912	1,229	1,178	3,119
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board covered-employee payroll	\$ 899,726	\$ 911,565	\$ 877,537	\$ 841,506	\$ 820,726
Contributions as a percentage of covered-employee payroll	0.09%	0.10%	0.14%	0.14%	0.38%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

NON-MAJOR FUNDS

Federal Grants Fund -

This fund is used to account for the federal grant activity of the school.

Before and After School Fund -

This fund is used to account for the before and after school care of students that attend the school.

**Mountain Discovery Charter School of Swain County
Non-major Governmental Fund
Balance Sheet
June 30, 2021**

	Special Revenue Funds
Assets	
Cash and cash equivalents	\$ -
Due from other governments	-
Total assets	\$ -
 Liabilities and Fund Balances	
Liabilities	
Accrued salaries and wages payable	\$ -
Deferred revenue	-
Total liabilities	-
 Fund balances-unreserved	-
Total liabilities and fund equity	\$ -

Mountain Discovery Charter School of Swain County
Non-major Governmental Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

		<u>Special Revenue Funds</u>
		<u>Totals 2021</u>
Revenues:		
U.S. Government		
Title 1 Basic Funding	\$	23,176
Improving Teacher Quality		4,615
Student Support and Academic Enrich		10,000
CARES Act K12 Emergency Relief		19,328
ESSERF - EC Grants		1,177
Idea Preschool Handicapped		1,509
Idea VI-B Handicapped		32,769
Special Needs Targeted Assistance		2,150
Total		<u>94,724</u>
Donations		-
Other		-
Total		<u>-</u>
Total Revenues		<u>94,724</u>
Expenditures:		
Current		
Instructional programs:		
Regular programs		19,328
Special programs		37,605
Other		37,791
Total		<u>94,724</u>
Support services:		
Pupil services		-
Special population		-
General administrative		-
Club and activity expenditures		-
Total		<u>-</u>
Total expenditures		<u>94,724</u>
Revenues over expenditures		<u>-</u>
Fund balances:		
Beginning of year, July 1		-
End of year, June 30	\$	<u>-</u>

Mountain Discovery Charter School of Swain County
Statement of Net Position
Non-major Proprietary Fund
June 30, 2021

		Enterprise Fund
		Non-major Fund
		Before & After School
ASSETS		
Current assets:		
Cash and cash equivalents	\$	23,753
Due from other governments		-
Receivables (net)		-
Inventories		-
Total current assets		23,753
Noncurrent assets:		
Capital assets:		
Furniture and office equipment, net		-
Computer equipment, net		-
Total noncurrent assets		-
Total assets	\$	23,753
LIABILITIES		
Current liabilities:		
Accounts payable - trade	\$	-
Due to other funds		-
Total current liabilities		-
Long-term liabilities:		
Due within one year		-
Due in more than one year		-
Total long-term liabilities		-
Total liabilities		-
NET POSITION		
Net investment in capital assets		-
Unrestricted		23,753
Total net position	\$	23,753

Mountain Discovery Charter School of Swain County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Enterprise Fund
	Non-major Fund
	Before & After School
OPERATING REVENUES	
Before and after school care	\$ 717
Total operating revenues	717
OPERATING EXPENSES	
Salaries and related costs	19,222
Supplies and equipment	-
Contracted services	-
Food purchases	-
Total operating expenses	19,222
Operating income (loss)	(18,505)
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	-
Total nonoperating revenue (expenses)	-
Income (loss) before contributions and transfers	(18,505)
Capital contributions	-
Transfers from other funds	18,505
Change in net position	-
Total net position - beginning	23,753
Total net position - ending	\$ 23,753

Mountain Discovery Charter School of Swain County
All Fund Types excluding Foundation
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	2021		Favorable (Unfavorable) Variance
	Final Budget	Actual	
Revenues:			
State of North Carolina	\$ 1,533,686	\$ 1,523,948	\$ (9,738)
Boards of Education	248,752	248,752	-
U.S. Government	153,549	153,349	(200)
Fines and forfeitures	5,870	5,870	-
Before and after school revenues	717	717	-
Contributions and donations	25,271	25,271	-
Others	14,360	14,360	-
Total revenues	<u>1,982,205</u>	<u>1,972,267</u>	<u>(9,938)</u>
Expenditures			
Salaries and bonuses	982,072	973,028	9,044
Benefits	386,827	386,136	691
Books and supplies	25,377	25,177	200
Contracted student services	13,983	13,983	-
Staff development	405	405	-
Administrative services	43,454	43,454	-
Insurances	39,599	39,599	-
Rents and debt service	130,914	130,914	-
Facilities	43,620	43,620	-
Utilities	29,873	29,873	-
Transportation and travel	5,623	5,623	-
Technology	33,448	33,448	-
Non capitalized equipment	11,930	11,930	-
Cap equipment and purchases	-	-	-
Nutrition and food	185	185	-
Before and after care	19,222	19,222	-
COVID-19	24,634	24,631	3
Gym project	25,879	25,879	-
Total expenditures	<u>1,817,045</u>	<u>1,807,107</u>	<u>9,938</u>
Other financing sources (uses):			
Proceeds from capital lease	-	-	-
Proceeds from notes payable	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ 165,160</u>	<u>\$ 165,160</u>	<u>\$ -</u>

COMPLIANCE SECTION

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

JUNE 30, 2021

Rebekah Barr, CPA PC

Certified Public Accountant

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Wilson, North Carolina 27893

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

Board of Directors
Mountain Discovery Charter School of Swain County
Bryson City, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mountain Discovery Charter School of Swain County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises Mountain Discovery Charter School of Swain County's basic financial statements and have issued our report thereon dated October 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mountain Discovery Charter School of Swain County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain Discovery Charter School of Swain County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain Discovery Charter School of Swain County's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit

we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this report

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



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 19, 2021

Rebekah Barr, CPA PC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Directors
Mountain Discovery Charter School of Swain County
Bryson City, North Carolina

Report on Compliance for Each Major State Program

We have audited Mountain Discovery Charter School of Swain County's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2021. Mountain Discovery Charter School of Swain County's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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


Report on Internal Control Over Compliance

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

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

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

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



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 19, 2021

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2021

SECTION I. -- SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Noncompliance material to financial statements noted	_____ yes	___X___ no
--	-----------	------------

State Awards

Internal control over major state programs:

Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Type of auditor's report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act	_____ yes	___X___ no
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Identification of major state programs:

Program Name

State Public School Funds (PRC036 - Charter School Funds)

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

There were no prior year audit findings.

MOUNTAIN DISCOVERY CHARTER SCHOOL OF SWAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina			
Department of Public Instruction:			
Title 1 Basic Funding	84.010A	PRC 050	\$ 23,176
Improving Teacher Quality	84.367A	PRC 103	4,615
Student Support and Academic Enrich	84.424A	PRC 108	10,000
CARES Act K12 Emergency Relief	84.425D	PRC 163	19,328
ESSERF - EC Grants	84.425D	PRC 167	1,177
Special Education Cluster:			
Idea Preschool Handicapped	84.027A	PRC 049	1,509
Idea VI-B Handicapped	84.027A	PRC 060	32,769
Special Needs Targeted Assistance	84.027A	PRC 118	2,150
Total Special Education Cluster			<u>36,428</u>
Total Passed through NC			<u>94,724</u>
Direct awards:			
Impact Aid	84.041	PRC 308	36,358
Improving Teacher Quality State Grants	84.336	PRC 341	22,267
Total direct awards			<u>58,625</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>153,349</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	5,607
State Public School Funds		PRC 036	1,484,250
Test Results Bonus		PRC 048	1,078
CRF - Summer Learning		PRC 121	16,500
CRF - Contracting Mental Health		PRC 122	1,140
CRF - Remote Instruction		PRC 123	350
CRF - Student Computers and Devices		PRC 124	5,224
CRF - Personnel Computers and Devices		PRC 126	3,787
CRF - Low Wealth Counties Supplement		PRC 134	1,080
CRF - Cybersecurity		PRC 135	2,000
CRF - Personal Protective Equipment		PRC 137	2,932
TOTAL NC STATE CASH ASSISTANCE			<u>1,523,948</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,677,297</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Mountain Discovery Charter School of Swain County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Mountain Discovery Charter School of Swain County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mountain Discovery Charter School of Swain County.

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.