

***PACE CHARTER SCHOOL
OF HAMILTON
ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2021

PACE CHARTER SCHOOL

OF

HAMILTON

***Pace Charter School of Hamilton
Board of Trustees
Hamilton, New Jersey***

***Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2021***

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021***

Prepared by

***Pace Charter School of Hamilton
Finance Department***

And

Barre & Company LLC, CPAs

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INTRODUCTORY SECTION

***PACE CHARTER SCHOOL OF HAMILTON
1949 HAMILTON AVENUE
HAMILTON, NEW JERSEY 08619
609-587-2288***

February 25, 2022

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey 08610

Dear Board Members:

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of Pace Charter School of Hamilton (Charter School) for the fiscal year ended June 30, 2021. This ACFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Pace Charter School of Hamilton with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Annual Comprehensive Financial Report is presented in four sections as follows:

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey Circular 15-08 OMB. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected seven member Board of Education (the "Board") serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Head of School is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES: Pace Charter School of Hamilton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14, as amended. All funds of the Charter School are included in this report. Pace Charter School of Hamilton Board of Trustees constitutes the Charter School's reporting entity.

Pace Charter School of Hamilton provides a full range of services appropriate to Kindergarten–Grade 5. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2020-2021 school year with an enrollment of 245 students. The following details the student enrollment of the Charter School.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2020-2021	418.0	10.70%
2019-2020	377.6	10.73%
2018-2019	341	39.18%
2017-2018	245	3.38%

2. ECONOMIC CONDITION AND OUTLOOK: Hamilton continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Hamilton will continue to prosper.

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assignments of fund balance at June 30, 2021.

5. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

6. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, LLC Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirement set forth in State statutes, the annual audit was designed to meet the requirement of the Uniform Guidance and the New Jersey Circular Letter of 15-08 OMB, Single Audit for Recipients of Federal Grants, State Grants, and State Aid". The auditor's report on the basic financial statements and specified required supplemental information is included in the Financial Section of this report. The auditor's report related specifically to the single audit is included in the Single Audit Section of this report.

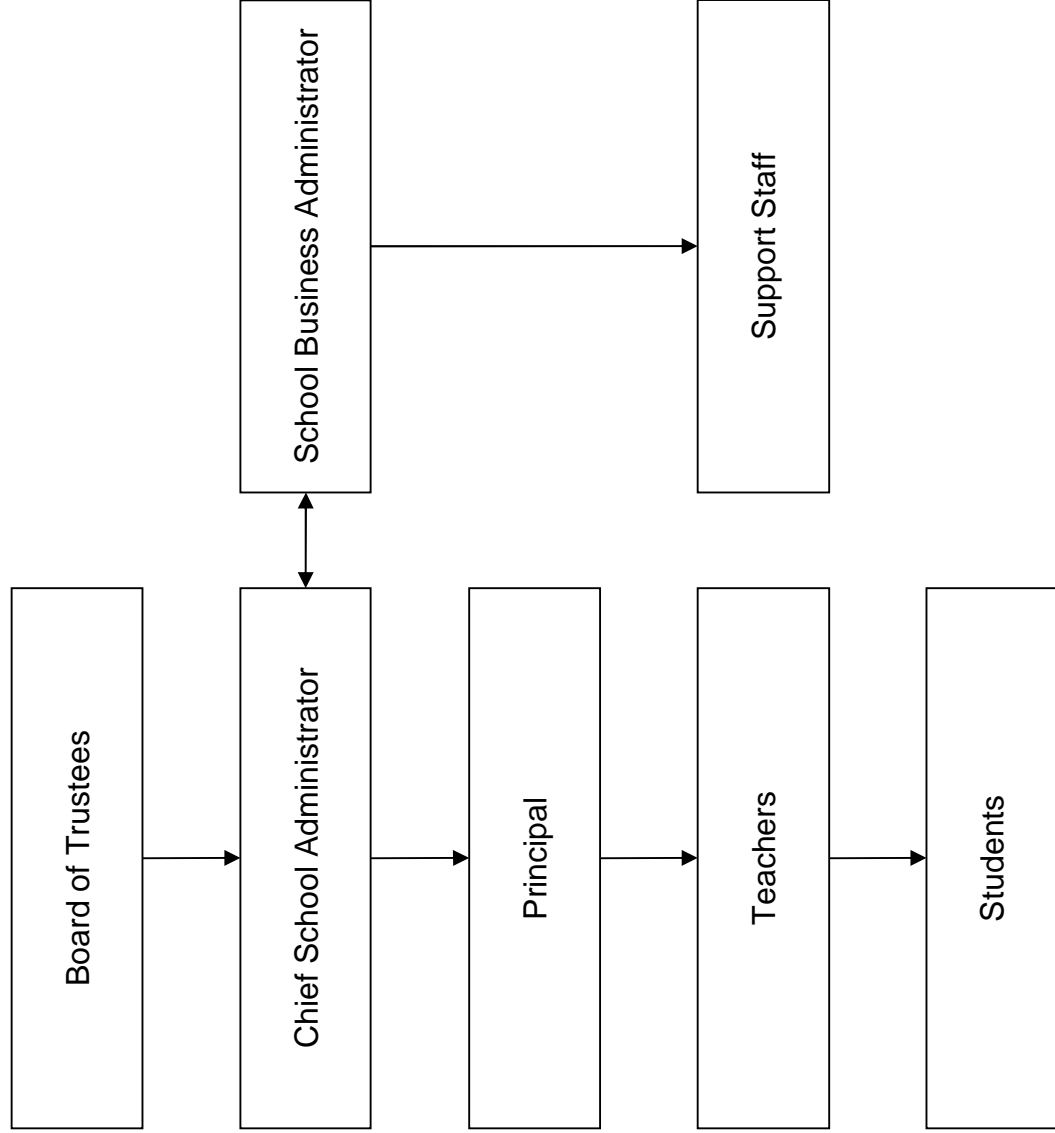
8. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of Pace Charter School of Hamilton Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating charter school and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Deborah A. Pontoriero', with a long horizontal flourish extending to the right.

Deborah A. Pontoriero
Chief School Administrator

ORGANIZATIONAL CHART



**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2021**

MEMBERS OF THE BOARD OF TRUSTEES

POSITION

Lakesha Williams	President
Norma Villanueva	Recording Secretary
Tamara Childs	Vice President
Nicole Pollard-Alford	Trustee
Tomeka Webster	Trustee

OTHER OFFICIALS

Deborah A. Pontoriero (ex-officio)	Lead Person
Paul Dewitt	SBA
Erin Nero	Teacher Representative

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, NJ 07083

Official Depository

Oceans First
411 Route 33
Trenton, NJ 08619

Attorney

Johnston Law Firm
77 Midland Ave, Suite 1
Montclair, New Jersey 07042

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 303

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Charter School's 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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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, and the business-type activities, and each major fund of the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, as of June 30, 2021, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2021, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Consistency of Financial Statements

Because of the implementation of GASB Statement No. 84, several funds of the Charter School that were reported as fiduciary fund types in the prior fiscal year are now reported in governmental activities and governmental fund types. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, and the related notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 through C-3. 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 response 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 Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section, and schedule of expenditure of federal awards are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.


The accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 on our consideration of the Pace Charter School of Hamilton's internal control over financial reporting and 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 and the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


Barre & Company LLC, CPA's
Union, New Jersey


Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's
Union, New Jersey

February 25, 2022

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

The discussion and analysis of Pace Charter School of Hamilton's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2020-2021) and the prior year (2019-2020) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2021 are as follows:

- ❖ General revenues accounted for \$6,882,769 in revenue or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$171,379 or 2% of total revenues of \$7,054,148.
- ❖ The Charter School had \$6,898,132 in expenses; only \$171,379 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,882,769 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$6,334,606 in revenues and \$6,079,450 in expenditures. The General Fund's fund balance increased by \$255,156 over 2020. This increase was anticipated by the Board of Trustees.

Using this Annual Comprehensive Financial Report (ACFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pace Charter School of Hamilton as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds. In the case of Pace Charter School of Hamilton, the General Fund is by far the most significant fund.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(CONTINUED)**

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2021?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the Future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(CONTINUED)**

Governmental Funds (Continued)

cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Fund

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 34 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net position (deficit) was \$400,005 on June 30, 2021 and \$ 243,989 on June 30, 2020.

Governmental Activities

The Charter School's total revenues were \$6,934,109 for the year ended June 30, 2021 and \$6,215,675 for 2020, this includes \$825,798 for 2021 and \$593,210 for 2020 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$6,805,570 for 2021 and \$5,797,945 for 2020. Instruction comprises 52% for 2021 and 56% for 2020 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and capitalized when such equipment is over the \$2,000 threshold.

Business-Type Activity

Revenues for the Charter School's business-type activity (food service program) are comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenues exceeded expenses by \$27,477 for 2021 and by \$25,748 for 2020.
- ❖ Charges for services represent \$0 for 2021 and \$5,844 for 2020 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, were \$120,039 for 2021 and \$151,252 for 2020.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$6,934,109 for 2021 and \$6,215,675 for 2020 and expenditures were \$6,713,519 for 2021 and \$5,797,945 for 2020. The net change in fund balance for the year was most significant in the general fund, an increase of \$220,590

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2021, and the amounts and percentages of increases and decreases in relation to prior year amounts.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Local Sources	\$ 2,125,707	30.65%	\$ 324,056	17.99%
State Sources	4,208,899	60.70%	430,819	11.40%
Federal Sources	599,503	8.65%	358,156	148.40%
Total	\$ 6,934,109	100.00%	\$ 1,113,031	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2021, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Instruction	\$ 2,956,107	44.03%	\$ 602,762	25.61%
Administration	2,694,291	40.13%	784,356	41.07%
Support Services	1,063,121	15.84%	62,090	6.20%
Total	\$ 6,713,519	100.00%	\$ 1,449,208	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

For the Future

Pace Charter School of Hamilton is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED
(CONTINUED)**

For the Future (Continued)

In conclusion, Pace Charter School of Hamilton has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Paul DeWitt, School Business Administrator at Pace Charter School of Hamilton, 1949 Hamilton Avenue, Hamilton, New Jersey 08619. Please visit our website at <http://www.pacecharterschool.com/>.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

PACE CHARTER SCHOOL OF HAMILTON

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 996,900	\$ 20,052	\$ 1,016,952
Restricted	269,740		269,740
Receivables	420,001	6,060	426,061
Security Deposit	40,790		40,790
	<u>1,727,431</u>	<u>26,112</u>	<u>1,753,543</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	480,260		480,260
	<u>480,260</u>	<u>-</u>	<u>480,260</u>
LIABILITIES:			
Internal Balances	174,878	(174,878)	-
Payable to State Government	7,490		7,490
Payable to Federal Government	45,463		45,463
Accounts Payable	18,900		18,900
Unearned Revenue	36,960		36,960
Noncurrent Liabilities:			
Pension	1,195,428		1,195,428
	<u>1,479,119</u>	<u>(174,878)</u>	<u>1,304,241</u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	529,557		529,557
	<u>529,557</u>	<u>-</u>	<u>529,557</u>
NET POSITION:			
Restricted for:			
Other Purposes	344,750		344,750
Unrestricted (Deficit)	(145,735)	200,990	55,255
	<u>\$ 199,015</u>	<u>\$ 200,990</u>	<u>\$ 400,005</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
 Statement of Activities
 For The Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 2,956,107	\$ 588,598	\$ -	\$ 51,340	\$ -	\$ (3,493,365)	\$ (3,493,365)
Administration	1,995,110	219,433				(2,214,543)	(2,214,543)
Support Services	1,028,555	17,767				(1,046,322)	(1,046,322)
Total Governmental Activities	5,979,772	\$ 825,798	-	51,340	-	(6,754,230)	(6,754,230)
BUSINESS-TYPE ACTIVITIES:							
Food Service	92,562			120,039		27,477	27,477
Total Business-Type Activities	92,562			120,039		27,477	27,477
Total Primary Government	\$ 6,072,334			\$ 171,379		\$ (6,754,230)	\$ (6,726,753)
GENERAL REVENUES							
General Purposes						\$ 2,125,126	\$ 2,125,126
Federal and State Aid Not Restricted						4,757,062	4,757,062
Miscellaneous Income						581	581
Total General Revenues						6,882,769	6,882,769
Change in Net Position						128,539	156,016
Net Position - Beginning of Year						70,476	173,513
Net Position - Ending						\$ 199,015	\$ 200,990
							\$ 400,005

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

SECTION B – FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

PACE CHARTER SCHOOL OF HAMILTON

Governmental Funds

Balance Sheet

June 30, 2021

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,191,630	\$ -	\$ 1,191,630
Restricted	75,010		75,010
Interfund Receivables	90,659		90,659
Receivables from Other Governments	283,557	136,444	420,001
Security Deposit	40,790		40,790
	<u>1,681,646</u>	<u>136,444</u>	<u>1,818,090</u>
Total Assets	<u>\$ 1,681,646</u>	<u>\$ 136,444</u>	<u>\$ 1,818,090</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ 174,878	\$ 90,659	\$ 265,537
Payables to State Government	7,490		7,490
Payables to Federal Government	45,463		45,463
Accounts Payable	10,075	8,825	18,900
Unearned Revenues		36,960	36,960
	<u>237,906</u>	<u>136,444</u>	<u>374,350</u>
Total Liabilities	<u>237,906</u>	<u>136,444</u>	<u>374,350</u>
Fund Balances:			
Restricted For:			
Charter School Escrow Reserve	75,010		75,010
Maintenance Reserve	119,740		119,740
Emergency Reserve	150,000		150,000
Unassigned:			
General Fund	<u>1,098,990</u>		<u>1,098,990</u>
Total Fund Balances	<u>1,443,740</u>	<u>-</u>	<u>1,443,740</u>
Total Liabilities and Fund Balances	<u>\$ 1,681,646</u>	<u>\$ 136,444</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) which are different because:

Net pension liability of \$1,195,428 ,deferred inflows of resources of \$529,557 less deferred outflows of resources of \$480,260 related to pensions are not reported in the governmental funds

(1,244,725)

Net Position of Governmental Activities

\$ 199,015

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
 Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 2,125,126	\$ -	\$ 2,125,126
Miscellaneous	581		581
Total Local Sources	2,125,707	-	2,125,707
State Sources	4,208,899		4,208,899
Federal Sources		599,503	599,503
Total Revenues	6,334,606	599,503	6,934,109
EXPENDITURES:			
Instruction	2,599,454	356,653	2,956,107
Administration	2,694,291		2,694,291
Support Services	785,705	242,850	1,028,555
Total Expenditures	6,079,450	599,503	6,678,953
NET CHANGE IN FUND BALANCES	255,156	-	255,156
FUND BALANCES, JULY 1	1,188,584	-	1,188,584
FUND BALANCES, JUNE 30	\$ 1,443,740	\$ -	\$ 1,443,740

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Fiscal Year Ended June 30, 2021

Total net change in fund balances - governmental fund (from B-2)	\$ 255,156
Amounts reported for governmental activities in the statement of activities (A-2) which are different because:	
Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.	<u>(126,617)</u>
Change in net position of governmental activities	<u>\$ 128,539</u>

The accompanying Notes to Basic Financial Statements are integral part of this statement.

PROPRIETARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON
 Proprietary Fund
 Statement of Fund Net Position
 June 30, 2021

	Business Type- Activities
	Food Service
ASSETS:	
Cash and Cash Equivalents	\$ 20,052
Receivables:	
Due From Other Funds	174,878
Intergovernmental Accounts Receivable:	
Federal	5,773
State	287
	200,990
LIABILITIES:	
Current Liabilities:	
Interfund Accounts Payable	-
Total Current Liabilities	-
Total Liabilities	-
NET POSITION:	
Unrestricted	200,990
Total Net Position	\$ 200,990

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021

	Business Type - Enterprise Fund		
	Food Service Program		
	School Nutrition	Fixed Price Contract	Total Enterprise
OPERATING REVENUES:			
Charges for Services:			
Daily Sales - Reimbursable Program	\$ -	\$ -	\$ -
Daily Sales Non-reimbursable Program	-	-	-
Total Operating Revenues	-	-	-
OPERATING EXPENSES:			
Salaries	18,200		18,200
Cost of Sales- Reimbursable	74,362		74,362
Total Operating Expenses	92,562	-	92,562
OPERATING LOSS	(92,562)	-	(92,562)
NONOPERATING REVENUES:			
State Source:			
State School Lunch Program	3,235		3,235
Federal Source:			
National School Breakfast Program	38,773		38,773
National School Lunch Program	78,031		78,031
Total Nonoperating Revenues	120,039	-	120,039
CHANGE IN NET POSITION	27,477	-	27,477
TOTAL NET POSITION, JULY 1	173,513	-	173,513
TOTAL NET POSITION, JUNE 30	\$ 200,990	\$ -	\$ 200,990

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
 Proprietary Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2021

	Business Type- Activities
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ (13,874)
Cash Payments to Suppliers and Employees	(102,977)
Net Cash Used For Operating Activities	(116,851)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	120,039
Net Cash Provided By Noncapital Financing Activities	120,039
Net Increase In Cash And Cash Equivalents	3,188
Cash And Cash Equivalents, Beginning Of Year	16,864
Cash And Cash Equivalents, End Of Year	\$ 20,052
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss Used for Operating Activities	\$ (92,562)
Change In Assets And Liabilities:	
Decrease In Due From Other Funds	(13,569)
Increase In Receivables From Other Governments	(305)
Increase In Accounts Payable	(10,415)
Net Cash Used For Operating Activities	\$ (116,851)

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

NOTES TO THE FINANCIAL STATEMENTS

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Pace Charter School of Hamilton have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. Pace Charter School of Hamilton is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds of the Charter School.

B. Basis of Presentation, Basis of Accounting

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation

Charter School-Wide Statements: The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental 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 net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter 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.

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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds. Separate statements for each fund category — *governmental*, and *proprietary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Additionally, the Charter School reports the following fund type:

Fiduciary, Trust and Agency Fund Types: In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local government, including New Jersey school districts and their charter schools. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or FY2020-2021. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. After considering the criteria and guidance, it was determined that Payroll, Payroll Agency, and Unemployment Compensation Insurance (Fund 60), previously reported as fiduciary funds, that such activities are more appropriately reported in a general fund (Fund 10).

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School - wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)		\$ 605,729
Adjustments:		
Less Encumbrances at June 30, 2021		(6,226)
Plus Encumbrances at June 30, 2020		-
Total Revenues and Expenditures (GAAP Basis)		\$ 599,503

D. Encumbrances Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as assignments of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as unearned revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Interfund Transactions (Continued)

financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as unearned revenue.

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School – wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Position:

Net position represent the difference between assets and liabilities. Net position for net invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion which is available for appropriation in future periods. A fund balance assignment has been established for encumbrances.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

F. Pensions

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 pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Impact of Recently Issued Accounting Principles

During fiscal years 2021 through 2022, the District adopted the following GASB statements as required:

The Charter School has adopted the following as of June 30, 2021:

GASB No. 84, Fiduciary Activities, was effective for the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2021

GASB No. 87, Leases, will be effective with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less. GASB Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that charter school's deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the charter school.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Charter School had no investments as of June 30, 2016. As of June 30, 2021, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Proprietary Fund	Fiduciary Funds	Total
Operating				
Account	\$ 996,900	\$ 20,052	\$ -	\$ 1,016,952

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2021 was \$1,016,952 and the bank balance was \$1,416,427. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3— Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2021, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40 and are classified as Category 1, both at year-end and throughout the year.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2021, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2021, consisted of accounts, intergovernmental, grants, and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Funds			Proprietary Fund	Total		Fiduciary Funds	Total
	General Fund	Special Revenue Fund	Total Governmental Activities	Food Service Fund	Business Type Activities			
State Aid	\$ 419,934	\$ -	\$ 419,934	\$ 287	\$ 287			\$420,221
Federal Aid	-	-	-	5,773	5,773			5,773
Other	67	-	67	-	-			67
Gross Receivables	420,001	-	420,001	6,060	6,060			426,061
Less: Allowance for Uncollectibles	-	-	-	-	-			-
Total Receivables, Net	\$ 420,001	\$ -	\$ 420,001	\$ 6,060	\$ 6,060			\$426,061

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2021:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 90,659	\$ 174,878
Special Revenue Fund		90,659
Proprietary Fund	174,878	
Fiduciary Fund		
Total	\$ 265,537	\$ 265,537

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: CAPITAL ASSETS

The entity has no capital assets as of June 30, 2021.

NOTE 6: RENTAL LEASE

The school has entered into a ten (10) year lease commencing July 1, 2008 and expiring June 30, 2018 with a related party to lease classroom and office space at 1949 Hamilton Avenue, Hamilton, New Jersey. The lease has since been extended for an additional five years at \$132,000 per annum. The lease is a triple net lease by which the tenant is responsible for real estate taxes, utilities, and all items of maintenance. Total lease payments made during the year ended June 30, 2021 was \$132,000.

On May 21, 2014, the school entered into a five (5) year lease commencing September 1, 2014 and expiring August 30, 2019 to lease classroom and office space at 3500 South Broad Street, Hamilton, New Jersey. The lease has since been extended for an additional five years. In accordance with the lease, the school paid a security deposit in the amount of \$40,790 in June, 2014. The school paid rent in the amount of \$288,001 during the year ended June 30, 2021.

<u>Years</u>	<u>Amount</u>
1 through 5	\$288,001

The school entered into a ten (10) year lease commencing June 1, 2018 and expiring June 30, 2028 to lease classroom and office space at 528 South Olden Avenue, Hamilton, New Jersey. In accordance with the terms of the lease, rent for all years is \$129,471.48 per year paid in monthly installments. The school paid rent in the amount of \$129,471.48 during the year ended June 30, 2021.

NOTE 7: PENSION PLANS

Substantially all the Board's employees participate in one of the two, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. In addition, certain employees may participate in the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Plan Description (Continued)

additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier.

Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2019 through June 30, 2020. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2020 measurement period are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2020.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020 measurement period, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009.

Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The Charter School contributions to PERS amounted to \$ 55,935 for fiscal year 2021.

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

At June 30, 2021, the Charter School reported a liability of \$ 1,036,145 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 which was rolled forward to June 30, 2021. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020 measurement date, the Charter School's proportion was 0.00575046%, which was an increase of 0.00007055% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the Charter School recognized pension expense of \$ 55,502 . At June 30, 2021, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 38,781	\$ 500,537
Difference Between Expected and Actual Experience	\$ 21,767	4,228
Changes in Proportion	\$ 40,861	24,792
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 378,851	-
	<u>\$ 480,260</u>	<u>\$ 529,557</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Amounts reported as deferred outflows of resources and deferred inflows resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2022	\$ (18,333.09)
2023	(16,714)
2024	(9,552)
2025	(3,863)
2026	(835)
	<u>\$ (49,297)</u>

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:		
Price		2.75%
Wage		3.25%
Salary Increases:		
through 2026		2.00-6.00% based on years of service
Thereafter		3.00-7.00% based on years of service
Investment Rate of Return		7.00%

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 2 years for males and females and addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combines Healthy male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for the future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rated used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is like that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer,

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Long Term Expected Rate of Return (Continued)

after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

		Long Term Expected Real Rate of Return
Asset Class	Target Allocation	
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2020. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 3.87% as of June 30, 2020 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate (Continued)

employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through 2057. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2020 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement Date June 30, 2020			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Charter School proportionate share of the Net Pension Liability	\$ 1,189,752	\$ 945,123	\$ 737,548

Measurement Date June 30, 2019			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.28%)	(6.28%)	(7.28%)
Charter School's proportionate share of the Net Pension Liability	\$ 1,301,755	\$ 1,030,552	\$ 802,025

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/an_nrpts.shtml.

Benefit Provided

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Benefit Provided (Continued)

average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective Tier. Deferred retirements is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and non-employer allocation percentages presented in the schedule of employer and non-employer allocations and applied to amounts presented in the schedule of pension amounts by employer and non-employer are based on the ratio of the State's actual contributions made as an employer and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2020 measurement date. Employer and non-employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and non-employer may result in immaterial differences.

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020 measurement date, the State's pension contribution was less than the actuarial determined amount.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Special Funding Situation

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer was less than the actuarial determined amount.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2021, the State of New Jersey contributed \$ 22,721 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 327,979 .

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

As June 30, 2020, the State's proportionate share of the net pension liability associated with the Charter School was \$ 9,530,786 . The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020.

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, Charter School's proportion was 0.0144737%, which was an increase of 0.0141877% from its proportion measured as of June 30, 2019.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	9,530,786
Total	\$ 9,530,786

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the Charter School in the amount of \$ 327,979 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 7,815,939,253	\$ 14,241,964,752
Difference Between Expected and Actual Experience	986,767,511	182,357,860
Changes in Proportion and differences between employer contributions and proportionate share of contributions	167,666,229	167,666,229
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	656,175,235	
	\$ 9,626,548,228	\$ 14,591,988,841

The \$ 9,626,548,228 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 14,591,988,841 reported as a deferred inflow of resources resulting from the difference between projected and actual.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

Fiscal Year	Total
Ending June 30,	Total
2022	\$ (262,056,928)
2023	(188,358,995)
2024	(774,174,971)
2025	(1,939,112,462)
2026	(1,466,451,639)
Thereafter	(335,285,618)
	<u>\$ (4,965,440,613)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55-4.45% based on years of service
Thereafter	2.75-5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2019.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2020 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2020. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 3.87% as of June 30, 2020 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2020 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement Date June 30, 2020			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.40%)	(5.40%)	(6.40%)
Charter School's proportionate share of the Net Pension Liability	\$ 11,219,625	\$ 9,551,730	\$ 8,166,823

Measurement Date June 30, 2019			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.60%)	(5.60%)	(6.60%)
Charter School's proportionate share of the Net Pension Liability	\$ 9,451,552	\$ 8,015,079	\$ 6,823,260

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position – TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP, which is a defined contribution on plan. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized no pension expense related to DCRP for the fiscal year ended June 30, 2021.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The school is in a “special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011 , future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total non-employer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (Continued)

Employees covered by benefit terms:

At June 30, 2020 the OPEB plan's measurement date, the following employees were covered by the benefit terms:

Active plan member							216,804
Inactive plan members or beneficiaries currently receiving benefits							149,304
Inactive plan members entitled to but not yet receiving benefit payments							-
	Total						366,108

Total Non-employer OPEB Liability

The total non-employer OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%			
		TPAF/ABP	PERS	PFRS
Salary Increases				
Through 2026		1.55% to 4.45%	2.00% to 6.00%	3.25% to 15.25%
		based on service	based on service	based on service
		years	years	years
Rate thereafter		1.55% to 4.45%	3.00% to 7.00%	Applied to all
		based on service	based on service	future
		years	years	years

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

Actuarial Assumptions and Other Inputs (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015- June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013- June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount rate

The discount rate for the June 30, 2020 measurement date was 2.21%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Non-Employer OPEB Liability

The table below summarizes the State's proportionate share of the change in the total non-employer OPEB liability associated with the Charter School for the fiscal year ended June 30, 2021:

	Total OPEB Liability
Balance at June 30, 2020	\$ 3,375,185
Service cost	376,846
Interest on Total OPEB Liability	129,496
Effect on Changes of Benefit Terms	-
Difference between expected and actual experience	1,317,815
Effect of Changes of Assumptions	1,138,483
Contributions - Employee	3,289
Gross Benefits Paid by the State	(108,505)
Net Changes	2,857,424
Balance at June 30, 2021	6,232,609

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

Sensitivity of Total Non-employer OPEB Liability to Changes in the Discount Rate:

The following presents the total non-employer OPEB liability measured as of June 30, 2020 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date Ended June 30, 2020		
	At 1%	At current	At 1%
	Decrease (1.21%)	discount rate (2.21%)	Increase (3.21%)
Total OPEB Liability	\$ 7,513,732	\$ 6,232,609	\$ 5,230,894

Sensitivity of Total Non-employer OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total non-employer OPEB liability measured as of June 30, 2020 calculated using the healthcare trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date Ended June 30, 2020		
	At 1%	Trend Rate	At 1%
	decrease		Increase
Total OPEB Liability	\$ 5,031,172	\$ 6,232,609	\$ 7,663,253

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

For the fiscal year ended June 30, 2021 the Charter School recognized OPEB expense of \$ 394,597 in the government-wide financial statements for the State's proportionate share of the OPEB Plan's OPEB expenses, associated with the Charter School. This expense and revenue was based on the OPEB Plan's June 30, 2020 measurement date.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At the measurement date of June 30, 2020 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ 946,272	\$ (842,906)
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	\$ 1,060,146	(711,176)
Sub Total	2,006,419	(1,554,082)
Contributions Made in Fiscal Year 2021 after June 30, 2020 Measurement Date	N/A	N/A
Total	2,006,419	(1,554,082)

Amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30	
2022	\$ 3,993
2023	\$ 3,993
2024	\$ 3,993
2025	\$ 3,993
2026	\$ 3,993
Total Thereafter	\$ 432,373
	\$ 452,337

NOTE 9: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Annual Comprehensive Financial Report.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance of \$1,368,730 in the fund financial statements at June 30, 2021 is unassigned.

NOTE 11: RELATED PARTY TRANSACTIONS

The Charter School leases its school facility from P & G Enterprises, LLC, which is a related party to the Lead Person. The lease expires in 2023.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 25, 2022, the date the financial statements were available to be issued.

NOTE 13: IMPACT OF COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Although the Charter School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Charter School’s results of future operations, financial position, and liquidity in fiscal year 2022.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 2,049,434		\$ 2,049,434	\$ 2,125,126	\$ 75,692
Total Local Levy Budget	2,049,434	-	2,049,434	2,125,126	75,692
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	3,133,893		3,133,893	3,131,197	(2,696)
Special Education Aid	90,974		90,974	51,340	(39,634)
Security Aid	185,991		185,991	200,564	14,573
Total Categorical Aid	3,410,858	-	3,410,858	3,383,101	(27,757)
Revenues From Other Sources:					
Miscellaneous Revenue				581	581
On-Behalf TPAF Pension Contributions (Non-Budgeted)				496,539	496,539
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				155,607	155,607
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				620	620
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				173,032	173,032
Total Revenues From Other Sources	-	-	-	826,379	826,379
Total Revenues	5,460,292	-	5,460,292	6,334,606	874,314
EXPENDITURES:					
Instruction:					
Salaries of Teachers	2,004,375	(60,764)	1,943,611	1,923,593	20,018
Other Salaries for Instruction	368,199	35,504	403,703	403,703	-
Purchased Prof/Tech Services	35,960	(7,821)	28,139	28,139	-
Other Purchased Services	42,000	8,623	50,623	49,963	660
General Supplies	145,500	19,483	164,983	162,864	2,119
Textbooks	10,000	(8,623)	1,377	1,377	-
Miscellaneous	30,000		30,000	29,815	185
Total Instruction	2,636,034	(13,598)	2,622,436	2,599,454	22,982
Administration:					
Salaries - General Administration	714,622	(36,129)	678,493	595,196	83,297
Salaries of Secretarial/Clerical Assistants	215,520	60,000	275,520	272,432	3,088
Total Benefits Cost	807,064	(102,904)	704,160	704,160	-
Purchases Prof/Tech Services	103,420	276	103,696	100,270	3,426
Other Purchased Services	112,000		112,000	110,672	1,328
Communications/Telephone	18,000	3,000	21,000	21,000	-
Supplies and Materials	51,000	30,547	81,547	63,036	18,511
Miscellaneous Expenses	2,500		2,500	1,727	773
Total Administration	2,024,126	(45,210)	1,978,916	1,868,493	110,423

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 70,000	\$ 250	\$ 70,250	\$ 70,250	\$ -
Purchased Prof/Ed Services					
Purchased Prof/Tech Services					
Rental of Land and Buildings	542,367	18,338	560,705	560,705	-
Transportation-Other Than To/From School	20,000	(16,764)	3,236	3,236	-
Insurance for Property, Liability and Fidelity	18,000	32,000	50,000	46,532	3,468
Supplies and Materials					
Energy Costs (Heat and Electricity)	80,000	(25,276)	54,724	54,722	2
Miscellaneous Expenses					
Total Support Services	730,367	58,808	789,175	785,705	3,470
On-Behalf TPAF Pension Contributions (Non-Budgeted)				496,539	(496,539)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				155,607	(155,607)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				620	(620)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	173,032	(173,032)
Total Expenditures	5,390,527	-	5,390,527	6,079,450	(36,157)
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,765	-	69,765	255,156	185,391
FUND BALANCE, JULY 1	1,188,584	-	1,188,584	1,188,584	-
FUND BALANCE, JUNE 30	\$ 1,258,349	\$ -	\$ 1,258,349	\$ 1,443,740	\$ 185,391
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 1,258,349	\$ -	\$ 1,258,349	\$ 1,443,740	\$ 185,391
Total	\$ 1,258,349	\$ -	\$ 1,258,349	\$ 1,443,740	\$ 185,391

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PACE CHARTER SCHOOL OF HAMILTON
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 997,630	\$ 6,226	\$ 1,003,856	\$ 599,503	\$ (404,353)
Total Revenues	997,630	6,226	1,003,856	599,503	(404,353)
EXPENDITURES:					
Instruction:					
Salaries	476,804		476,804	148,000	328,804
Purchased Prof/Tech Services	3,000		3,000	3,000	-
Other Purchased Services	4,500		4,500		4,500
General Supplies	180,090	12,055	192,145	188,781	3,364
Other Objects	20,000		20,000	16,872	3,128
Total Instruction	684,394	12,055	696,449	356,653	339,796
Support Services:					
Salaries	63,200		63,200	8,200	55,000
Personal Services - Employee Benefits	59,200		59,200	59,200	-
Purchased Technical Services	25,384		25,384	25,384	-
Other Purchased Prof/Tech Services	55,000		55,000	48,879	6,121
Supplies and Materials	64,394	(5,829)	58,565	55,129	3,436
Miscellaneous Expenditures	46,058		46,058	46,058	-
Total Support Services	313,236	(5,829)	307,407	242,850	64,557
Total Expenditures	997,630	6,226	1,003,856	599,503	404,353
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2021

Note A - Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 6,334,606	[C-2] 599,503
Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 6,334,606	[B-2] \$ 599,503
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 6,079,450	[C-2] 599,503
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 6,079,450	[B-2] \$ 599,503

REQUIRED SUPPLEMENTARY INFORMATION – PART III

SCHEDULE L - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)

PACE CHARTER SCHOOL OF HAMILTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Charter School's proportion of the net pension liability	0.00155107%	0.00250878%	0.004265865%	0.005618210%	0.005197250%	0.005679902%	0.005750456%	0.005750456%
Charter School's proportionate share of the net pension liability	\$ 296,440	\$ 469,712	\$ 957,601	\$ 1,663,973	\$ 1,209,837	\$ 1,209,837	\$ 1,036,145	\$ 1,036,145
Charter School's covered payroll (plan measurement date)	\$ 318,635	\$ 464,711	\$ 339,903	\$ 339,903	\$ 417,138	\$ 485,747	\$ 576,075	\$ 618,448
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	93%	101%	282%	490%	290%	249%	180%	168%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	45.37%	51.55%	51.55%	53.60%	58.32%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

PACE CHARTER SCHOOL OF HAMILTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 11,687	\$ 20,682	\$ 36,675	\$ 49,912	\$ 49,912	\$ 49,912	\$ 55,502	\$ 55,502
Contributions in relation to the contractually required contribution	<u>(11,687)</u>	<u>(20,682)</u>	<u>(36,675)</u>	<u>(48,147)</u>	<u>(48,147)</u>	<u>(55,502)</u>	<u>(55,935)</u>	<u>(55,935)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,765</u>	<u>\$ 1,765</u>	<u>\$ (5,590)</u>	<u>\$ (433)</u>	<u>\$ (433)</u>
Charter School's covered payroll (fiscal year)	\$ 318,635	\$ 464,711	\$ 339,903	\$ 339,903	\$ 417,138	\$ 485,747	\$ 576,075	\$ 618,448
Contributions as a percentage of covered employee payroll	3.67%	4.45%	10.79%	14.68%	11.97%	10.28%	9.63%	8.97%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

PACE CHARTER SCHOOL OF HAMILTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST EIGHT FISCAL YEARS
UNAUDITED

	2014	2015	2016	2017	2018	2019	2020	2021
State's proportion of the net pension liability attributable of the Charter School	0.00487680%	0.00615718%	0.00593393%	0.00841980%	0.01261200%	0.01302860%	0.01418773%	0.01447374%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 2,464,673	\$ 3,290,812	\$ 3,750,497	\$ 6,623,536	\$ 8,199,502	\$ 8,288,500	\$ 8,707,141	\$ 9,530,786
Charter School's covered payroll (plan measurement date)	\$ 969,160	\$ 915,411	\$ 1,268,995	\$ 1,475,439	\$ 1,624,817	\$ 1,813,449	\$ 1,991,939	\$ 2,482,813
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	254.31%	359.49%	295.55%	448.92%	504.64%	457.06%	437.12%	383.87%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%	22.33%	22.33%	22.33%	26.95%	24.48%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**SCHEDULE M – SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Pace Charter School of Hamilton
Required Supplementary Information Schedules
Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios
Last Five Fiscal Years
(Unaudited)

	Measurement Date Ending				
	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total Non-Employer OPEB Liability- States's Proportionate Share of the Total OPEB Liability Associated with the Charter School					
OPEB Liability at Beginning of Measurement Period	\$	3,649,621	\$ 3,518,893	\$ 2,984,721	\$ 3,375,185
Service cost		444,657	366,132	338,952	376,846
Interest on Total OPEB Liability		115,576	137,717	126,699	129,496
Effect on Changes of Benefit Terms		-	-	-	-
Difference between expected and actual experience		(612,457)	(618,457)	(24,974)	1,317,815
Effect of Changes of Assumptions		3,001	(342,512)	50,324	1,138,483
Contributions - Employee		-	2,758	3,071	3,289
Gross Benefits Paid by the State		(81,505)	(79,810)	(103,608)	(108,505)
Net Change in Total OPEB Liability		(130,728)	(534,172)	390,464	2,857,424
OPEB Liability at Beginning of Measurement Period		3,649,621	3,518,893	2,984,721	3,375,185
Total OPEB Liability at End of Measurement Period		3,518,893	2,984,721	3,375,185	6,232,609

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule:

Changes in benefit terms: None

Differences Between Expected and Actual Experiences: The decrease in the Total OPEB Liability from June 30, 2018 to June 30, 2019 is due to changes in the census claims and premium experiences. The increase in liability from June 30, 2019 to June 30, 2020 is due to changes in the census, claims and premiums experience.

Changes in Assumptions:

The increase in the liability from June 30, 2018 to June 30, 2019 is due to the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale and mortality assumptions. The increase in the liability from June 30, 2019 to June 30, 2020 is due to the combined effect of the decrease in the assumed discount rate from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020; and changes in the trend, excise tax, updated mortality improvement assumptions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2021

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020 in accordance with Paragraph 44 of GASB Statement No. 67.

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2021

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.60% as of June 30, 2019 to 5.40% as of June 30, 2020 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

THE PACE CHARTER SCHOOL OF HAMILTON
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2021

	Title I	I.D.E.A. Basic	I.D.E.A. Part B Preschool	CARES Act	CRF Grant	CRRSA Act	Digital Divide	Total
REVENUE SOURCES:								
Federal	\$ 164,801	\$ 83,160	\$ 1,024	\$ 83,235	\$ 46,058	\$ 136,444	\$ 84,781	\$ 599,503
Total Revenues	\$ 164,801	\$ 83,160	\$ 1,024	\$ 83,235	\$ 46,058	\$ 136,444	\$ 84,781	\$ 599,503
EXPENDITURES:								
Instruction:								
Salaries of Teachers	\$ 114,200	\$ 42,000	\$ -			\$ 3,000		156,200
Purchased Prof/Tech Services		24,360						27,360
Other Purchased Services				\$ 77,045	\$ 46,058	18,754	\$ 84,781	123,103
General Supplies	8,201					16,872		111,736
Other Objects								16,872
Total Instruction	122,401	66,360	-	77,045	46,058	38,626	84,781	435,271
Support Services:								
Personal Services - Employee Benefits	42,400	16,800	1,024					59,200
Purchased Technical Services						48,879		1,024
Other Purchased Services						48,939		48,879
Supplies and Materials				6,190				55,129
Total Support Services	42,400	16,800	1,024	6,190	-	97,818	-	164,232
Total Expenditures	\$ 164,801	\$ 83,160	\$ 1,024	\$ 83,235	\$ 46,058	\$ 136,444	\$ 84,781	\$ 599,503

**SECTION G – PROPRIETARY FUND
DETAIL STATEMENTS**

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services for the Charter School.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND
B-6.**

**STATISTICAL SECTION
(UNAUDITED)**

GASB requires that ten years of statistical data be presented. State law usually grants charters for less than information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well-being have changed over time.

Revenue Capacity (Not Applicable to Charter School)

These schedules contain information to help the reader assess the charter school's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the charter school provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports (ACFR) for the relevant year.

FINANCIAL TRENDS

PACE CHARTER SCHOOL OF HAMILTON
 Net Assets/Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,763	\$ 134,796	\$ 79,333	\$ -	\$ -
Unrestricted	(145,735)	(4,524)	(347,254)	(178,199)	(119,579)	701,065	218,960	518,928	498,734	608,050
Total Governmental Activities Net Assets/Position	\$ 199,015	\$ 70,476	\$ (347,254)	\$ (178,199)	\$ (119,579)	\$ 825,828	\$ 353,756	\$ 598,261	\$ 498,734	\$ 608,050
Business-Type Activities										
Unrestricted	\$ 200,990	\$ 173,513	\$ 147,765	\$ 102,147	\$ 77,869	\$ 45,419	\$ 11,171	(6,331)	(10,186)	(7,669)
Total Business-Type Activities Net Assets/Position	\$ 200,990	\$ 173,513	\$ 147,765	\$ 102,147	\$ 77,869	\$ 45,419	\$ 11,171	\$ (6,331)	\$ (10,186)	\$ (7,669)
Charter School-wide										
Unrestricted	\$ 55,255	\$ 168,989	\$ (199,489)	\$ (76,052)	\$ (41,710)	\$ 746,484	\$ 230,131	\$ 512,597	\$ 488,548	\$ 600,381
Total Charter School-wide Net Assets/Position	\$ 400,005	\$ 243,989	\$ (199,489)	\$ (76,052)	\$ (41,710)	\$ 871,247	\$ 364,927	\$ 591,930	\$ 488,548	\$ 600,381

PACE CHARTER SCHOOL OF HAMILTON
 Changes in Net Assets/Position
 For the Last Ten Fiscal Years
(accrual basis of accounting)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental Activities:										
Instruction	\$ 2,956,107	\$ 2,353,345	\$ 2,223,758	\$ 1,917,982	\$ 1,661,543	\$ 1,574,055	\$ 1,912,763	\$ 1,483,232	\$ 951,479	\$ 549,670
Administration	2,820,908	2,443,569	2,257,619	2,081,866	1,523,278	1,359,421	483,064	385,112	330,549	406,666
Support Services	1,028,555	1,001,031	1,095,895	1,007,208	987,655	689,176	791,242	316,351	462,625	575,935
Capital Outlay	-	-	79,473	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	10,033	10,033	-	-	-
Total Governmental Activities Expenses	\$ 6,805,570	\$ 5,797,945	\$ 5,656,745	\$ 5,007,066	\$ 4,172,476	\$ 3,632,885	\$ 3,207,122	\$ 2,184,695	\$ 1,744,653	\$ 1,532,271
Business-Type Activities:										
Food Service	92,562	131,348	126,326	136,716	112,563	110,917	100,294	73,191	52,397	51,940
Total Business-Type Activities Expenses	\$ 92,562	\$ 131,348	\$ 126,326	\$ 136,716	\$ 112,563	\$ 110,917	\$ 100,294	\$ 73,191	\$ 52,397	\$ 51,940
Total Charter School Expenses	\$ 6,898,132	\$ 5,929,293	\$ 5,783,071	\$ 5,143,782	\$ 4,285,039	\$ 3,743,802	\$ 3,307,416	\$ 2,257,886	\$ 1,797,050	\$ 1,584,211
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 51,340	\$ 58,350	\$ 41,844	\$ 23,232	\$ 14,458	\$ 21,599	\$ 17,215	\$ 4,303	\$ -	\$ 3,868
Total Governmental Activities Expenses	\$ 51,340	\$ 58,350	\$ 41,844	\$ 23,232	\$ 14,458	\$ 21,599	\$ 17,215	\$ 4,303	\$ -	\$ 3,868
Business-Type Activities:										
Charges for Services	-	5,844	8,076	9,205	4,924	5,171	4,985	5,928	4,255	5,594
Operating Grants and Contributions	120,039	151,252	163,868	151,789	140,089	139,945	112,811	71,118	48,625	39,084
Total Business-Type Activities Expenses	\$ 120,039	\$ 157,096	\$ 171,944	\$ 160,994	\$ 145,013	\$ 145,116	\$ 117,796	\$ 77,046	\$ 49,880	\$ 44,678
Total Charter School Program Revenue	\$ 171,379	\$ 215,446	\$ 213,788	\$ 184,226	\$ 159,471	\$ 166,715	\$ 135,011	\$ 81,349	\$ 49,880	\$ 48,546
Net (Expense)/Revenue										
Governmental Activities	\$ (6,754,230)	\$ (5,739,595)	\$ (5,614,901)	\$ (4,983,834)	\$ (4,158,018)	\$ (3,611,086)	\$ (3,189,907)	\$ (2,180,392)	\$ (1,744,653)	\$ (1,528,403)
Business-Type Activities	27,477	25,748	45,618	24,278	32,450	34,199	17,502	3,855	(2,517)	(7,262)
Total Charter School Net Expense	\$ (6,726,753)	\$ (5,713,847)	\$ (5,569,283)	\$ (4,959,556)	\$ (4,125,568)	\$ (3,576,887)	\$ (3,172,405)	\$ (2,176,537)	\$ (1,747,170)	\$ (1,535,665)
General Revenues										
Governmental Activities:										
General Purposes	\$ 2,125,126	\$ 1,779,711	\$ 1,438,179	\$ 1,108,428	\$ 836,420	\$ 742,917	\$ 671,935	\$ 399,114	\$ 232,360	\$ 263,753
Federal and State Aid Not Restricted	4,757,062	4,355,674	4,073,589	3,816,786	2,949,911	2,862,636	2,585,546	1,886,472	1,401,578	1,363,740
Investment Earnings	-	1,364	978	-	-	-	-	-	-	-
Miscellaneous Income	581	20,576	-	-	-	-	15,524	-	1,399	-
Total Governmental Activities	\$ 6,882,769	\$ 6,157,325	\$ 5,512,746	\$ 4,925,214	\$ 3,786,331	\$ 3,605,553	\$ 3,273,005	\$ 2,285,586	\$ 1,635,337	\$ 1,627,493
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	8	-	-	-
Miscellaneous Income	-	-	-	-	49	-	-	-	-	-
Total Business-Type Activities Expenses	-	-	-	-	49	-	8	-	-	-
Total Charter School Wide	\$ 6,882,769	\$ 6,157,325	\$ 5,512,746	\$ 4,925,214	\$ 3,786,331	\$ 3,605,553	\$ 3,273,013	\$ 2,285,586	\$ 1,635,337	\$ 1,627,493
Change in Net Assets/Position										
Governmental Activities	\$ 128,539	\$ 417,730	\$ (102,155)	\$ (58,620)	\$ (371,687)	\$ (5,533)	\$ 83,098	\$ 105,194	\$ (109,316)	\$ 99,090
Business-Type Activities	27,477	25,748	45,616	32,450	34,246	34,246	17,510	3,855	(2,517)	(7,262)
Total Charter School	\$ 156,016	\$ 443,478	\$ (56,537)	\$ (24,342)	\$ (339,237)	\$ 28,715	\$ 100,608	\$ 109,049	\$ (111,833)	\$ 91,828

PACE CHARTER SCHOOL OF HAMILTON
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 1,443,740	\$ 1,188,584	\$ 631,817	\$ 609,947	\$ 532,876	\$ 701,066	\$ 546,563	\$ 518,928	\$ 498,734	\$ 608,050
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total General Fund	\$ 1,443,740	\$ 1,188,584	\$ 631,817	\$ 609,947	\$ 532,876	\$ 701,066	\$ 546,563	\$ 518,928	\$ 498,734	\$ 608,050

PACE CHARTER SCHOOL OF HAMILTON
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Local Sources:	\$ 2,125,707	\$ 1,801,651	\$ 1,439,157	\$ 1,108,428	\$ 836,420	\$ 742,917	\$ 687,459	\$ 399,114	\$ 233,759	\$ 263,753
State Sources	4,208,899	3,778,080	3,498,601	3,088,995	2,676,416	2,538,554	2,390,640	1,635,319	1,297,877	1,267,135
Federal Sources	599,503	241,347	233,450	230,261	207,089	293,342	212,121	255,456	103,701	100,473
Total Revenues	6,934,109	5,821,078	5,171,208	4,427,684	3,719,925	3,574,813	3,290,220	2,289,889	1,635,337	1,631,361
Expenditures:										
Instruction	2,956,107	2,353,345	2,223,758	1,917,992	1,661,543	1,574,055	1,526,772	1,199,404	734,117	472,566
Administration	2,659,725	1,909,935	1,750,213	1,425,412	1,319,781	1,209,418	889,806	680,402	585,402	545,875
Support Services	1,063,121	1,001,031	1,095,895	1,007,208	987,655	689,176	780,511	304,889	425,134	513,830
Capital Outlay	-	-	79,473	-	-	-	65,496	85,000	-	-
Total Expenditures	6,678,953	5,264,311	5,149,339	4,350,612	3,968,979	3,472,649	3,262,585	2,269,695	1,744,653	1,532,271
Net Change in Fund Balance	\$ 255,156	\$ 556,767	\$ 21,869	\$ 77,072	\$ (249,054)	\$ 102,164	\$ 27,635	\$ 20,194	\$ (109,316)	\$ 99,090

PACE CHARTER SCHOOL OF HAMILTON
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Donations	Interest	Miscellaneous Revenue	Total
2021	\$ -	\$ -	\$ 581	\$ 581
2020	-	1,364	20,576	21,940
2019	-	978	-	978
2018	-	-	-	-
2017	-	-	-	-
2016	-	-	-	-
2015	-	-	15,524	15,524
2014	-	-	-	-
2013	-	-	1,399	1,399
2012	-	-	-	-

Source: Charter School's Records

OPERATING INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Instruction	35	35	29	25	23	24	26	14	11	8
Administrative	4	4	2	2	2	2	2	2	2	2
Support Services	16	14	16	10	13	10	10	6	2	4
Food Service	3	3	4	3	3	4	4	3	4	3
Total	58	56	51	40	41	40	42	25	19	17

PACE CHARTER SCHOOL OF HAMILTON
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2021	418	\$ 6,678,953	\$ 15,978	14.43%	35	12:1	418	410	10.70%	98.09%
2020	377	5,264,311	13,964	-6.08%	35	11:1	377.6	371.9	10.73%	98.49%
2019	341	5,069,866	14,868	-14.57%	29	12:1	341.0	336.0	39.18%	98.53%
2018	250	4,350,612	17,402	3.92%	24	10.9:1	245.0	240.1	3.38%	98.00%
2017	237	3,968,979	16,747	4.17%	26	9.8:1	237.0	234.0	9.72%	98.73%
2016	216	3,472,649	16,077	-25.07%	11	10.64:1	216.0	214.0	51.05%	99.07%
2015	149	3,197,089	21,457	14.91%	8	10.64:1	143.0	139.0	27.68%	97.20%
2014	117	2,184,695	18,673	25.22%	11	14.62:1	112.0	109.0	-0.88%	97.32%
2013	117	1,744,653	14,912	8.99%	10	10.45:1	113.0	109.7	0.89%	97.08%
2012	112	1,532,271	13,681	24.80%	10	11.69:1	112.0	112.0	-6.67%	100.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

PACE CHARTER SCHOOL OF HAMILTON
 School Building Information
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Lower School	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Square Feet	432	405	345	120	120	120	120	120	120	120
Capacity (students)	418	377	341	117	117	216	149	117	117	112
Enrollment										

Number of Schools at June 30, 2021
 Lower School = 1

PACE CHARTER SCHOOL OF HAMILTON

Insurance Schedule

June 30, 2021

(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability - NJ School Boards Association Insurance Group		
Products - Completed Operations Aggregate Limit	\$ 1,000,000	
Personal and Advertising Injury		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Child Molestation/Sexual Abuse		
Aggregate Limit	3,000,000	
Per Occurrence	1,000,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Premises Medical Payments		
Per Person	1,000	100
Per Accident	10,000	
Commercial Property - NJSBA Insurance Group		
Blanket Real and Personal Property		
Per Occurrence	485,000	1,000
Blanket Extra Expense	250,000	
Blanket Valuable Papers and Records	50,000	
EDP Coverage - NJSBA Insurance Group		
Blanket Hardware	25,000	1,000
Blanket Data, Media Software	25,000	
Blanket Extra Expense	included	
Business Automobile Coverage - NJSBA Insurance Group		
Combined Single Limit for Bodily Injury and Property Damage		
Per Accident (Hired and Non-Owned Only)	1,000,000	
Crime Coverage - NJSBA Insurance Group		
Faithful Performance Limit	25,000	500
Money and Securities Limit	-	
Errors and Omissions - Legion Insurance Company		
Aggregate Limit	1,000,000	5,000
Excess Liability - Umbrella Form - NJSBA Insurance Group		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Self-Insured Retention	10,000	
Workman's Compensation - NJSBA Insurance Group		
Each Accident	5,000,000	
Disease		
Each Employee	5,000,000	
Policy Limit	5,000,000	
Boiler and Machinery - NJSBA Insurance Group		
Combined Single Limit for Property Damage and Extra Expense	100,000,000	1,000

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON
New Jersey Performance Framework Financial Ratios
Charter School Performance Framework Financial Indicators
Audited Performance Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	427,035	1,015,621	1,286,692	Audit: Exhibit A-1
Current Assets (include cash)	795,550	1,539,084	1,753,543	Audit: Exhibit A-1
Current Liabilities	15,968	176,987	108,813	Audit: Exhibit A-1
Total Expenses	5,783,071	5,929,293	6,898,132	Audit: Exhibit A-2
Change in Net Position	(56,537)	443,478	156,016	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	341.00	371.00	410.00	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	341	370	418	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	-	-	-	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

Performance Indicators		2019	2020	2021	3 YR CUM	Calculation****	Target****
Near Term Indicators							
1a.	Current Ratio (working capital ratio)	49.82	8.70	16.12		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b.	Unrestricted days cash on hand	26.95	62.52	68.08		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c.	Enrollment Variance	100%	100%	98%	99%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.**	Default on loans or delinquent in debt payments	NO	NO	NO		Auditor	not in default
Sustainability Indicators							
2a***	3 Year Cumulative Cash Flow	10,636	588,586	271,071	870,293	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b	Debt Service Coverage Ratio	N/A	N/A	N/A		N/A or (Change in Net Position + depreciation + interest expense)/(principal + interest payments)	>1.10

* For renaissance schools: use Oct 15 count if no final count; use head count if ADE not available
 ** Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 *** 2021 =2021 Cash -2020 Cash; 2020 =2020 Cash -2019 Cash; 2019 =2019 Cash -2018 Cash
 **** Refer to NJ Performance Framework

Meets Standard
 Does Not Meet Standard
 Falls Far Below Standard

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 303

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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**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”**

INDEPENDENT AUDITOR’S REPORT

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

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; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and each major fund of Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 25, 2022, which contains an emphasis of matter paragraph describing the adoption of a new accounting principle, and consistency of financial statements.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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


Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey, and state awarding agencies and pass-through entities, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Barre & Company LLC, CPA's
Union New Jersey


Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

Union New Jersey
February 25, 2022

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 303

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED NEW JERSEY CIRCULAR 15-08 OMB

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

Report on Compliance for Each Major State Program

We have audited the Pace Charter School of Hamilton’s compliance with the types of compliance requirements described in the New Jersey Circular 15-08 OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2021. The Pace Charter School of Hamilton’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

The Charter School’s management is responsible for compliance with state statues, regulations and the terms and conditions of its state awards applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’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 Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey Circular OMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular OMB 15-08 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 Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, 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 fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

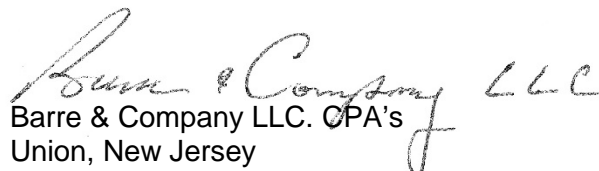
Management of the Pace Charter School of Hamilton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey Circular 15-08 OMB, 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 Charter 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 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 a 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 that the testing based on the requirements of New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.


Barre & Company LLC. CPA's
Union, New Jersey


Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

February 25, 2022

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Award/Pass-through Grantor/Program Title	Federal Assistance Number	Additional Identification	Federal Financial Number	Grant or State Number	Program or Amount	Grant Period From To	Balance at June 30, 2020	Carryover/ (Deficit) Amount	Cash Received	Budgetary Expenditures	Passed Through Subrecipients	Adjustments	Repayment Of Federal Balances	Accounts Receivable	Balance at June 30, 2021	Due to Grantor
U.S. Department of Education																
Passed-through State Department of Education																
Special Education Cluster (IDEA) Cluster:																
IDEA Part B Basic	84.010A	N/A	S010A150030	NCLB - 7500 - 21	164,801	9/1/20 8/31/21	\$ -	\$ -	164,801	(164,801)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IDEA Part B Respite	84.027	84.027A	H027A150109	IDEA - 7500 - 21	83,169	9/1/20 8/31/21	-	-	83,169	(83,169)	-	-	-	-	-	-
IDEA Part B Respite	84.173	N/A	H173A150114	IDEA - 7500 - 21	1,024	9/1/20 8/31/21	-	-	1,024	(1,024)	-	-	-	-	-	-
Total No Child Left Behind																
Total Special Education Cluster (IDEA) Cluster																
Other Special Revenue Funds:																
COVID-19 Elementary and Secondary School	84.425	COVID-19, 84.425D	S-425D000027	N/A	138,444	9/1/20 8/31/21	-	-	138,444	(138,444)	-	-	-	(138,444)	-	-
COVID-19 CARES (Emergency) Relief Grant	84.425	COVID-19, 84.425D	S-425D000027	N/A	83,285	9/1/20 8/31/21	-	-	83,285	(83,285)	-	-	-	-	-	-
COVID-19 Digital Divide	84.425	COVID-19, 84.425D	S-425D000027	N/A	84,781	9/1/20 8/31/21	-	-	84,781	(84,781)	-	-	-	-	-	-
Total Other Special Revenue Funds																
Total Department of Education																
Department of Treasury	21.019	COVID-19	SLT0228	N/A	46,058	9/1/20 8/31/21	-	-	46,058	(46,058)	-	-	-	(46,058)	-	-
COVID-19 Coronavirus Relief Fund (CRF)																
Total Department of Treasury																
Total Department of Education																
									500,019	(509,503)	-	-	-	(138,444)	36,960	-
U.S. Department of Agriculture																
Enterprise Fund Cluster																
COVID-19 National School Breakfast Program	10.553	COVID-19	201NJ304N1089	N/A	38,773	7/1/20 6/30/21	-	-	37,053	(38,773)	-	-	-	(1,720)	-	-
COVID-19 National School Lunch Program	10.553	COVID-19	191NJ304N1089	N/A	77,381	7/1/20 6/30/21	(2,200)	-	2,200	(77,381)	-	-	-	(4,654)	-	-
COVID-19 National School Lunch Program	10.555	COVID-19	201NJ304N1089	N/A	-	7/1/20 6/30/21	(3,500)	-	3,500	-	-	-	-	-	-	-
COVID-19 National School Lunch Program	10.555	COVID-19	191NJ304N1089	N/A	-	7/1/20 6/30/21	(5,700)	-	116,060	(116,134)	-	-	-	(5,774)	-	-
Total Enterprise Fund																
Sub-Total Federal Financial Awards									570,021	(669,579)	-	-	-	(142,218)	36,960	-

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

PACE CHARTER SCHOOL OF HAMILTON
Schedules of Financial Assistance
For the Fiscal Year Ended June 30, 2021

State Grant/Program Title	Grant or Student Number	Program or Amount	Grant Period		Balance at June 30, 2020			Balance at June 30, 2021			MEMO						
			From	To	Unearned Revenue (Receivable)	Due to Grantor	Carryover/ (Withdrawal) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Balance	(Accounts Receivable)	Unearned Revenue/ Payable	Due to Grantor	Budgetary Receivable	Cumulative Expenditures		
State Department of Education																	
General Fund:																	
State Aid - Public Cluster																	
Equalization Aid	21-495-034-520-078	3,131,197	7/1/20	6/30/21	\$ -	\$ -	\$ -	\$ 2,840,217	\$ (3,131,197)	\$ -	\$ -	\$ (283,490)	\$ -	\$ -	\$ (7,490)	\$ 290,980	\$ 3,131,197
Equalization Aid	21-495-034-520-079	2,000,564	7/1/20	6/30/21	(299,739)	-	-	2,000,564	(51,340)	-	-	-	-	-	-	-	51,340
Equalization Aid	21-495-034-520-080	51,340	7/1/20	6/30/21	-	-	-	51,340	(200,564)	-	-	-	-	-	-	-	200,564
Security Aid	21-495-034-520-084	200,564	7/1/20	6/30/21	-	-	-	200,564	-	-	-	-	-	-	-	-	-
Adjustment Aid	21-495-034-520-085	-	7/1/19	6/30/21	(299,739)	-	-	3,357,659	(3,383,101)	-	-	(283,490)	-	-	(7,490)	290,980	3,383,101
Total State Aid - Public Cluster																	
Nonpublic Aid	21-100-034-5095-042	155,607	7/1/20	6/30/21	-	-	-	155,607	(155,607)	-	-	-	-	-	-	-	155,607
On-Behalf TPAF Retirement Medical Contributions	21-495-034-5095-006	486,539	7/1/20	6/30/21	-	-	-	486,539	(486,539)	-	-	-	-	-	-	-	486,539
On-Behalf TPAF Pension Contributions	21-495-034-5095-006	-	7/1/20	6/30/21	-	-	-	-	-	-	-	-	-	-	-	-	-
On-Behalf TPAF Long Term Disability Insurance	21-495-034-5095-004	620	7/1/20	6/30/21	-	-	-	620	(620)	-	-	-	-	-	-	-	620
Contributions	21-495-034-5095-002	173,032	7/1/20	6/30/21	-	-	-	173,032	(173,032)	-	-	-	-	-	-	-	173,032
Reimbursed TPAF - Social Security	20-495-034-5095-002	-	7/1/19	6/30/20	(7,336)	-	-	7,336	-	-	-	-	-	-	-	-	-
Total State Aid - Public Cluster																	
Nonpublic Aid	21-100-034-5095-042	155,607	7/1/20	6/30/21	-	-	-	155,607	(155,607)	-	-	-	-	-	-	-	155,607
On-Behalf TPAF Retirement Medical Contributions	21-495-034-5095-006	486,539	7/1/20	6/30/21	-	-	-	486,539	(486,539)	-	-	-	-	-	-	-	486,539
On-Behalf TPAF Pension Contributions	21-495-034-5095-006	-	7/1/20	6/30/21	-	-	-	-	-	-	-	-	-	-	-	-	-
On-Behalf TPAF Long Term Disability Insurance	21-495-034-5095-004	620	7/1/20	6/30/21	-	-	-	620	(620)	-	-	-	-	-	-	-	620
Contributions	21-495-034-5095-002	173,032	7/1/20	6/30/21	-	-	-	173,032	(173,032)	-	-	-	-	-	-	-	173,032
Reimbursed TPAF - Social Security	20-495-034-5095-002	-	7/1/19	6/30/20	(7,336)	-	-	7,336	-	-	-	-	-	-	-	-	-
Total General Fund																	
Enterprise Fund:																	
National School Lunch Program (State Share)	21-100-010-3350-023	3,236	7/1/20	6/30/21	(55)	-	-	2,949	(3,236)	-	-	(287)	-	-	-	287	3,236
National School Lunch Program (State Share)	20-100-010-3350-023	2,061	7/1/19	6/30/20	(55)	-	-	55	-	-	-	-	-	-	-	-	-
Total Enterprise Fund																	
Total State Financial Assistance																	
State Financial Assistance Not to Subject to Major Program Determination:																	
Enterprise Fund:																	
National School Lunch Program (State Share)	21-100-010-3350-023	3,236	7/1/20	6/30/21	(55)	-	-	2,949	(3,236)	-	-	(287)	-	-	-	287	3,236
National School Lunch Program (State Share)	20-100-010-3350-023	2,061	7/1/19	6/30/20	(55)	-	-	55	-	-	-	-	-	-	-	-	-
Total Enterprise Fund																	
Total State Financial Assistance Subject to Major Program Determination																	
Enterprise Fund:																	
On-Behalf TPAF Retirement Medical Contributions	21-495-034-5095-001	155,607	7/1/20	6/30/21	-	-	-	(155,607)	155,607	-	-	-	-	-	-	-	155,607
On-Behalf TPAF Pension Contributions	21-495-034-5095-006	486,539	7/1/20	6/30/21	-	-	-	(486,539)	486,539	-	-	-	-	-	-	-	486,539
On-Behalf TPAF Long Term Disability Insurance	21-495-034-5095-004	620	7/1/20	6/30/21	-	-	-	(620)	620	-	-	-	-	-	-	-	620
Contributions	21-495-034-5095-002	173,032	7/1/20	6/30/21	-	-	-	173,032	(173,032)	-	-	-	-	-	-	-	173,032
Reimbursed TPAF - Social Security	20-495-034-5095-002	-	7/1/19	6/30/20	(7,336)	-	-	7,336	-	-	-	-	-	-	-	-	-
Total On-Behalf TPAF Payments																	
Total State Financial Assistance Subject to Major Program Determination																	
Enterprise Fund:																	
National School Lunch Program (State Share)	21-100-010-3350-023	3,236	7/1/20	6/30/21	(55)	-	-	2,949	(3,236)	-	-	(287)	-	-	-	287	3,236
National School Lunch Program (State Share)	20-100-010-3350-023	2,061	7/1/19	6/30/20	(55)	-	-	55	-	-	-	-	-	-	-	-	-
Total Enterprise Fund																	
Total State Financial Assistance Subject to Major Program Determination																	
Enterprise Fund:																	
National School Lunch Program (State Share)	21-100-010-3350-023	3,236	7/1/20	6/30/21	(55)	-	-	2,949	(3,236)	-	-	(287)	-	-	-	287	3,236
National School Lunch Program (State Share)	20-100-010-3350-023	2,061	7/1/19	6/30/20	(55)	-	-	55	-	-	-	-	-	-	-	-	-
Total Enterprise Fund																	
Total State Financial Assistance Subject to Major Program Determination																	

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

PACE CHARTER SCHOOL OF HAMILTON

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
June 30, 2021

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Pace Charter School of Hamilton. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
June 30, 2021

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 4,208,899	\$ 4,208,899
Special Revenue Fund	599,503	-	599,503
Food Service Fund	116,804	3,235	120,039
Total Awards & Financial Assistance	<u>\$ 716,307</u>	<u>\$ 4,212,134</u>	<u>\$ 4,928,441</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Pace Charter School of Hamilton has no loan balances outstanding at June 30, 2021.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2021. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2021.

NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

Schoolwide programs are not separate federal programs as defined in Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The Charter School does not have a schoolwide program.

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
June 30, 2021

NOTE 8. MAJOR PROGRAMS

Major programs are identified in the summary of auditor's results section of the schedule of findings and questioned costs.

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? Yes No
- 2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to basic financial statements noted? Yes No

Federal Awards Section

N/A

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Type of auditors’ report issued on compliance for major programs Unmodified

Internal control over major programs:

- 1) Material weakness(es) identified? Yes No
- 2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08 OMB? Yes No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	<u>STATE AID-PUBLIC :</u>
<u>21-495-034-5120-078</u>	<u>EQUALIZATION AID</u>
<u>21-495-034-5120-089</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
<u>21-495-034-5120-084</u>	<u>SECURITY AID</u>
<u>21-495-034-5120-085</u>	<u>ADJUSTMENT AID</u>

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II –Schedule of Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses and fraud, non-compliance with provisions of laws, regulation, contracts, and grant agreements related to financial statements for which Government Auditing Standards and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey requires.

No Current Year Findings

***Section III –Schedule of Federal and State Award
Findings and Questioned Costs As Prepared By Management***

This section identifies the significant deficiencies, material weaknesses, and material matters of Non-compliance, including questioned costs and significant instances of abuse, related to the audit of major federal and state programs, as required by U.S Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

No Current Year Findings

CURRENT YEAR STATE AWARDS

No Current Year Findings

PACE CHARTER SCHOOL OF HAMILTON
Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared By
Management
For the Fiscal Year Ended June 30, 2021

STATUS OF PRIOR YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

Findings

No Prior Year Findings