

MIDDLESEX COUNTY STEM CHARTER SCHOOL

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

FISCAL YEAR ENDED June 30, 2021

MIDDLESEX COUNTY STEM CHARTER SCHOOL

***Middlesex County Stem Charter School
Board of Trustees
Perth Amboy, NJ***

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

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ
FOR THE FISCAL YEAR ENDED JUNE 30, 2021***

Prepared By

***Middlesex County Stem Charter School
Finance Department***

And

Barre & Company, LLC CPA's

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INTRODUCTORY SECTION

***Middlesex County Stem Charter School
430 Market St
Perth Amboy, NJ 08861
848-242-1818***

February 14, 2022

Honorable President and
Members of the Board of Trustees
Middlesex County Stem Charter School
Middlesex County
Perth Amboy, NJ

Dear Board Members:

The Annual Comprehensive Financial Report of the Middlesex County Stem Charter School (Charter School) for the fiscal year ended June 30, 2021, is hereby submitted. 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 (the "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 basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. 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 five-member Board of Trustees (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 the Charter School funds.

The Chief Education Officer of the Charter School is responsible to the Board for total educational and support operations. The Curriculum Director is responsible to the Chief Education Officer for the educational programs of all campuses. The Business Administrator 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:

Middlesex County Stem Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14, as amended. All funds and account groups of the school are included in this report. Middlesex County Stem Charter School, Board of Trustees, constitutes the Charter School’s reporting entity.

Middlesex County STEM Charter School provided a full range of educational services to students in grades kindergarten through 4th grade for the school year 2020-21. These services included regular, as well as special education instruction. Two hundred fifty-eight elementary school students were enrolled in kindergarten through 4th grade.

The mission of the Middlesex County STEM Charter School is to provide rigorous science, technology, engineering, and math curricula in a diverse and nurturing environment to spark students’ interest at early ages in STEM careers. The vision of Middlesex County STEM Charter School is to prepare students for the 21st century, which demands a more comprehensive skill set to be possessed by each member of our society. Due to constant technological breakthroughs, our students will enter a global market where they will compete with people from all over the world for high-tech jobs that require critical thinking and problem-solving skills. Sparking students’ interest at early ages, Middlesex County STEM Charter School helps students prepare for such a market by exposing them to a comprehensive science, technology, engineering, and math (STEM) program with rigor and relevance. Middlesex County STEM Charter School’s STEM-oriented instructional model promotes collaborative, cross- curricular learning, which stimulates meaningful connections to real life problems, and encompasses hands-on, problem-based, and inquiry-based teaching and learning with increased use of technology. Having been exposed to this approach through the middle school, Middlesex County STEM Charter School graduates will be motivated to pursue STEM education in high school and beyond.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2020-2021	263.2	43.34%
2019-2020	183.5	96.80%

2. **ECONOMIC CONDITION AND OUTLOOK:** Perth Amboy continues to experience a period of development and expansion which 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 Trenton will continue to prosper.

3. **MAJOR INITIATIVES:** The Charter School has developed a comprehensive strategic plan to support its mission and vision and serves as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and non-certified staff; and the implementation of a technology plan in all classrooms.

4. **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; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control 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 internal controls, 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.

5. **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 reservations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assignments of fund balance at June 30, 2021.

6. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Basic Financial Statement” Note 3. 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.

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

8. **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 requirements set forth in State statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

9. **ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, anti-bullying specialists, anti-bullying coordinators, administrative staff and board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2020-2021, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

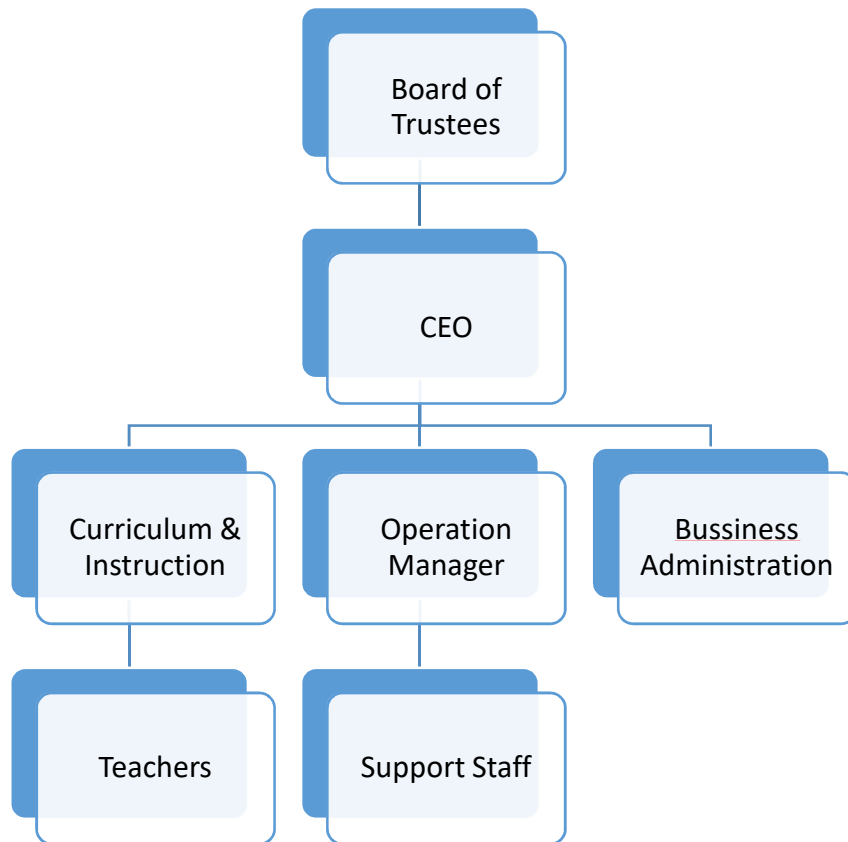
10. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Middlesex County Stem Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the 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 staff.

Respectfully submitted,



Fatih Kayalar
Business Administrator

MIDDLESEX COUNTY STEM CHARTER SCHOOL ORGANIZATIONAL CHART



**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

**ROSTER OF OFFICIALS
JUNE 30, 2021**

MEMBERS OF THE BOARD OF TRUSTEES

Names	Position
Mrs. Jackie Lewis	President
Mr. Anthony Attanasio	Vice President
Mr. John Cascarano	Member
Mr. David Vitali	Member
Mr. Anton Antony Arockiasamy	Member

OTHER OFFICIALS

Dr. Namik Sercan	Chief Education Officer
Mr. Fatih Kayalar	Business Administrator/ Board Secretary
Mr. Christopher Lessard	Treasurer

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Thomas O. Johnston, Esq.
Johnston Law Firm LLC
151 Forest Street, Suite A
Montclair, New Jersey 07042

Official Depository

Unity Bank
120 Cedar Grove Ln
Somerset, New Jersey 08873

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Middlesex County Stem Charter School
Middlesex County
Perth Amboy, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund information of the Middlesex County Stem Charter School (Charter School), in the Middlesex County , 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 in compliance with audit requirements as prescribed by the Office of School of 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, the business-type activities, and each major fund of the Middlesex County Stem Charter School, in the , 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.

Prior Period Restatement

In addition, because of the implementation of GASB Statement No. 84, net position and fund balance as of July 1, 2020 on the statement of activities and statement of revenues, expenditures, and changes in fund balances, have been restated, as discussed in note 1 to the financial statements. 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, budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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, statistical section and schedule of expenditures 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 and the Office of School Finance, Department of Education, State of New Jersey, we have also issued our report dated February 14, 2022 on our consideration of the Middlesex County Stem Charter School'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 controls 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
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 14, 2022

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

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

The discussion and analysis of Middlesex County Stem Charter School'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.

Financial Highlights

Key financial highlights for 2021 are as follows:

- ❖ General revenues accounted for \$3,865,286 or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$183,383 or 5% of total revenues of \$4,048,669.
- ❖ The Charter School had \$2,903,263 in expenses; only \$183,383 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,865,286 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$3,476,086 in revenues and \$2,556,114 in expenditures. The General Fund's fund balance increased \$919,972 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 Middlesex County Stem Charter School 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 Middlesex County Stem Charter School, the General Fund is by far the most significant fund.

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

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

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

Statement of Net Position and the Statement of Activities (Continued)

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 has 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 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 — The School contracts with another Charter School for food services. The enterprise fund presently has no 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 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

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

Enterprise Fund

The enterprise 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 were \$1,532,826 for 2021 and \$382,240 for 2020.

Governmental Activities

The Charter School's total revenues were \$4,048,669 for 2021 and \$2,815,221 for 2020, this includes \$74,396 for 2021 and \$52,754 for 2020 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$3,128,697 for 2021 and \$2,378,234 for 2020. Instruction comprises 44% for 2021 and 51% for 2020 of Charter School expenses.

Business-Type Activities

In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School ("Central Jersey"), where the Central Jersey provides certain support and administrative staff to Middlesex. Central Jersey bills Middlesex for these services based on the terms of their agreement.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

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

Governmental Activities

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.

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 is capitalized when such equipment is over the \$2,000 threshold.

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 \$4,048,669 for 2021 and \$2,815,221 for 2020 and expenditures were \$3,128,697 for 2021 and \$2,369,263 for 2020. The net change in fund balance was most significant in the general fund, an increase of \$919,972 in 2021 and an increase of \$445,958 in 2020.

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

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2019	Percent of Increase/ (Decrease)
Local Sources	\$ 514,128	18.26%	\$ 306,103	147.15%
State Sources	1,922,989	68.31%	975,603	102.98%
Federal Sources	378,104	13.43%	331,057	703.67%
Total	\$ 2,815,221	100.00%	\$ 1,612,763	

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

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

The Charter School's Funds (Continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2021, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Instruction	\$ 1,233,448	39.42%	\$ 167,746	15.74%
Administration	730,586	23.35%	200,278	37.77%
Support Services	873,629	27.92%	100,376	12.98%
Capital Outlay	291,034	9.31%	291,034	0.00%
Total	\$ 3,128,697	100.00%	\$ 759,434	

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 in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Capital Assets (Net of Depreciation) and Debt Administration

The Charter School had \$252,454 for 2021 and \$26,915 for 2020 invested in a newly purchased building, building improvements, and equipment. As of June 30, 2021 there was no debt.

For the Future

The Middlesex County Stem Charter School is in stable 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.

In conclusion, Middlesex County Stem Charter School has committed itself to financial stability 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
PERTH AMBOY, NJ**

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

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. Fatih Kayalar, Business Administrator at Middlesex County Stem Charter School, 430 Market St, Perth Amboy, NJ 08861.

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. 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.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,058,373	\$ 843	\$ 1,059,216
Internal Balances	100	(100)	-
Receivables	913,659	-	913,659
Prepaid Expenses	16,150	-	16,150
Capital Assets, Net	252,454	-	252,454
Total Assets	2,240,736	743	2,241,479
LIABILITIES:			
Payable to Federal Government	7,417	-	7,417
Accounts Payable	307,477	50,989	358,466
Loans Payable	208,486	-	208,486
Unearned Revenue	134,284	-	134,284
Total Liabilities	657,664	50,989	708,653
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	267,323	-	267,323
Restricted for:			
Student Activity	137	-	137
Net Investment in Capital Assets Unrestricted	1,315,612	(50,246)	1,265,366
Total Net Position (Deficit)	\$ 1,583,072	\$ (50,246)	\$ 1,532,826

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL

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	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 1,233,448	\$ 152,562	\$ -	\$ 108,987	\$ -	\$ (1,277,023)	\$ -	\$ (1,277,023)
Administration	498,576	6,590		74,396		(430,770)		(430,770)
Support Services	873,629	72,858				(946,487)		(946,487)
Unallocated Depreciation	65,495					(65,495)		(65,495)
Total Governmental Activities	2,671,148	232,010	-	183,383	-	(2,719,775)	-	(2,719,775)
Total Primary Government	<u>\$ 2,671,253</u>		<u>\$ -</u>	<u>\$ 183,383</u>	<u>\$ -</u>	<u>\$ (2,719,775)</u>	<u>\$ (105)</u>	<u>\$ (2,719,880)</u>
GENERAL REVENUES								
Federal and State Aid Not Restricted						\$ 3,865,286		\$ 3,865,286
Total General Revenues						3,865,286	-	3,865,286
Change in Net Position						1,145,511	(105)	1,145,406
Net Position - Beginning						432,381	(50,141)	382,240
Prior Period Adjustments						5,180		5,180
Net Position, July 1 (Restated)						437,561	(50,141)	387,420
Net Position - Ending						<u>\$ 1,583,072</u>	<u>\$ (50,246)</u>	<u>\$ 1,532,826</u>

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2021

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,055,414	\$ 2,959	\$ 1,058,373
Receivables:			
Interfund Receivables	340,985		340,985
Receivables From Other Governments	3,041	543,235	546,276
Receivables, Net	367,383		367,383
Other Assets	16,150	-	16,150
	1,782,973	546,194	2,329,167
Total Current Assets			
	\$ 1,782,973	\$ 546,194	\$ 2,329,167
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 340,885	\$ 340,885
Payable to Other Districts	7,417		7,417
Accounts Payable	191,593	70,888	262,481
Unearned Revenue		134,284	134,284
Unemployment Trust Liability	44,996		44,996
Loans Payable	208,486	-	208,486
	452,492	546,057	998,549
Total Current Liabilities			
	452,492	546,057	998,549
Fund Balances:			
Restricted For:			
Student Activities		137	137
Unassigned:			
General Fund	1,366,981		1,366,981
Unemployment Compensation	(36,500)		(36,500)
	1,330,481	137	1,330,618
Total Fund Balances			
Total Liabilities and Fund Balances	\$ 1,782,973	\$ 546,194	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$335,891 and the accumulated depreciation is \$83,437.

	252,454
Net Position of Governmental Activities	\$ 1,583,072

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 709,530	\$ -	\$ 709,530
Total Local Sources	709,530		709,530
State Sources	2,766,556		2,766,556
Federal Sources		572,583	572,583
Total Revenues	<u>3,476,086</u>	<u>572,583</u>	<u>4,048,669</u>
EXPENDITURES:			
Current:			
Instruction	906,871	326,577	1,233,448
Administration	730,586		730,586
Support Services	741,844	131,785	873,629
Capital Outlay	176,813	114,221	291,034
Total Expenditures	<u>2,556,114</u>	<u>572,583</u>	<u>3,128,697</u>
NET CHANGE IN FUND BALANCES	<u>919,972</u>	<u>-</u>	<u>919,972</u>
FUND BALANCES, JULY 1	405,466		405,466
PRIOR PERIOD ADJUSTMENTS	5,043	137	5,180
RESTATED FUND BALANCES, JULY 1	<u>410,509</u>	<u>137</u>	<u>410,646</u>
FUND BALANCES, JUNE 30	<u>\$ 1,330,481</u>	<u>\$ 137</u>	<u>\$ 1,330,618</u>

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 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)		\$ 919,972
Amounts reported for governmental activities in the statement of activities (A-2) which are different:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (65,495)	
Capital Outlay	<u>291,034.00</u>	<u>225,539</u>
Change in net position of governmental activities		<u><u>\$ 1,145,511</u></u>

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

PROPRIETARY FUNDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Proprietary Fund
 Statement of Fund Net Position
 June 30, 2021

	Business-Type Activities		
	Food Service	After Care	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 843	\$ -	\$ 843
Total Current Assets	<u>843</u>	<u>-</u>	<u>843</u>
Total Assets	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 843</u>
LIABILITIES AND NET POSITION			
Liabilities:			
Current Liabilities:			
Interfund Accounts Payable	\$ 100	\$ -	\$ 100
Accounts Payable	<u>42,274</u>	<u>8,715</u>	<u>50,989</u>
Total Current Liabilities	<u>42,374</u>	<u>8,715</u>	<u>51,089</u>
Total Liabilities	<u>42,374</u>	<u>8,715</u>	<u>51,089</u>
Net Position:			
Unrestricted (Deficit)	<u>\$ (41,531)</u>	<u>\$ (8,715)</u>	<u>\$ (50,246)</u>
Total Net Position (Deficit)	<u>(41,531)</u>	<u>(8,715)</u>	<u>(50,246)</u>
Total Liabilities and Net Position	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 843</u>

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Fiscal Year Ended June 30, 2021

	Business-Type Activities			Total Enterprise
	Food Service Program		After Care	
	Food Service	Fixed Contract Price		
OPERATING EXPENSES:				
Miscellaneous Expenses	\$ 105	\$ -		\$ 105
Total Operating Expenses	105	-	-	105
OPERATING (LOSS)	(105)	-	-	(105)
CHANGE IN NET POSITION	(105)	-	-	(105)
TOTAL NET POSITION (DEFICIT), JULY 1	(41,426)	-	(8,715)	(50,141)
TOTAL NET POSITION (DEFICIT), JUNE 30	\$ (41,531)	\$ -	\$ (8,715)	\$ (50,246)

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Proprietary Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

	Business-Type Activities		
	Food Service	After Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ -	\$ -	\$ -
Cash Payments to Suppliers and Employees	(105)	-	(105)
Net Cash Used In Operating Activities	(105)	-	(105)
Net Increase In Cash And Cash Equivalents	(105)	-	(105)
Cash And Cash Equivalents, Beginning Of Year	948	-	948
Cash And Cash Equivalents, End Of Year	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 843</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating (Loss) Used for Operating Activities	\$ (105)	\$ -	\$ (105)
Net Cash Used In Operating Activities	<u>\$ (105)</u>	<u>\$ -</u>	<u>\$ (105)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Middlesex County Stem Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

B. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14, as amended of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, as amended, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which it exercises operating control.

C. Basic Financial Statements – Government-Wide 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 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities 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. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

Program revenues include (a) 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, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Charter School.

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

General Fund – The general fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

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, charter school taxes 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 – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Proprietary Fund Type - In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School (“Central Jersey”), where the Central Jersey provides certain support and administrative staff to Middlesex for food services. Central Jersey bills Middlesex for these services based on the terms of their agreement.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School ("Central Jersey"), where the Central Jersey provides certain support and administrative staff to Middlesex. Central Jersey bills Middlesex for these services based on the terms of their agreement. The proprietary fund is therefore inactive except for an outstanding payable.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

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 fiscal year 2020-2021. 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). Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity are more appropriately reported in a special revenue fund (Fund 20).

E. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

F. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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.

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:

	2021	2020
Total Revenues & Expenditures (Budgetary Basis)	\$ 595,369	\$ 378,104
Adjustments:		
Less Encumbrances at June 30, 2021	(22,786)	-
Plus Encumbrances at June 30, 2020	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 572,583	\$ 378,104

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey charter schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey charter schools.

Additionally, the Charter School had adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. The Charter School has included all infrastructure assets in the current fiscal year.

5. Fund Equity

Restricted represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Assigned fund balances represent plans for future use of financial resources.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Unearned Revenue:

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

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

8. Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2021. The Charter School had prepaid expenses for the fiscal year ended June 30, 2021 of \$ 16,150 .

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (non-allocation method). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

9. 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.

10. 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 is 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

Revenues — Exchange and Non-exchange Transactions (continued):

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

11. 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.

12. 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.

13. 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.

14. 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

15. 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.

16. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

H. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, and the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

I. Impact of Recently Issued Accounting Principles

During fiscal years 2021 through 2022, the Charter School has adopted the following GASB statements.

The GASB has adopted the following as of June 30, 2021

GASB No. 84, *Fiduciary Activities*, was effective for 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.

J. Impact of Recently Issued Accounting Principles

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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund. N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act.

Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of June 30, 2021, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Total
Operating Account	\$ 1,055,414	\$ 2,959	\$ 843	\$ 1,059,216

The Charter School had no investments at June 30, 2021.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Deposits and Investments (continued)

Deposits (continued)

The carrying amount of the Board's cash and cash equivalents at June 30, 2021 was \$1,059,216 and the bank balance was \$1,292,284 . All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2021, none of the cash and cash equivalents for Middlesex County Stem Charter School were exposed to custodial credit risk.

The Charter School does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA.

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Deposits and Investments (Continued)

Investments (continued)

- (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2021.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2021.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2021.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Investments (Continued)

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		Total	
	General	Special	Governmental	
	Fund	Revenue Fund	Activities	Total
State Awards	\$ 370,424	\$ -	\$ 370,424	\$370,424
Federal Awards	-	543,235	543,235	543,235
Other	-	-	-	-
Gross Receivables	370,424	543,235	913,659	913,659
Less: Allowance for Uncollectibles	-	-	-	-
Total Receivables, Net	\$ 370,424	\$ 543,235	\$ 913,659	\$913,659

A. Interfund Receivables and Payables

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	\$ 340,985	\$ -
Special Revenue Fund		340,885
Proprietary Fund		100
Fiduciary Fund		
Total	\$ 340,985	\$ 340,985

Interfund balances are expected to be liquidated by the end of June 30, 2022.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

B. Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	\$ -	\$ -	\$ -	\$ -
Building and Building Improvements	-	12,622	-	12,622
Machinery and Equipment	44,857	278,412	-	323,269
Totals at Historical Cost	<u>44,857</u>	<u>291,034</u>	<u>-</u>	<u>335,891</u>
Less Accumulated Depreciation For:				
Site Improvements	-	-	-	-
Building and Building Improvements	-	841	-	841
Machinery and Equipment	17,942	64,654	-	82,596
Total Accumulated Depreciation	<u>17,942</u>	<u>65,495</u>	<u>-</u>	<u>83,437</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>26,915</u>	<u>225,539</u>	<u>-</u>	<u>252,454</u>
Government Activity Capital Assets, Net	<u>\$ 26,915</u>	<u>\$ 225,539</u>	<u>\$ -</u>	<u>\$ 252,454</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Unallocated	<u>65,495</u>
Total	<u>\$ 65,495</u>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Rental Lease

On March 8, 2018, the lease between Sunbeam MH, LLC and Middlesex County Stem Charter School was executed for two years commencing on August 1, 2018 and ending on July 30, 2020. The lease was subsequently extended for one year. On October 15, 2020, the lease between Good Shepherd Parish and Middlesex County Stem Charter School for a school building facility located at 613 Carlock Ave in Perth Amboy, New Jersey was executed for four years commencing on July 1, 2021 and ending on June 30, 2025. The lease requires future annual rental payments as follows:

Year ending June 30,		
	2022	\$ 418,140
	2023	430,684
	2024	443,605
	2025	456,913
		<u>\$ 1,749,342</u>

Rent expense for the year ended June 30, 2021 is \$417,511.

NOTE 3: PENSION PLANS

Substantially all the Board's employees participate in one of the two contributory, 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 additional information about the PERS, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS

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.

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. The Charter School has not yet been allocated a pension liability or pension costs therefore there are no schedules presented.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE .3: PENSION PLANS (CONTINUED)

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 ratios 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. Contributions from employers are recognized when due, based on statutory requirements. For the measurement period ending June 30, 2020 there was not allocation percentage assigned to the Charter School.

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 date 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,. For the measurement period ending June 30, 2020there was not allocation percentage assigned to the Charter School.

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 date, the State's pension contribution was less than the actuarial determined amount.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

Contributions (continued)

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. There were no Charter School contributions to PERS for fiscal year 2021.

At June 30, 2021, the Charter School did not report a liability for its proportionate share of the net pension liability.

For the fiscal year ended June 30, 2021, the Charter School recognized no pension expense. At June 30, 2021, the Charter School reported no deferred outflows of resources and no deferred related to pensions.

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 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively

Actuarial Assumptions

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% 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 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (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, 2014 to June 30, 2018.

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

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, 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	
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market 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%

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The Charter School has not yet been assigned a proportionate share of the collective net pension liability as of the June 30, 2020 measurement date.

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/annrpts.shtml.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

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 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 nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2020 measurement date.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

Allocation Methodology (Continued)

Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contributions policy for TPAF is set by N.J.S.A. 18A:66 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 contribution 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 date, the State's pension contribution was less than the actuarial determined amount.

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 nonemployer 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 nonemployer contribution 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 years ended 2021, the State of New Jersey did not make a contribution to the TPAF for normal pension benefits on behalf of the Charter School.

As June 30, 2021, the State's proportionate share of the net pension liability associated with the Charter School was \$0.

For the measurement period June 30, 2020, the State recognized no pension expense on behalf of the Charter School and the Charter School recognized no pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

Special Funding Situation (continued)

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	-
	<u>\$ 9,626,548,228</u>	<u>\$ 14,591,988,841</u>

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.

Fiscal Year 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>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 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%
Wages		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-2020.

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, 2015 to June 30, 2018.

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, 2020) 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (continued)

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	Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market 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 5.40% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% 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 based on 78% of the actuarially determined contributions for the State. 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: PENSION PLANS (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. 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 for the fiscal year ended June 30, 2021. There were no employee contributions to DCRP for the fiscal year ended June 30, 2021.

NOTE 4: 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2020 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.

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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

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 June 30, 2020 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

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:

The school has not yet been allocated a portion of the liability.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The school has not yet been allocated a portion of the liability. If it were allocated a proportion then the following presents the total nonemployer OPEB liability as of June 30, 2020 calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer 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.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

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 no OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits.

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 June 30, 2020 the charter school had no deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources. There were no amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB that will be recognized in OPEB expense.

NOTE 5: 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.

The Charter School has insurance through Diploma Joint Insurance Funds.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 6: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2021, the Charter School recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$0 , \$74,396 , \$0 , and \$0 , respectively.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter School expects such amount, if any, to be immaterial.

NOTE 8: CONCENTRATIONS

The Charter School depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Charter School is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations

NOTE 9: NOTES PAYABLE

On June 15, 2020 the Charter School (the "Borrower"), was granted a loan (the "Loan") from Unity Bank. in the aggregate amount of \$208,486 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On August 10, 2021 the loan was forgiven in full.

NOTE 10: RELATED PARTY TRANSACTIONS

In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School ("Central Jersey"), where the Central Jersey provides certain support and administrative staff to Middlesex. Central Jersey bills Middlesex for these services based on the terms of their agreement. As of June 30, 2021 Middlesex had a payable balance of \$42,274 representing unpaid balances from fiscal years 2019 and 2020. The June 30, 2019 balance was paid in October, 2020.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: RELATED PARTY TRANSACTIONS (CONTINUED)

In 2019, Central Jersey entered into a food service agreement with Middlesex where Central Jersey would provide food services to Middlesex during the 2020 school year. The agreement is in accordance with Department of Agriculture guidelines. There are no charges for this service per the agreement.

There are members of Central Jersey's Board of Trustees that also serve on the Middlesex Board of Trustees and the same school business administrator is used for both charter schools.

NOTE 11: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

The General Fund balance (deficit) at June 30, 2021 is \$1,330,481 of which \$1,366,981 and is unassigned and \$ (36,500) represents a unassigned fund deficit.

NOTE 12: RESTATEMENT OF FIDUCIARY ACTIVITIES

The charter school previously reported the activity of the Payroll, Payroll Agency, and Unemployment Compensation Insurance (Fund 60) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activities have been more appropriately reported in a general fund (Fund 10). Accordingly, the general fund reports a restated beginning balance as follows:

	NET POSITION	PRIOR PERIOD	RESTATED
	JULY 1, 2020 BALANCE	ADJUSTMENT	JULY 1, 2020 BALANCE
GOVERNMENTAL FUNDS-GENERAL FUND	\$ 405,466	\$ 5,043	\$ 410,509

which is equal to the restatement of net current assets and current liabilities previously reported in the agency fund. All remaining assets and liabilities, if any, previously reported in the agency fund are not recognized at the fund level under the modified accrual basis of accounting, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2020.

Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity have been more appropriately reported in a special revenue fund (Fund 20). Accordingly, the newly established special revenue fund reports a restated beginning balance as follows:

	NET POSITION	PRIOR PERIOD	RESTATED
	JULY 1, 2020 BALANCE	ADJUSTMENT	JULY 1, 2020 BALANCE
GOVERNMENTAL FUNDS-SPECIAL REVENUE FUND	\$ -	\$ 137	\$ 137

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 14, 2022, the date the financial statements were available to be issued. There were no subsequent events to report.

NOTE 14: 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 Charter School’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 SCHEDULE

MIDDLESEX COUNTY STEM CHARTER SCHOOL

General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	2021				
	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
Equalization Aid Local Share-Charter School Aid	\$ 628,034	\$ 81,820	\$ 709,854	\$ 709,530	\$ (324)
Total Local Levy Budget	628,034	81,820	709,854	709,530	(324)
Categorical Aid:					
Equalization Aid State Share-Charter School Aid	2,563,087	(63,048)	2,500,039	2,485,634	(14,405)
Special Education Categorical Aid	129,284	(18,677)	110,607	108,987	(1,620)
Security Aid			-	97,539	97,539
Total Categorical Aid	2,692,371	(81,725)	2,610,646	2,692,160	81,514
Revenues From Other Sources:					
Miscellaneous Revenue					-
Reimbursed TPAF Social Security Contributions				74,396	74,396
On-Behalf TPAF(Non-Budget)					
Post Retirement Medical Aid Contributions					
Non Contributory Insurance Contributions					
Pension Aid Contributions				-	-
Total Revenues From Other Sources	-	-	-	74,396	74,396
Total Revenues	3,320,405	95	3,320,500	3,476,086	155,586
EXPENDITURES:					
Instruction:					
Salaries of Teachers	328,255	(94,794)	233,461	207,173	26,288
Salaries of Teachers: Grades 1-5	563,156	56,381	619,537	619,537	-
Other Salaries for Instruction	287,340	(203,995)	83,345	49,361	33,984
Purchased Prof/Tech Services	24,079	(11,578)	12,501	3,649	8,852
Other Purchased Services	13,490	17,852	31,342	15,576	15,766
General Supplies	46,086	(30,374)	15,712	9,264	6,448
Textbooks	15,710	(6,850)	8,860	61	8,799
Miscellaneous	1,200	1,134	2,334	2,250	84
Total Instruction	1,279,316	(272,224)	1,007,092	906,871	100,221
Administration:					
Salaries - General Administration	260,748	(54,895)	205,853	196,777	9,076
Salaries of Secretarial/Clerical Assistants	53,542	888	54,430	54,430	
Total Benefits Cost	616,363	(258,671)	357,692	273,576	84,116
Purchases Prof/Tech Services	52,050	1,523	53,573	52,612	961
Other Purchased Services	18,640	13,802	32,442	32,372	70
Supplies and Materials	12,100	2,547	14,647	14,442	205
Miscellaneous Expenses	14,354	17,627	31,981	31,981	
Total Administration	1,027,797	(277,179)	750,618	656,190	94,428

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL

General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	2021				
	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 188,408	\$ (20,488)	\$ 167,920	\$ 151,523	\$ 16,397
Salaries- Improvement of Services	53,079	2,129	55,208	51,706	3,502
Purchased Prof/Tech Services	30,300	10,575	40,875	28,920	11,955
Maintenance Services	17,940	4,000	21,940	20,886	1,054
Rental of Land and Buildings	499,300	(22,140)	477,160	440,558	36,602
Transportation-Other Than To/From School	3,500	(3,500)	-	-	-
Insurance for Property, Liability and Fidelity	22,915	(3,366)	19,549	16,988	2,561
Supplies and Materials	8,250	9,311	17,561	15,270	2,291
Energy Costs (Heat and Electricity)	23,200	(8,400)	14,800	13,561	1,239
Miscellaneous Expenses	-	2,670	2,670	2,432	238
Total Support Services	846,892	(29,209)	817,683	741,844	75,839
Capital Outlay:					
Instructional Equipment		36,153	36,153	17,567	18,586
Non-Instructional Equipment		146,624	146,624	146,624	-
Miscellaneous Expenses	-	12,622	12,622	12,622	-
Total Capital Outlay	-	195,399	195,399	176,813	18,586
Reimbursed TPAF Social Security Payments On-Behalf TPAF (Non-Budgeted)				74,396	(74,396)
Post Retirement Medical Contributions				-	-
Non Contributory Insurance Contributions				-	-
Pension Contributions				-	-
Total Expenditures	3,154,005	(383,213)	2,770,792	2,556,114	214,678
Excess (Deficiency) of Revenues Over (Under) Expenditures	166,400	383,308	549,708	919,972	370,264
FUND BALANCE, JULY 1	405,464	-	405,464	405,466	2
PRIOR PERIOD ADJUSTMENT				5,043	5,043
FUND BALANCE, JULY 1- RESTATED	405,464	-	405,464	410,509	5,045
FUND BALANCE, JUNE 30	\$ 571,864	\$ 383,308	\$ 955,172	\$ 1,330,481	\$ 375,309
FUND BALANCE, JUNE 30	\$ 571,864	\$ 383,308	\$ 955,172	\$ 1,330,481	\$ 375,309
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 571,864	\$ 383,308	\$ 955,172	\$ 1,330,481	\$ 375,309
Budgeted Fund Balance	\$ 571,864	\$ 383,308	\$ 955,172	\$ 1,330,481	\$ 375,309
Total	\$ 571,864	\$ 383,308	\$ 955,172	\$ 1,330,481	\$ 375,309

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
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:					
Intermediate					
Federal	\$ 885,215	\$ -	\$ 885,215	\$ 572,583	\$ (312,632)
Total Revenues	885,215	-	885,215	572,583	(312,632)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	194,964		194,964	56,964	138,000
Purchased Prof/Tech Services	28,267		28,267	21,272	6,995
Other Purchased Services	23,028		23,028	18,160	4,868
General Supplies	212,924		212,924	212,924	
Textbooks	32,257		32,257	17,257	15,000
Other Objects	1,800		1,800		1,800
Total Instruction	493,240	-	493,240	326,577	166,663
Support Services:					
Salaries of Supervisors of Instruction	18,928		18,928		18,928
Personal Services - Employee Benefits	30,357		30,357		30,357
Purchased Prof/Ed Services	94,734		94,734	69,439	25,295
Travel	6,700		6,700	775	5,925
Other Purchased Services	13,501		13,501	10,500	3,001
Supplies and Materials	60,643		60,643	51,071	9,572
Miscellaneous Expenditures	14,113		14,113		14,113
Total Support Services	238,976	-	238,976	131,785	107,191
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment	153,000		153,000	114,221	38,779
Total Facilities Acquisition and Construction Services	153,000	-	153,000	114,221	38,779
Total Expenditures	885,216	-	885,216	572,583	312,633
Total Outflows	885,216	-	885,216	572,583	312,633
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1)	\$ -	\$ (1)	\$ -	\$ 1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 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] \$ 3,476,086	[C-2] \$ 572,583
 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] \$ <u>3,476,086</u>	[B-2] \$ <u>572,583</u>
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 2,556,114	[C-2] \$ 572,583
 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] \$ <u>2,556,114</u>	[B-2] \$ <u>572,583</u>

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 expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Middlesex County Stem Charter School
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2021

	Title I Carryover	Title II Part A	Title IV	Charter Planning Grant	IDEA Part B	Idea Basic Part B Carryover	CARES Emergency Relief	Corona Relief Fund	Elementary and Secondary School Emergency Relief Fund	Total
Revenues:										
Federal Sources	\$ 68,191	\$ 2,743	\$ 10,000	\$ 265,046	\$ 36,508	\$ 473	\$ 50,689	\$ 19,198	\$ 117,221	\$ 572,583
Total Revenues	\$ 68,191	\$ 2,743	\$ 10,000	\$ 265,046	\$ 36,508	\$ 473	\$ 50,689	\$ 19,198	\$ 117,221	\$ 572,583
Expenditures:										
Instruction:										
Salaries of Teachers	\$ 50,000	\$ -	\$ -	\$ -	\$ 6,964	\$ -	\$ -	\$ -	\$ -	\$ 56,964
Purchased Prof/Tech Services	1,602	-	-	19,670	-	-	-	-	-	21,272
Other Purchased Services	-	-	-	18,160	-	-	-	-	-	18,160
General Supplies	16,589	2,743	10,000	124,964	6,060	473	1,000	8,000	3,000	169,283
Textbooks	-	-	-	54,838	-	-	-	-	-	60,898
Total Instruction	68,191	2,743	10,000	217,632	13,024	473	1,000	8,000	3,000	326,577
Support Services:										
Purchased Prof/Ed Services	-	-	-	15,205	23,484	-	30,750	-	-	69,439
Other Purchased Professional Services	-	-	-	-	-	-	1,500	-	-	1,500
Tuition and Travel	-	-	-	775	-	-	-	-	-	775
Other Purchased Services	-	-	-	9,000	-	-	-	-	-	9,000
Supplies and Materials	-	-	-	22,434	-	-	17,439	11,198	-	51,071
Total Support Services	-	-	-	47,414	23,484	-	49,689	11,198	-	131,785
Facilities Acquisition and Construction Services:										
Noninstructional Equipment	-	-	-	-	-	-	-	-	114,221	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-	-	-	114,221	-
Total Expenditures	68,191	2,743	10,000	265,046	36,508	473	50,689	19,198	117,221	458,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,221

**SECTION G – PROPRIETARY FUNDS
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 in all schools within the Charter School.

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

***SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT
(NOT APPLICABLE)***

**STATISTICAL SECTION
(UNAUDITED)**

Middlesex County Stem Charter School has been in operation for three (3) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for three (3) years is available and has been 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 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 School provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report s (ACFR) for the relevant year.*

FINANCIAL TRENDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Net Position by Component
Last 3 Fiscal Years
(accrual basis of accounting)
Unaudited

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Governmental Activities			
Net Investment in Capital Assets	\$ 267,323	\$ 26,915	\$ 35,886
Unrestricted (Deficit)	<u>1,315,749</u>	<u>405,466</u>	<u>(40,492)</u>
Total Governmental Activities Net Assets/ Position	<u>\$ 1,583,072</u>	<u>\$ 432,381</u>	<u>\$ (4,606)</u>
Business-Type Activities			
Unrestricted (Deficit)	<u>\$ (50,246)</u>	<u>\$ (50,141)</u>	<u>\$ (50,185)</u>
Total Business-Type Activities Net Assets/Position	<u>\$ (50,246)</u>	<u>\$ (50,141)</u>	<u>\$ (50,185)</u>
Charter School-Wide			
Net Investment in Capital Assets	\$ 267,323	\$ 26,915	\$ 35,886
Unrestricted	<u>1,265,503</u>	<u>355,325</u>	<u>(90,677)</u>
Total Charter School Net Position	<u>\$ 1,532,826</u>	<u>\$ 382,240</u>	<u>\$ (54,791)</u>

Source: Annual Comprehensive Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Changes in Net Position
 Last 3 Fiscal Years
(accrual basis of accounting)
 Unaudited

	2021	2020	2019
Expenses			
Governmental Activities:			
Instruction	\$ 1,386,010	\$ 1,224,695	498,965.00
Administration	505,166	294,068	335,255.00
Support Services	946,487	850,500	363,873.00
Unallocated	65,495	8,971	8,971.00
Total Governmental Activities Expenses	<u>2,903,158</u>	<u>2,378,234</u>	<u>1,207,064.00</u>
Business-Type Activities:			
Food Service	105	-	50,989
Total Business-Type Activities Expenses	<u>105</u>	<u>-</u>	<u>50,989</u>
Total Charter School Expenses	<u>\$ 2,903,263</u>	<u>\$ 2,378,234</u>	<u>\$ 1,258,053</u>
Program Revenues			
Governmental Activities:			
Operating Grants and Contributions	\$ 183,383	\$ 125,052	\$ 8,282
Total Governmental Activities Expenses	<u>183,383</u>	<u>125,052</u>	<u>8,282</u>
Business-Type Activities:			
Charges for Services	-	-	804
Capital Grants and Contributions	-	44	-
Total Business-Type Activities Expenses	<u>-</u>	<u>44</u>	<u>804</u>
Total Charter School Program Revenue	<u>\$ 183,383</u>	<u>\$ 125,096</u>	<u>\$ 9,086</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (2,719,775)	\$ (2,253,182)	\$ (1,198,782)
Business-Type Activities	(105)	44	(50,185)
Total Charter School Net Expense	<u>\$ (2,719,880)</u>	<u>\$ (2,253,138)</u>	<u>\$ (1,248,967)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Federal and State Aid Not Restricted	\$ 3,865,286	\$ 2,655,185	1,183,630
Miscellaneous Income	-	34,984	10,546
Total Governmental Activities	<u>3,865,286</u>	<u>2,690,169</u>	<u>1,194,176</u>
Total Charter School Wide	<u>\$ 3,865,286</u>	<u>\$ 2,690,169</u>	<u>\$ 1,194,176</u>
Change in Net Position			
Governmental Activities	\$ 1,145,511	\$ 436,987	\$ (4,606)
Business-Type Activities	(105)	44	(50,185)
Total Charter School	<u>\$ 1,145,406</u>	<u>\$ 437,031</u>	<u>\$ (54,791)</u>

Source: Annual Comprehensive Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last 3 Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	2021	2020	2019
General Fund Unassigned	\$ 1,330,481	405,466	(40,492)
Total General Fund	\$ 1,330,481	\$ 405,466	\$ (40,492)
All Other Governmental Funds Restricted	\$ 137	\$ -	\$ -
Total All Other Governmental Funds	\$ 137	\$ -	\$ -

Source: Annual Comprehensive Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last 3 Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Local Sources:	\$ 709,530	\$ 514,128	208,025
State Sources	2,766,556	1,922,989	947,386
Federal Sources	572,583	378,104	47,047
Total Revenues	<u>4,048,669</u>	<u>2,815,221</u>	<u>1,202,458</u>
Expenditures:			
Instruction	1,233,448	1,065,702	498,965
Administration	730,586	530,308	335,255
Support Services	873,629	773,253	363,873
Capital Outlay	291,034	-	44,857
Total Expenditures	<u>3,128,697</u>	<u>2,369,263</u>	<u>1,242,950</u>
Net Change in Fund Balance	<u>\$ 919,972</u>	<u>\$ 445,958</u>	<u>\$ (40,492)</u>

Source: Annual Comprehensive Financial Report

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last 3 Fiscal Years
(modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2021	\$ -	\$ -	\$ -
2020		34,984	34,984
2019		10,546	10,546

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Demographic and Economic Statistics
 Last 3 Fiscal Year

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2021	N/A	N/A	N/A	N/A
2020	N/A	N/A	N/A	N/A
2019	84,034	N/A	N/A	9.1%

Source: Charter School's Records

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Principal Employers
 This Year and One Year Ago
 (Unaudited)

Employer	2021			Employer	2020		
	Employees	Rank	Percentage of Total Employment		Employees	Rank	Percentage of Total Employment
State of New Jersey	N/A		N/A	State of New Jersey	N/A		N/A
Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A	Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A
Trenton School System	N/A		N/A	Trenton School System	N/A		N/A
City of Trenton	N/A		N/A	City of Trenton	N/A		N/A
County of Mercer	N/A		N/A	County of Mercer	N/A		N/A
St. Francis Medical Center	N/A		N/A	St. Francis Medical Center	N/A		N/A
The Trenton Times	N/A		N/A	The Trenton Times	N/A		N/A
The Hibbert Company	N/A		N/A	The Hibbert Company	N/A		N/A
Mercer Street Friends Center	N/A		N/A	Mercer Street Friends Center	N/A		N/A
Water's Edge Convalescent Center	N/A		N/A	Water's Edge Convalescent Center	N/A		N/A

OPERATING INFORMATION

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last 3 Fiscal Years

Function	2021	2020	2019
Instruction	23	19	13
Administrative	3	3	1
Support Services	6	6	3
Food Service	-	-	-
Total	<u>32.00</u>	<u>28.00</u>	<u>17.0</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Operating Statistics
Last 3 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
2021	263	\$ 2,379,301	\$ 9,047	-16.85%	23	11:1	263.2	251.5	43.34%
2020	183	1,991,159	10,881	-12.09%	19	11:1	183.5	176.0	96.80%
2019	93	1,151,046	12,377	0.00%	13	11:1	93.0	88.9	93.00%

MIDDLESEX COUNTY STEM CHARTER SCHOOLSchool Building Information
Last 3 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Charter School Building</u>			
<u>Primary/Intermediate/Middle</u>			
Middlesex County Stem Charter School			
Square Feet	14,500	10,240	8,200
Capacity (students)	270	196	93
Total Enrollment	263	183	93

Source: Charter School Facilities Office

MIDDLESEX COUNTY STEM CHARTER SCHOOL

Insurance Schedule
June 30, 2021

	Coverage	Deductible/Retention
School Package Policy-DIPLOMA JOINT INSURANCE FUND		
Property- Blanket Building & Contents	\$ 500,000.00	\$ 5,000.00
Flood	\$ 10,000,000.00	\$ 5,000.00
Boiler & Machinery	\$ 100,000,000.00	\$ 5,000.00
Blanket Dishonest Bond	\$ 500,000.00	\$ 5,000.00
Comprehensive General Liability		
Per Occurrence	\$ 5,000,000.00	None
Aggregate	\$ 5,000,000.00	None
Comprehensive Automobile Liability		
Auto Physical Damage	Actual Cash Value	\$ 1,000.00
Cyber Liability	\$ 2,000,000.00	\$ 10,000.00
Commercial Environmental Impairment Liability- DIPLOMA JOINT INSURANCE FUND		
Each Incident	\$ 1,000,000.00	\$ 10,000.00
Pool Aggregate	\$ 25,000,000.00	
School Leaders Professional Liability-DIPLOMA JOINT INSURANCE FUND		
Each Loss	\$ 5,000,000.00	\$ 15,000.00
Annual Aggregate	\$ 5,000,000.00	
Excess Liability- DIPLOMA JOINT INSURANCE FUND		
Excess Policy per occ/agg	\$ 15,000,000.00	None
Workers Compensation-DIPLOMA JOINT INSURANCE FUND		
Employers Liability Limit	Statutory \$ 5,000,000.00	None
Public Official Bond- Western Surety (CNA)		
Business Administrator/Board Secretary- Fatih Kalayar	\$ 150,000.00	None

Source: Risk Manager

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 New Jersey Performance Framework Financial Ratios
 Audited Performance Indicators
 Last Three Fiscal Years

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	904.00	372,871	1,059,216	Audit: Exhibit A-1
Current Assets (include cash)	184,919.00	641,406	1,989,025	Audit: Exhibit A-1
Current Liabilities	275,696.00	286,081	708,653	Audit: Exhibit A-1
Total Expenses	1,258,053.00	2,378,234	2,903,263	Audit: Exhibit A-2
Change in Net Position	(54,791.00)	437,031	1,145,406	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	93.00	183.50	263.20	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	93.00	183	265	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	8,971	8,971	65,495	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

	2019	2020	2021	3 YR CUM	Calculation***	Target****
Performance Indicators						
Near Term Indicators						
1a.	N/A	2.24	2.81		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b.	N/A	57	133		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c.	N/A	100%	99%	100%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.**	NO	NO	NO		Auditor	not in default
Sustainability Indicators						
2a***	904.00	371,967	686,345	1,059,216	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b	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 =2020 Cash -2019 Cash; 2019 =2019 Cash -2018 Cash
 **** Refer to NJ Performance Framework



SINGLE AUDIT SECTION

BARRE & COMPANY LLC
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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

The Honorable President and
Members of the Board of Trustees
County of Middlesex
Middlesex County Stem Charter School

Perth Amboy, NJ

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 Middlesex County Stem Charter School (Charter School), in the County of Middlesex, 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 and have issued our report thereon dated February 14, 2022, which contains an emphasis of matter paragraph describing the adoption of a new accounting principle, consistency of financial statements, and prior period adjustment.

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 a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses 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 matters 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 audit requirements as prescribed by 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
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 14, 2022

BARRE & COMPANY LLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY CIRCULAR
15-08 OMB**

The Honorable President and
Members of the Board of Trustees
County of Middlesex
Middlesex County Stem Charter School
Perth Amboy, NJ

Report on Compliance for Each Major State Program

We have audited the Middlesex County Stem Charter School's (Charter School) 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 Charter School'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 statutes, regulations and the terms and conditions of 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; audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey; and New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey Circular 15-08-OMB 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 Middlesex County Stem Charter School, in the County of Middlesex, 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 its major state program for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Middlesex County Stem Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 of that testing based on the requirements of the New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 14, 2022

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Additional Award Identification	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2020	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Pass Through To Recipients	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2021		
														Accounts Receivable	Due to Grantor	
U.S. Department of Education																
Special Revenue Fund:																
No Child Left Behind:																
IDEA - Part B	84.010A	N/A	S0010A210030	NCLB - - 21	\$ 68,101	7/1/20 6/30/21	\$ -	\$ -	\$ (3,514)	\$ (68,101)	-	-	-	\$ -	\$ -	
Title I Part A Carryover	84.010A	N/A		NCLB - - 20	2,514	7/1/19 6/30/20	(25,819)	-	25,819	(2,514)	-	-	-	-	-	
Title I Part A	84.367A	84.367A	S387A210029	NCLB - - 21	2,743	7/1/20 6/30/21	(4,645)	-	4,645	(2,743)	-	-	-	(2,743)	-	
Title I Part A Carryover	84.367	84.367A		NCLB - - 20	4,645	7/1/19 6/30/20	(4,645)	-	4,645	(10,000)	-	-	-	(10,000)	-	
Title IV, Safe & Drug Free	84.186A	84.186A		NCLB - - 21	-	7/1/20 6/30/21	(30,464)	-	27,950	(83,448)	-	-	-	(83,448)	-	
Total No Child Left Behind																
Special Education Cluster (IDEA):																
IDEA - Part B	84.027A	84.027A	H027A210031	IDEA - - 21	36,508	7/1/20 6/30/21	(16,583)	-	16,583	(36,508)	-	-	-	(36,508)	-	
IDEA - Part B Basis Carryover	84.027	84.027A		IDEA - - 20	16,583	7/1/19 6/30/20	(16,583)	-	16,583	(473)	-	-	-	(473)	-	
IDEA - Preschool	84.173	N/A		IDEA - - 21	-	9/1/20 8/31/21	(16,583)	-	16,583	(36,987)	-	-	-	(36,987)	-	
Total Special Education Cluster (IDEA)																
Other Special Revenue Funds:																
Charter School Expansion Grant	84.282		U282A210015	N/A	285,046	9/1/19 8/31/20	-	-	7,150	(285,046)	-	-	-	(285,046)	-	
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425	COVID-19; 84.425D		N/A	-	9/19/20 9/30/22	-	-	3,000	(17,221)	-	-	-	(14,221)	-	
COVID-19: CARES Emergency Relief (OTHER GRANT CARRYOVER)	84.425	COVID-19; 84.425D		N/A	-	3/1/20 8/31/20	-	-	-	(80,659)	-	-	-	(80,659)	-	
COVID-19: CARES Emergency Relief (OTHER GRANT CARRYOVER)	84.425	COVID-19; 84.425D		N/A	-	9/1/19 8/31/20	-	-	10,150	(432,896)	-	-	-	(422,806)	-	
Total Other Special Revenue Funds																
U.S. Department of Treasury																
Passed-through State Department of Education																
COVID-19: Coronavirus Relief Fund	21.019	COVID-19		N/A	-	8/1/20 10/1/20	-	-	19,198	(19,198)	-	-	-	-	-	
Total Department of Treasury Funds																
Total Special Revenue Fund																
Total Federal Financial Awards																
														\$ (47,047)	\$ (543,235)	\$ -
														\$ (47,047)	\$ (572,593)	\$ (543,235)

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2021

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2020		Balance at June 30, 2021		MEMO	
			From	To	Unexpended Revenue (Accounts Receivable)	Due to Grantor	Unexpended Revenue/ Interfund Payable	(Accounts Receivable)		Due to Grantor
State Department of Education										
General Fund:										
State Aid-Public										
Equalization Aid- State Share	21-495-034-5120-078	\$ 2,485,634	7/1/20	6/30/21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,485,634
Equalization Aid	20-495-034-5120-078	867,014	7/1/19	6/30/20	(44,272)	-	-	-	-	108,987
Special Education Categorical Aid	21-495-034-5120-089	108,987	7/1/20	6/30/21	(44,272)	-	-	-	-	97,539
Security Aid	21-495-034-5120-084	97,539	7/1/20	6/30/21	-	-	-	-	-	2,892,160
Total State Aid-Public										
Reimbursed TPAF - Social Security	21-495-034-5084-003	19,859	7/1/20	6/30/21	(82,198)	-	-	-	-	74,396
Reimbursed TPAF - Social Security	20-495-034-5084-003	-	7/1/19	6/30/20	(82,198)	-	-	-	-	74,396
Total Reimbursed TPAF-Social Security Cluster										
					(126,470)	-	-	(370,424)	-	2,766,556
Total General Fund										
					\$ (126,470)	\$ -	\$ 2,522,602	\$ (370,424)	\$ -	\$ 2,766,556
Total State Financial Assistance Subject to Major Program Determination for State Single Audit										
Total State Financial Assistance										

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and 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, Middlesex County Stem Charter School. 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 schedule 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. This basis of accounting is 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 the schedules 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*.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2021

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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 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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,766,556	\$ 2,766,556
Special Revenue Fund	572,583	-	572,583
Food Service Fund	-	-	-
Total Awards & Financial Assistance	<u>\$ 572,583</u>	<u>\$ 2,766,556</u>	<u>\$ 3,339,139</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.

	<u>2021</u>	<u>0</u>
Net Adjustment to Reconcile:		
Special Revenue Fund	\$22,786	none

NOTE 4. FEDERAL AND STATE LOANS OUTSTANDING

Middlesex County Stem Charter School has no loan balances outstanding at June 30, 2021.

NOTE 6. OTHER INFORMATION

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.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2021

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 schoolwide programs.

NOTE 9. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditors Results section of the Schedule of Findings and Questioned Costs.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended **June 30, 2021**

Section I – Summary of Auditor’s Results (Continued)

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

N/A

State Awards

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

Auditee qualified as low-risk auditee? Yes No

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

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

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

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>21-495-034-5120-078</u>	<u>STATE AID – PUBLIC</u>
<u>21-495-034-5120-089</u>	<u>Equalization Aid</u>
<u>21-495-034-5120-084</u>	<u>Special Education Aid</u>
<u>21-495-034-5120-084</u>	<u>Security Aid</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
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

Part III – Schedule of State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material matters of noncompliance, 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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
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, Government Auditing Standards, 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.

THERE ARE NO PRIOR YEAR FINDINGS.