

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
MIDDLESEX COUNTY STEM CHARTER SCHOOL
NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

MIDDLESEX COUNTY STEM CHARTER SCHOOL

JUNE 30, 2022

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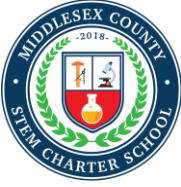
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MIDDLESEX COUNTY STEM CHARTER SCHOOL

March 8, 2023

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

The Annual Comprehensive Financial Report of the Middlesex County Stem Charter School for the fiscal year ended June 30, 2022, 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 school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) REPORTING ENTITY AND ITS SERVICES** The 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.

2) **ENROLLMENT OUTLOOK:** Average Daily Enrollment:

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2021-22	317.3	20.55%
2020-21	263.2	43.34%
2019-20	183.5	96.80%

3) **MAJOR ACCOMPLISHMENTS:**

Middlesex County STEM Charter School provided a full range of educational services to kindergarten through 5th-grade students for the school year 2021-22. These services included regular as well as special education instruction. 332 elementary school students were enrolled in kindergarten through 5th 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 at middle and high school levels will motivate Middlesex County STEM Charter School graduates to pursue STEM education in post-secondary education and beyond.

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the 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). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like 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 school also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the school management.

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

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the school maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the school and the State of New Jersey. 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 canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2022.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General, Special Revenue and Proprietary funds for the fiscal period ended June 30, 2022.

Revenue	Amount	Percent of Total
State / Local Share	\$ 4,594,184	82%
State Sources	595,605	11%
Federal Aid - Restricted	2,934,841	6%
Misc.	345,633	1%
Proprietary Fund	<u>50,989</u>	<u>%</u>
Total	<u>\$ 5,586,411</u>	<u>100%</u>

The following schedule presents a summary of the General, Special Revenue and Proprietary fund expenditures for the fiscal period ended June 30, 2022.

Expenditures	Amount	Percent of Total
General Fund	\$4,360,336	88%
Special Revenue Fund	595,605	12%
Proprietary Fund	<u>80</u>	<u>0%</u>
Total	<u>\$4,956,021</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public 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 Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Gerald D. Longo, CPA was selected by the Charter School.

In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Dr. Namik Sercan
Chief Education Officer

MIDDLESEX COUNTY STEM CHARTER SCHOOL

ROSTER OF TRUSTEES

JUNE 30, 2022

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Mrs. Jackie Lewis, President	6/2023
Mr. Anthony Attanasio, Vice President	6/2022
Mr. John Cascarano, Member	6/2022
Mr. David Vitali, Member	6/2023
Ms. Nancy Roache, Member	6/2022
Administration:	
Dr. Namik Sercan, Chief Education Officer	6/2022
Mr. John F. Kayalar – Business Administrator/Board Secretary	6/2022
Mr. Christopher Lessard, Treasurer	6/2023

CONSULTANTS AND ADVISORS
June 30, 2022

AUDIT FIRM

Gerald D. Longo, CPA
62 Old Queens Blvd.
Manalapan, NJ 07726-3648

ATTORNEYS

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, NJ 08873

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT
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MANALAPAN, NEW JERSEY 07726-3648

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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Middlesex County Stem Charter School's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. My responsibilities under those standards and Specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Middlesex County Stem Charter School and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in the Notes to the financial statements, the Middlesex County Stem Charter School adopted the provisions of Governmental Accounting Standards Board Statement 87, Leases, effective July 1, 2021. My opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Specifications, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Middlesex County Stem Charter School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Middlesex County Stem Charter School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedules related to accounting and reporting for Pensions and Post-Retirement Benefits and the other required supplementary information and notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middlesex County Stem Charter School's basic financial statements. The accompanying Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining fund financial statements and schedules and the schedule of expenditures of federal and state awards 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 combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 8, 2023, on my consideration of the Middlesex County Stem Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Middlesex County Stem Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Middlesex County Stem Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
March 8, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

This section of Middlesex County Stem Charter School annual financial report presents its discussion and analysis of the Board’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and the Board’s financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-22 fiscal year include the following:

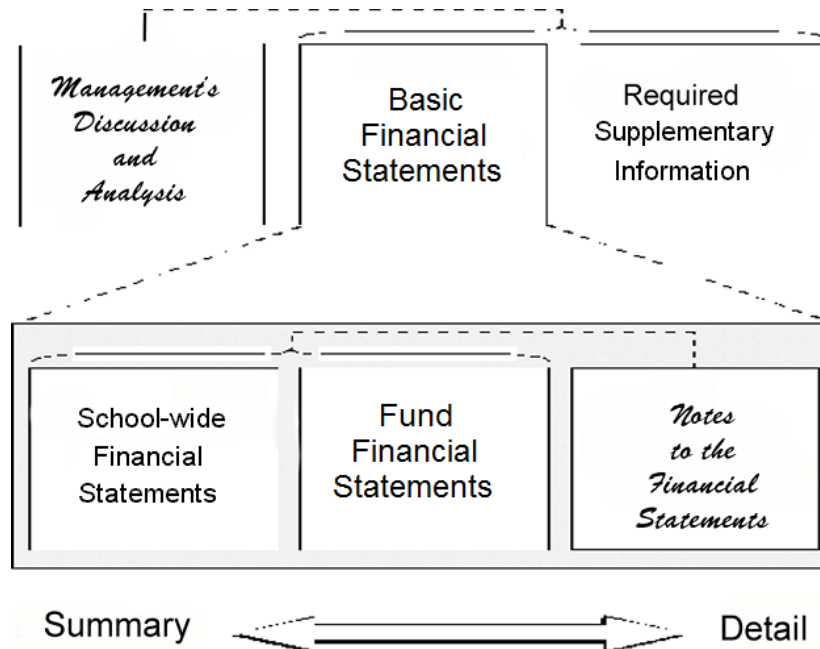
- Total Net Position is \$2,169,067.
- The Unrestricted – Unassigned Fund balance at June 30, 2022 is \$1,910,099.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information that includes the management’s discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Middlesex County Stem Charter School.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Middlesex County Stem Charter School overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Middlesex County Stem Charter School, reporting the Middlesex County Stem Charter School operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the Middlesex County Stem Charter School operates like businesses.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Middlesex County Stem Charter School financial statements, including the portion of the Middlesex County Stem Charter School activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	School-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Middlesex County Stem Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Middlesex County Stem Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

School-wide Statements

The school-wide statements report information about the Middlesex County Stem Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Middlesex County Stem Charter School assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Middlesex County Stem Charter School net position and how they have changed. Net position – the difference between the Middlesex County Stem Charter School assets and liabilities – are one way to measure the Middlesex County Stem Charter School financial health or position.

In the school-wide financial statements, the Middlesex County Stem Charter School activities are shown in two categories:

- *Governmental activities*- Most of the Middlesex County Stem Charter School basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The Middlesex County Stem Charter School Food Service Fund and the after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Middlesex County Stem Charter School funds – focusing on its most significant or “major” funds – not the Middlesex County Stem Charter School as a whole.

Funds are accounting devices the Middlesex County Stem Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

Middlesex County Stem Charter School uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

The Middlesex County Stem Charter School has two kinds of funds:

- **Governmental funds-** Most of the Middlesex County Stem Charter School basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Middlesex County Stem Charter School programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary funds-** Services for which the Middlesex County Stem Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.

FINANCIAL ANALYSIS OF THE MIDDLESEX COUNTY STEM CHARTER SCHOOL AS A WHOLE

Net position. The Middlesex County Stem Charter School Net Position is \$2,169,067 as of June 30, 2022. (See Table A-1).

Schoolwide	<u>\$2,169,067</u>
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The Statement of Net Position of \$2,169,067 reflects total capital assets of \$435,322 at June 30, 2022 net of assumed depreciation of \$132,116 from inception.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

The Middlesex County Stem Charter School financial position is the product of these factors:

- Special Revenue Fund - Revenues were \$595,605
- Special Revenue Fund - Expenditures were \$595,605
- General Fund Revenues were \$4,938,258
- General Fund Expenditures were \$4,360,336

**Table A-1
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Net Position
As of June 30, 2022**

	<u>Total</u>
Current and Other Assets	\$2,080,922
Right-to-use lease assets-net	2,040,987
Capital Assets - Net	303,206
Total Assets and Deferred Pension Inflows	<u>\$4,425,115</u>
Current and Other Liabilities	\$ 170,160
Lease Liabilities	2,085,888
Total Liabilities and Deferred Pension Inflows	<u>\$ 2,256,048</u>
Net Position:	
Invested In Capital Assets, Net	303,206
Unrestricted	1,865,861
Total Net Position	<u>\$2,169,067</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$4,425,115</u>
 Fund Balance - June 30, 2022	 \$1,910,762
Invested In Capital Assets, Net	303,206
Amortization expense over principal payments on leases	(44,901)
Net Position before Pension Adjustment - June 30, 2022	<u>\$2,169,067</u>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

**Table A-2
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2022**

Revenues	<u>Total</u>	<u>%</u>
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Federal and State Aid-Unrestricted	\$ 4,594,184	82%
Federal Aid-Restricted	595,605	11%
Other	345,633	6%
Proprietary Fund	50,989	1%
Total Revenues	<u>\$ 5,586,411</u>	<u>100%</u>
Expenses		
Regular Instruction	\$ 2,359,597	48%
General Administrative	1,434,016	29%
School Administrative	982,939	20%
On-behalf TPAF Social Security / Pension / Medical	87,458	1%
Capital Outlay	91,931	2%
Proprietary Fund	80	0%
Total Expenses	<u>\$ 4,956,021</u>	<u>100%</u>
Decrease in Net Position	\$ 630,390	
Net Position - Beginning July 1, 2021	1,532,826	
Increase in Capital Assets	50,752	
Net Position Before Pension Adjustments	<u>2,213,968</u>	
Amortization expense over principal payments on leases	(44,901)	
Net Position - End of Year June 30, 2022	<u><u>\$ 2,169,067</u></u>	

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

**Table A-3 (See Exhibit A-2)
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Total Cost and Net Cost of Services - Governmental
For the Fiscal Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 2,359,597	\$ 1,850,246
Support Services			
General Administrative Services	B-2	1,434,016	1,347,762
School Administrative Services	B-2	982,939	982,939
On-behalf TPAF Social Security	B-2	87,458	87,458
Capital Outlay	B-2	91,981	91,931
Total Governmental Activities		<u>\$ 4,955,991</u>	<u>\$ 4,360,336</u>

FINANCIAL ANALYSIS OF THE MIDDLESEX COUNTY STEM CHARTER SCHOOL FUNDS

The financial performance of the Middlesex County Stem Charter School as a whole is reflected in its governmental total activities Exhibit A-2. As the Middlesex County Stem Charter School completed the year, it reported a combined unassigned fund balance of \$1,910,762.

Revenues for the Middlesex County Stem Charter School General, Special Revenue and Proprietary Funds were \$5,586,411 while total expenses were \$4,956,021.

GENERAL FUND

The General Fund includes the primary operations of the Middlesex County Stem Charter School in providing educational services to students in grade K through 5.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

The following schedule presents a summary of School Wide Revenues.

**Table A-4 (See Exhibit B-2)
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Revenues - School Wide
For the Fiscal Years Ended June 30**

Revenues	Year Ended 06/30/2022	Year Ended 06/30/2021	Amount of Increase (Decrease)
Local Sources:			
Other Local Revenue	345,633	709,530	\$ (363,897)
Total Local Sources	<u>\$ 345,633</u>	<u>\$ 709,530</u>	<u>\$ (363,897)</u>
Intergovernmental			
Local Sources	4,594,184	2,766,556	\$ 1,827,628
Federal Sources	595,605	572,583	23,022
Total Intergovernmental Sources	<u>\$ 5,189,789</u>	<u>\$ 3,339,139</u>	<u>1,850,650</u>
Total Revenue - School Wide	<u><u>\$ 5,535,422</u></u>	<u><u>\$ 4,048,669</u></u>	<u><u>\$ 1,486,753</u></u>

The following schedule presents a summary of School Wide Expenditures.

**Table A-5 (See Exhibit B-2)
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Expenditures - School Wide
For the Fiscal Years Ended June 30**

Proprietary Expenditures	Year Ended 06/30/2022
Current:	
Regular Instruction	\$ 2,359,597
General Administrative Services	1,434,016
School Administration	982,939
On-behalf TPAF Social Security/ Pension / Medical	87,458
Capital outlay	<u>91,981</u>
Total Expenditures - School Wide	<u><u>\$ 4,955,991</u></u>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the School Wide Unreserved – Unassigned Fund Balance.

**Table A-6
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Unreserved Fund Balances - School Wide
For the Fiscal Years Ended June 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unreserved-Unassigned				
Fund Balance	\$1,910,762	\$3,092,597	\$80,511	\$15,999
Expenditures	\$4,955,941	\$17,756,656	\$17,310,858	\$13,627,790
Percentage	39.0%	17.5%	0.40%	0.12%

The Middlesex County Stem Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designated to support the subsequent years budget is \$1,910,762 for the 2022-23 school year.

CAPITAL ASSETS

**Table A-7
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>
Furniture, equipment and building improvements	\$435,322	\$671,782
Right-to-Use Lease Assets	2,551,234	0
Total - General Fund	\$2,986,556	\$671,782
Less: Accumulated Depreciation / Amortization	(642,363)	(83,437)
Total - Net Capital Assets - General Fund	\$2,344,193	\$588,345

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

While many factors influence the Charter School's future, the availability of State funding and the economy will have the most impact on educational and fiscal decisions in the future.

These and many other factors were considered by the Charter School's administration during the process of developing the fiscal year 2022-23 budget. The primary factors were the Charter School's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2022-2023.

CONTACTING THE MIDDLESEX COUNTY STEM CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Middlesex County Stem Charter School finances and to demonstrate the Middlesex County Stem Charter School accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Middlesex County Stem Charter School, 613 Carlock Ave, Perth Amboy, NJ 08861

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Middlesex County Stem Charter School operations. These financial statements present the financial position and operating results of all funds as of June 30, 2022.

SCHOOL-WIDE FINANCIAL STATEMENTS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Net Position
As of June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 689,952	\$ 663	\$ 690,615
Receivables	1,332,515	-	1,332,515
Security Deposit - Rental	57,792	-	57,792
Right-to-use lease assets-net	2,040,987	-	2,040,987
Capital assets, net	303,206	-	303,206
Total Assets	<u>4,424,452</u>	<u>663</u>	<u>4,425,115</u>
Deferred outflows of resources			
Pension deferred outflows	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 4,424,452</u>	<u>\$ 663</u>	<u>\$ 4,425,115</u>
LIABILITIES			
Accounts payable	\$ 125,204	-	\$ 125,204
Due to State	12,338	-	12,338
Deferred revenue	32,618	-	32,618
Lease liabilities	2,085,888	-	2,085,888
Total Liabilities	<u>2,256,048</u>	<u>-</u>	<u>2,256,048</u>
Deferred inflows of resources			
Pension deferred inflows	-	-	-
NET POSITION			
Invested in capital assets - Net	303,206	-	303,206
Unrestricted (Note 14)	1,865,198	663	1,865,861
Total Net Position	<u>2,168,404</u>	<u>\$ 663</u>	<u>2,169,067</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 4,424,452</u>	<u>\$ 663</u>	<u>\$ 4,425,115</u>
Fund Balance June 30, 2022 - B-1	\$1,910,099		
Right-to-use lease assets-net of accumulated Amortization	2,040,987		
Principal balance of lease liabilities	(2,085,888)		
Cost of capital assets, net accumulated depreciation/amortization	303,206		
Net position before pension adjustments	<u>2,168,404</u>		
Less: pension adjustments net (Note 14)	0		
Total net position - June 30, 2022	<u>\$2,168,404</u>		

The accompanying Notes to the 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, 2022

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ (2,359,597)		\$ (509,351)		\$ (1,850,246)	\$ (1,850,246)
Support services:						
General administratrimon	(1,434,016)		(86,254)		\$ (1,347,762)	\$ (1,347,762)
School administrative services/ operations plant	(982,939)				(982,939)	(982,939)
On - behalf TPAF Social Security / Pension / Med	(87,458)				(87,458)	(87,458)
Capital Outlay	(91,931)				(91,931)	(91,931)
Total governmental activities	<u>(4,955,941)</u>		<u>(595,605)</u>		<u>(4,360,336)</u>	<u>(4,360,336)</u>
Business-type activities:						
Food Service	-	-			(80)	(80)
Total business-type activities	<u>-</u>	<u>-</u>			<u>(80)</u>	<u>(80)</u>
Total primary government	<u>(4,955,941)</u>	<u>\$ 0</u>	<u>\$ (595,605)</u>		<u>\$ (4,360,336)</u>	<u>\$ (4,360,416)</u>
General revenues:						
State / Local Share				923,313	-	923,313
State and Federal Aid				3,670,871	-	3,670,871
Student Activity				1,559		1,559
Miscellaneous Income				344,074	-	344,074
Increase in net Capital Outlay				50,752	50,989	101,741
Total general revenues, special items,				<u>4,990,569</u>	<u>50,989</u>	<u>5,041,558</u>
Change in Net Position - Increase				630,233	50,909	681,142
Amortization expense over principal payments on leases				(44,901)		(44,901)
Net Position - July 1, 2021				1,583,072	(50,246)	1,532,826
Net Position - June 30, 2022				<u>\$ 2,168,404</u>	<u>\$ 663</u>	<u>\$ 2,169,067</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2022

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 683,213	\$ 6,739	\$ 689,952
Receivables	648,244	684,271	1,332,515
Interfund	639,315	(639,315)	0
Security Deposit - Rental	57,792	-	57,792
Total Assets	<u>\$ 2,028,564</u>	<u>\$ 51,695</u>	<u>\$ 2,080,259</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 125,204	\$	\$ 125,204
Deferred Revenue		32,618	32,618
Due to State	-	12,338	12,338
Total Liabilities	<u>125,204</u>	<u>44,956</u>	<u>170,160</u>
Fund Balances:			
Unassigned	<u>1,903,360</u>	<u>6,739</u>	<u>1,910,099</u>
Total Fund Balances	<u>1,903,360</u>	<u>6,739</u>	<u>1,910,099</u>
Total Liabilities and Fund Balances	<u>\$ 2,028,564</u>	<u>\$ 51,695</u>	<u>\$ 2,080,259</u>

Amounts reported for Governmental Activities in the statement of net position (A-1) are different because:

Total Governmental Fund Balance - June 30, 2022	\$1,910,099
Right -to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,551,234 less the accumulated amortization (\$510,247) (Note 11)	2,040,987
Lease liabilities used in governmental activities are not financial resourced and therefore are not reported in the funds (Note 11)	<u>(2,085,888)</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation	435,322 <u>(132,116)</u>
	<u>303,206</u>
Net position of Governmental Activities before pension adjustments - June 30, 2022	<u>\$ 2,168,404</u>

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
State / Local Share	\$ 4,292,717	\$ -	\$ 4,292,717
Student Activity		1,559	
PPP/SBA Loan Forgiveness	208,486		\$ 208,486
Miscellaneous	135,588	-	135,588
Total - Local Sources	4,636,791	-	4,636,791
State Sources	301,467	-	301,467
Federal Sources	-	595,605	595,605
Total Revenues	<u>4,938,258</u>	<u>597,164</u>	<u>\$5,533,863</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 1,850,246	\$ 509,351	\$ 2,359,597
Support services- General Administrative	1,347,762	86,254	1,434,016
Support Services- School Admin/ operations plant serv	982,939		982,939
On-behalf TPAF Social Security, Pen and Med	87,458		87,458
Capital outlay	91,931		91,931
Total expenditures	<u>\$4,360,336</u>	<u>\$595,605</u>	<u>\$4,955,941</u>
Excess (Deficiency) of revenues over expenditures	<u>577,922</u>	<u>1,559</u>	<u>577,922</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and uses	<u>-</u>		<u>-</u>
Net change in fund balances - Increase	577,922		577,922
Fund balance - July 1, 2021	1,325,438	5,180	1,325,438
Fund balance - June 30, 2022	<u>\$ 1,903,360</u>	<u>\$ 6,739</u>	<u>\$ 1,903,360</u>

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

**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, 2022**

Total net change in fund balances - governmental funds (from B-2) - Increase \$ 577,922

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (48,679)
Capital outlays	<u>99,431</u>

\$

Amortization expense over principal payments on leases	\$ 50,752
Student activity increase	(44,901)
	1,559

Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

0

Change in net position of governmental activities (A-2) - Increase \$ 585,332

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

PROPRIETARY FUNDS

Exhibit B-5

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Proprietary Fund Business-Type Activities Enterprise
OPERATING REVENUES	
Cancellation of Accounts Payable	\$50,989
Total Other	50,989
 OPERATING EXPENSES	
Supplies, Materials & Other	(\$80)
Total Operating Expenses	(80)
Income (Loss) From Operations	\$50,909
 Nonoperating Revenues	
State Sources	
State Sources	
Federal Sources	
School Breakfast Program	
National School Lunch Program	
Total Nonoperating Revenues	0
Net Income (Loss)	\$50,909
Transfer in - Subsidy From General Fund	0
Total Net Position - July 1, 2021	(\$50,246)
Total Net Position - June 30, 2022	\$663

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

Exhibit B-6

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2022

	Proprietary Fund Business-Type Activities
Cash flows from operating activities	\$0
Cash Payments supplies, material and other	(80)
Net Cash (Used) by Operating Activities	<u>(80)</u>
Cash Flows from Noncapital Financing Activities	
Other State Grant Revenue	
Cash Received from State and Federal Subsidy Reimbursements	
Net Cash Provided by Noncapital Financing Activities	<u>0</u>
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	(80)
Cash and Cash Equivalents, Beginning of Year	743
Cash and Cash Equivalents, End of Year	<u>\$663</u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Income	\$50,909
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	0
Transfer of subsidy from General Fund	0
Decrease in Inventory	0
(Increase) Decrease in Accounts Receivable	0
Change in Assets and Liabilities	(50,989)
Total Adjustment	<u>50,909</u>
Net Cash Provided by (Used In) Operating Activities	<u>(\$80)</u>

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

FIDUCIARY FUNDS

Exhibit B-7

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2022**

NOT APPLICABLE

Exhibit B-8

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Middlesex County Stem Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board of Trustees (the 'Board') consists of appointed officials and are responsible for the fiscal control of the Charter School. A director is appointed by the Board and is the administrative control of the Charter School.

A reporting entity is comprised primary government, component units and other organizations that are included to insure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities for the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, section 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 the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

The Charter School's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Government-Wide Statements

The statement of net position presents the financial condition of the governmental activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Charter School included 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, district 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 that 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 of the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Charter School:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that were financed and operated in a manner similar to private business enterprises - where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing education basis be financed or recovered primarily through user charges; or, where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into invested in capital assets net of related debt and unrestricted net position, if

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of fixed assets used by proprietary funds is charged as an expense against their operations.

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.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. As of June 30, 2022, there was no Fiduciary Fund due to the adoption of GASB Statement No. 84, Fiduciary Activities.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. ***Basis of accounting*** refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery). financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In the government wide statement of net position and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i.e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determine and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L 2004 c73 (S 1701).

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 accounting principles generally accepted in the United States of America (GAAP) with the exception of the 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.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L 2004 c73 (S 1701).

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 accounting principles generally accepted in the United States of America (GAAP) with the exception of the 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.

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

F. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2022. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, 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. 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 has adopted a cash management plan that requires it to deposit public 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 Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which 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.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventories and Prepaid Expenses

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

I. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent 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.

J. Capital Assets

General Fund capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Right-of-use Assets	*
Furniture and Equipment	7
Building Improvements	*
*Shorter of useful life or lease term	

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

L. Net Position/Fund Balance

School-Wide Statements

In the school-wide statements, there are three classes of net position:

- Invested 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. Also included in invested in capital assets are amounts the Charter School prepaid in advance of the work performed.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through 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 invested in capital assets or net position - restricted is classified as net position – unrestricted, which includes deferred inflows and outflows

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance and Equity

The Charter School follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”), in establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds' financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

M. Unearned/Deferred Revenue

Unearned/Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

N. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

P. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

Q. Deferred Outflows/Inflows

Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

R. Compensated Absences

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days.

As of June 30, 2022, Charter School-wide compensated absences amounted to \$-0-.

S. Fair Value of Financial Instruments

The Charter School follows the accounting and disclosure standards pertaining to GASB No. 72, Fair Value Measurement and Application, for qualifying assets and liabilities. Fair value is defined as the price that the Charter School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Charter School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Charter School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

T. Adoption of New Accounting Standards

GASB 84: Fiduciary Activities

During fiscal year 2021, the Charter School adopted GASB Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Specifically, GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. 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. As part of the adoption, the Charter School no longer considers activities in the Unemployment Fund Account, Payroll Agency Fund and Student activities as fiduciary activities applicable under GASB 84. As a result, the Charter School no longer presents a Statement of Fiduciary Net Position, and records payroll deductions and withholdings payable, unemployment activities in the General Fund in the Governmental Fund financial statements. Student activities are recorded in the Special Revenue Fund in the Governmental Fund financial statements.

In Fiscal Year 2022 the Middlesex County Stem Charter School implemented the following GASB Standards:

GASB 87: Leases

During fiscal year 2022, the Charter School adopted GASB Statement No. 87, Leases (GASB 87), which requires the Charter School to recognize intangible right-to-use lease assets and lease liabilities for its lessee agreements. The adoption of this GASB did not impact the Charter School's beginning net position for the fiscal year ended June 30, 2022.

The Charter School accounts for any lease with a term greater than one year in accordance with GASB 87. The lease terms are defined as the noncancellable period of any lease, plus any options to extend under such leases, when management is reasonably certain those options will be exercised. Accordingly, the net present value of the estimated future minimum payments are reflected as a right-to-use lease asset and lease liability. The right-to-use lease assets will be recognized on a straight-line basis over the lesser of the life of the asset or the remaining lease period. The right-to-use lease assets related to the facility leases are being amortized over the term of each respective lease as follows:

School Premises 5 years

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

\$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. As of June 30, 2022, none of the Charter School's bank balances were exposed to custodial risk. As of June 30, 2022, the Charter School cash balances were insured for \$250,000 by the FDIC and the remaining balance was subject to the provisions of GUDPA.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2022, the Charter School had no investments.

4 PENSION PLANS

Description of Plans - Substantially all of the employees of the School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the systems other related non-contributing employers.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4 **PENSION PLANS (continued)**

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, School, or public agency provided the employee is not a member of another state-administered retirement system.

The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:03B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

Significant Legislation - Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4 **PENSION PLANS (continued)**

Pension Plan Design Changes - Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF.

The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2019 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the School is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and Schools).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4 PENSION PLANS (continued)

contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The School's contribution to PERS for the year ended June 30, 2022 was \$0.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue for the year ended June 30, 2022 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries in the amount of \$0. Also the State paid \$0 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

5 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does 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 Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$0 as measured on June 30, 2021 and \$0 as measured on June 30, 2020.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

For the year ended June 30, 2022, the Charter School recognized pension expense of \$0 and revenue of \$0 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2022 is based upon changes in the collective net pension liability with a measurement period of June 30, 2021 through June 30, 2020. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2020 and June 30, 2021.

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$9,458,881,999	\$ 6,356,228,800
Collective deferred inflows of resources	\$14,424,322,612	\$27,175,330,929
Collective net pension liability (Non-employer - State of New Jersey)	\$ 65,848,796,740	\$48,165,991,182
State's portion of the net pension liability that was associated with the Charter School	0	0
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.0%	.0%

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation (Price):	2.75%
Inflation (Wage):	3.25%
Salary Increases: 2011-2026	1.55 - 4.45% based on years of service
Salary Increases: Thereafter	2.75 - 5.65% based on years of service
Investment Rate of Return:	7%

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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. Postretirement 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, 2020 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 plan investments (7% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits. The long term expected of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF’s target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 100% 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 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 in determining the total pension liability.

Sensitivity of the of the Net Pension Liability to Changes in the Discount Rate

At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$56,988,413,045	\$48,165,991,182	\$40,755,711,188

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Public Employees’ Retirement System (PERS)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2022, the Charter School reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021.

The Charter School’s proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2021. At June 30, 2021, the Charter School’s proportion was .0%.

For the year ended June 30, 2022, the Charter School recognized pension expense of \$0. At June 30, 2022, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments		0
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	0	0
Charter School contributions subsequent to the measurement date.	0	0
Total	\$ 0	\$ 0

The Charter School reported \$0 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2022, the plan measurement date was June 30, 2021) will be recognized as a reduction of the net pension liability measured as of June 30, 2022.

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 **PENSION PLANS – GASB 68 DISCLOSURES (continued)**

	Year Ended June 30:
2022	0
2023	0
2024	0
2025	0
2026	0
Total:	\$ 0

	June 30, 2020	June 30, 2021
Collective deferred outflows of resources	\$2,347,583,337	\$1,164,738,169
Collective deferred inflows of resources	\$7,849,949,467	\$7,422,916,600
Collective net pension liability (Non-State-Local Group)	\$16,435,616,426	\$11,972,782,878
Charter School's proportion of net pension liability	0	0
Charter School's proportion percentage	.0%	.0%

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the 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-2019.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School’s proportionate share of the net pension liability	\$0	\$0	\$0

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Long-Term Expected Rate of Return

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2021, are summarized in the following table:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 100% 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.

6 POST RETIREMENT MEDICAL BENEFITS

Plan description and benefits provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements.

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

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6 POST RETIREMENT MEDICAL BENEFITS (continued)

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

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

Total Nonemployer OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the Charter School.

Actuarial assumptions and other imputes The June 30, 2022 GASB 75 reporting is based on a measurement date of June 30, 2021. The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 - June 30, 2018, for TPAF and PERS, respectively. 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:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.45%
Rate Thereafter	2.75% to 4.45%
Discount rate (2021)	2.16%
Discount rate (2022)	2.21%
Healthcare cost trend rates (PPO Plans)	5.74%, increasing to 12.93% in fiscal year 2025 and decreases to 4.5% after eleven years
Healthcare cost trend rates (HMO Plans)	6.01%, increasing to 15.23.93% in fiscal year 2025 and decreases to 4.5% after eleven years
Healthcare cost trend rates (Prescription Drug Benefits)	6.75%, increasing to 4.5% long term trend rate after seven years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	5.65%

The discount rate for June 30, 2021 2.16%. 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.

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-2021. 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-2021. 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-2021 for current disables retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Changes in the Total OPEB Liability reported by the State of New Jersey:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6 POST RETIREMENT MEDICAL BENEFITS (continued)

	Total OPEB Liability
The State's Total OPEB Liability Balance at June 30, 2020	\$67,809,962,608
Changes for the year:	
Service Cost	3,217,184,264
Interest on the Total OPEB Liability	1,556,661,679
Changes in Benefit Terms	(63,870,842)
Differences Between Expected and Actual Experience	(11,385,071,658)
Changes of Assumptions	59,202,105
Gross Benefit Payments	-
Contributions from Members	(1,186,417,186)
Net Changes	(7,802,311,638)
The State's Total OPEB Liability Balance at June 30, 2021	\$60,007,650,970
The State's Total OPEB Liability attributable to the Charter School	0

Benefit Changes: The decrease in liability from June 30, 2020 to June 30, 2021 is due to employers adopting Chapter 44 provisions.

Changes of assumptions and other inputs reflects a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021 and other changes.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage - point lower or 1- percentage-point higher than the current discount rate:

	June 30, 2021		
	At 1% Decrease 1.16%	At Discount Rate 2.16%	At 1% Increase 3.16%
Total OPEB Liability (School Retirees)	\$71,879,745,555	\$60,007,650,970	\$50,659,089,138
	June 30, 2020		
	At 1% Decrease 1.21%	At Discount Rate 2.21%	At 1% Increase 3.21%
Total OPEB Liability (School Retirees)	\$81,748,410,002	\$67,809,962,608	\$56,911,439,160

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage- point higher than the current healthcare cost trend rates:

	June 30, 2021		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$48,576,388,471	\$60,007,650,970	\$75,358,991,782

	June 30, 2020		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$54,738,488,540	\$67,809,962,608	\$83,375,182,975

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

For the year ended June 30, 2021, the Charter School recognized OPEB expense and related revenue of \$0 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Charter School's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee’s OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$9,045,886,863	\$18,009,362,976
Changes of assumptions or other inputs	10,179,536,966	6,438,261,807
Total	<u>\$10,179,536,966</u>	<u>\$24,447,624,783</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee’s OPEB will be recognized in OPEB expense as follows:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
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6 POST RETIREMENT MEDICAL BENEFITS (continued)

Fiscal Year Ending June 30,	Total
2022	(\$1,182,303,041)
2023	(\$1,182,303,041)
2024	(\$1,182,303,041)
2025	(\$1,182,303,041)
2026	(840,601,200)
Thereafter	347,612,410
	<u>(\$5,222,200,954)</u>

7 ECONOMIC DEPENDENCY / CONCENTRATIONS

The Charter School receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if it were to occur, could have an effect on the Charter School’s programs and activities.

8 CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School’s attorney’s letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School’s financial position.

9 RISK MANAGEMENT

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

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Annual Comprehensive Financial Report.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

9 RISK MANAGEMENT (continued)

New Jersey Unemployment Compensation - The Charter School has elected to fund its New Jersey Unemployment Compensation under the "Contributory Method". Under this plan, the Charter School is required to remit employee withholdings to the State on a quarterly basis. All of the Charter School's claims are paid by the State.

10 RECEIVABLES AND RELATED PARTY

Receivables as of June 30, 2022 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental and proprietary fund receivables are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Accounts	<u>\$648,244</u>	<u>\$684,271</u>	<u>\$1,332,515</u>
Gross Receivables	<u>\$648,244</u>	<u>\$684,271</u>	<u>\$1,332,515</u>

11 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2022.

Capital asset activity for the fiscal year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Increase/ Decrease	Balance June 30, 2022
Governmental Activities			
Capital Assets, being Depreciated:			
Furniture and Equipment	335,891	91,931	427,822
Building Improvements	-	7,500	7,500
Total Capital Assets, being Depreciated	335,891	99,431	435,322
Less Accumulated Depreciation			
Furniture and Equipment	(83,437)	(48,143)	131,580
Building Improvements	-	(536)	536
Total Accumulated Depreciation	(83,437)	(48,679)	132,116
Governmental Activities Capital Assets	\$252,454	(\$50,752)	\$303,206

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

11 CAPITAL ASSETS

Depreciation expense of \$48,677 was charged to an unallocated function.

	<u>Beginning Balance July 1, 2021</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance June 30, 2022</u>
Governmental Activities			
Right to use lease assets:			
Premises	\$2,551,234		\$2,551,234
Total	\$0	\$0	\$0
Less: accumulated amortization for:	-	(510,247)	(510,247)
Right to use lease assets, net	<u>\$2,551,234</u>	<u>(\$510,247)</u>	<u>\$2,040,987</u>

12. RENTAL COMMITMENTS

The Charter School leases its premises under the terms of non-cancelable lease under the Charter School's current charter. Certain leases are automatically extended upon the charter renewal and can be extended through various dates through June 30, 2026. Interest expense on the leases was \$153,074 for the year ended June 30, 2022, which is reflected as lease interest expense in the accompanying budgetary comparison schedule – general fund (exhibit C-1). The net value of the right-to-use lease assets and lease liabilities was (\$44,901) as of June 30, 2022, which was calculated using a discount rate of 6% (the School's estimated incremental borrowing rate as of July 1, 2021). The value of the lease liabilities and right-of-use lease assets at July 1, 2021 was \$2,551,234. Amortization of the related right-to-use lease assets was \$510,247 for the year ended June 30, 2022.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Long Term Lease Schedule
June 30, 2022

	<u>FUTURE MINIMUM LEASE PAYMENTS YEARS ENDING JUNE 30</u>						<u>Total</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>	
Our Lady of Good Shepard 613 Carlock Ave, Perth Amboy, NJ	\$ 430,684	\$ 443,605	\$ 456,913	\$ 1,455,634	-	-	\$ 2,786,836
Raritan Bay Area YMCA Facility Use (10 Month)	141,625	-	-	-	-	-	\$ 141,625
Advanced Schools, Inc. 580 Hazel Ave, Perth Amboy, NJ	249,850	257,346	265,041	750,233	-	-	\$ 1,522,470
Future Commitments	<u>\$ 822,159</u>	<u>\$ 700,951</u>	<u>\$ 721,954</u>	<u>\$ 2,205,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,450,931</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

13. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the financial statement date through March 8, 2023 which is the date the financial statements were available to be issued. Based upon this evaluation, the Charter School has determined that the following subsequent events needed to be disclosed:

During fiscal year 2022, COVID-19 continued to be recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Charter School's operations and financial position. As a result, the adverse impact COVID-19 will have on the Charter School's businesses, operating results, cash flows, and financial condition is uncertain. It is management's opinion that the adverse impact would not be material.

14. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position.

One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1 as of June 30, 2022 - Governmental	\$1,910,099
Cost of capital assets net accumulated depreciation	303,206
Pension deferred outflows	(44,901)
Amortization expense over Principal Payments on Leases	0
Deferred pension liability as of June 30, 2022	0
Net position (per A-1) as of June 30, 2022 - Governmental	\$2,168,404

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfunds - The composition of interfund balances as of June 30, 2022 is as follows:

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Interfund Transfers:

	Transfer In:		Balance
	General Fund Accts Rec	Special Revenue (Payable)	
Transfer Out:			
General Fund	639,315	(639,315)	-
Total Transfers	639,315	(639,315)	

16. 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. The forgiven loan is reflected as Miscellaneous Revenue in the General Fund.

17. 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, 2022, Middlesex had a payable balance of \$-0-.

In 2019, Central Jersey entered into a food service agreement with Middlesex where Central Jersey would provide food services to Middlesex during the 2022 school year. The agreement is in accordance with Department of Agriculture guidelines. There are no changes 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.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 910,323	\$ -	\$ 910,323	\$ 923,313	\$ (12,990)
State / Local Share	3,430,668	0	3,430,668	3,369,404	61,264
PPP/SBA Loan forgiveness				208,486	(208,486)
Miscellaneous	-	-	0	135,588	(135,588)
Total - Local Sources	<u>4,340,991</u>	<u>-</u>	<u>4,340,991</u>	<u>4,636,791</u>	<u>(295,800)</u>
Special Education	168,739	-	168,739	85,140	83,599
Security Aid	120,571	-	120,571	128,869	(8,298)
TPAF Pension (On-Behalf - Non-Budgeted)				-	
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)	-		-	-	
TPAF . LTD (On-Behalf - Non-Budgeted)				-	
TPAF Social Security (Reimbursed - Non-Budgeted)				87,458	(87,458)
Total State Sources	<u>289,310</u>	<u>-</u>	<u>289,310</u>	<u>301,467</u>	<u>(12,157)</u>
Total Revenues	<u>4,630,301</u>	<u>-</u>	<u>4,630,301</u>	<u>4,938,258</u>	<u>(307,957)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	1,634,163	-	1,634,163	1,594,903	\$ 39,260
Other Salaries	43,644	-	43,644	40,588	3,056
Prof/Tech Services	15,369	-	15,369	14,581	788
Other Purchased Services (400-500 series)	27,464	-	27,464	23,686	3,778
General Supplies	170,791	-	170,791	170,766	25
Textbooks	3,610	-	3,610	3,592	18
Other Objects	2,130	-	2,130	2,130	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>1,897,171</u>	<u>-</u>	<u>1,897,171</u>	<u>1,850,246</u>	<u>46,925</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	626,123	-	626,123	584,453	41,670
Salaries of Secretarial and Clerical Assistants	60,613	-	60,613	59,552	1,061
Cost of Benefits	480,427	-	480,427	422,273	58,154
Consultants	128,167	-	128,167	110,905	17,262
Other Purchased Services (400-500 series)	89,045	-	89,045	62,076	26,969
Communications/Telephone	55,995	-	55,995	54,450	1,545
Supplies and Materials	19,585	-	19,585	17,892	1,693
Other Objects	42,881	-	42,881	36,161	6,720
	<u>1,502,836</u>	<u>-</u>	<u>1,502,836</u>	<u>1,347,762</u>	<u>155,074</u>
Support Services - School Admin/Operation Plant Services					
Salaries	176,681	-	176,681	168,112	8,569
Purchased Professional and Technical Services	71,829	-	71,829	68,671	3,158
Other Purchased Services	42,212	-	42,212	42,212	-
Rental of Land and Building- other than Lease Purchase Agreements	7,983	-	7,983	7,983	-
Insurance	-	-	-	-	-
General Supplies	66,003	-	66,003	50,103	15,900
Transportation- Trips	39,594	-	39,594	-	39,594
Lease Interest Expense	153,074	-	153,074	153,074	-
Principal Payments on Lease	457,046	-	457,046	457,046	-
Energy (Energy and Electricity)	41,721	-	41,721	28,598	13,123
Other Objects	12,214	-	12,214	7,140	5,074
	<u>1,068,357</u>	<u>-</u>	<u>1,068,357</u>	<u>982,939</u>	<u>85,418</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
Food Service					
Other Purchased Services	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Food Services					
On-behalf TPAF Pension Contributions (non-budgeted)				-	(1,734,946)
On-behalf TPAF Medical Contributions (non-budgeted)				-	(405,354)
On-behalf - LTD Contribution (non-budgeted)				-	(1,947)
Reimbursed TPAF Social Security Contributions (non-budgeted)				87,458	(391,503)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,458</u>	<u>(2,533,750)</u>
TOTAL ON-BEHALF CONTRIBUTIONS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,458</u>	<u>(2,533,750)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>2,571,193</u>	<u>-</u>	<u>2,571,193</u>	<u>2,418,159</u>	<u>(2,293,258)</u>
TOTAL GENERAL CURRENT EXPENSE					
	<u>4,468,364</u>	<u>-</u>	<u>4,468,364</u>	<u>4,268,405</u>	<u>(2,246,333)</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	18,586	-	18,586	18,586	-
Non-Instructional Equipment	83,351	-	83,351	73,345	10,006
LeasePurchase Agreements	60,000	-	60,000	-	60,000
Interest Expense	-	-	-	-	-
Total Equipment	<u>161,937</u>	<u>-</u>	<u>161,937</u>	<u>91,931</u>	<u>70,006</u>
TOTAL EXPENDITURES- GENERAL FUND	4,630,301	-	4,630,301	4,360,336	(2,176,327)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>-</u>	<u>0</u>	<u>577,922</u>	<u>1,868,370</u>
Other Financing Sources:					
Operating Transfer In:	-	-	-	-	-
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	0	-	-	577,922	1,868,370
Fund Balance, July 1, 2021	-	-	1,325,438	1,325,438	
Fund Balance, June 30, 2022	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 1,325,438</u>	<u>\$ 1,903,360</u>	<u>\$ 1,868,370</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2022

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	-		-	-	
State Sources	-				
Federal Sources	-				
Total Revenues	<u>\$ 595,605</u>		<u>\$ 595,605</u>	<u>\$ 595,605</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	140,051		140,051	140,051	
Other Salaries for Instruction	-		-	-	
Purchased Professional and Technical Services	27,221		27,221	27,221	
Other Purchased Services (400-500 series)	19,516		19,516	19,516	
Textbooks	39,668		39,668	39,668	
General Supplies	257,947		257,947	257,947	
Recruitment	-		-	-	
Personal Services- Employee Benefits	20,272		20,272	20,272	
Instructional Equipment	-		-	-	
Equipment- Non instructional	-		-	-	
Miscellaneous Expense	4,676		4,676	4,676	
Total Instruction	<u>509,351</u>	<u>-</u>	<u>509,351</u>	<u>509,351</u>	
Support Services					
Salaries of Supervisor of Instruction	16,289		16,289	16,289	
Salaries of Program Directors					
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services	-		-	-	
Supplies	52,465		52,465	52,465	
Communication	-		-	-	
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	10,000		10,000	10,000	
Building Improvements	7,500		7,500	7,500	
Total Support Services	<u>86,254</u>		<u>86,254</u>	<u>86,254</u>	

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	595,605		595,605	595,605	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2022**

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(Unaudited)
Public Employees' Retirement System (PERS)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Charter School Proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(Unaudited)
Public Employees' Retirement System (PERS)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)
Teachers' Pension and Annuity Fund (TPAF)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

**NOTE: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible (employer) for contributions to the plan. Since the charter school does not contribute directly to liability to report in the financial the plan there is no net pension statements of the charter school.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

Public Employees' Retirement System (PERS)

Changes of benefit terms. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions 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 for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY
(UNAUDITED)
Postemployment Health Benefit Plan

Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>The State of New Jersey's Total OPEB Liability</u>				
Service Cost	\$3,217,874,264	\$1,790,973,822	\$1,734,404,850	\$1,984,642,729
Interest	1,556,661,679	1,503,341,357	1,827,787,206	1,970,236,232
Change in Benefit Terms				
Difference Between Expected and Actual Experience	11,449,632,500	11,544,750,637	(7,323,140,818)	(5,002,065,740)
Benefit Payment	59,202,105	(1,180,515,618)	(1,280,958,373)	(1,232,987,247)
Contributions from Members		35,781,384	37,971,171	42,614,005
Changes of Assumptions or other inputs	(1,186,417,186)	12,386,549,981	622,184,027	(5,291,448,855)
Net change in total OPEB liability	<u>(\$7,802,311,638)</u>	<u>\$26,080,881,563</u>	<u>(\$4,381,751,937)</u>	<u>(\$7,529,008,876)</u>
Total OPEB Liability - Beginning	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
Total OPEB Liability - Ending	<u>\$60,007,650,970</u>	<u>\$67,809,962,608</u>	<u>\$41,729,081,045</u>	<u>\$46,110,832,982</u>
The State of New Jersey's total OPEB liability**	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982
The State of New Jersey's OPEB liability attributable to the Charter School	0	0	0	0
The Charter School's proportionate share of the total OPEB liability	0	0	0	0
Charter School's covered employee payroll	0	0	0	0
Total Charter School's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None	None
State's covered employee payroll	\$14,425,669,769	\$14,267,738,657	\$13,929,081,045	\$13,640,275,833
Total State's OPEB liability as a percentage of its covered-employee payroll	416.00%	475.00%	300.00%	338.00%

**Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

*Until a full ten year trend is compiled, information will be presented for those years for which information is available.

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable 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, 2022

	TOTAL	TITLE I	TITLE II	TITLE IV	IDEA BASIC	ARP IDEA BASIC	ARP IDEA PRESCHOOL	IDEA PRE K	ESSER II	ESSER II LEARNING	ESSER II MENT HLTH	ARP ESSER II	CARES ACT	CSP GRANT	STUDENT ACTIVITY
REVENUES															
Intergovernmental															
State	\$0														
Federal	\$595,605	\$96,094	\$5,170	\$4,902	\$42,904	\$14,141	\$1,200	\$574	\$100,394	\$10,050	\$14,187	\$82,707	\$2,769	\$220,513	
Other Sources															
Student Activity															1,559
Total Revenues	595,605	96,094	5,170	4,902	42,904	14,141	1,200	574	100,394	10,050	14,187	82,707	2,769	220,513	1,559
EXPENDITURES															
Instruction															
Salaries	140,051				23,564				95,000	0	1,339	20,148	0	0	
Other Purchased Services	19,516				16,554									2,962	
Purchased Prof. and Tech.and Edu Services	27,221	2,514				8,000	1,200	574				0		14,933	
General Supplies	257,947	76,094	5,170	4,902		2,000				10,050		39,664	2,769	117,298	
Recruitment	0														
Personal Services - Employee Benefits	20,272	17,486			2,786										
Rent															39,668
Textbooks	39,668														0
Instruction supplies	0	0													
Instructional Equipment															
Equipment Non- Instructional															
Miscellaneous Expense	4,676								1,828		125	1,197		1,526	
Total Instruction	509,351	96,094	5,170	4,902	42,904	10,000	1,200	574	96,828	10,050	1,464	61,009	2,769	176,387	0
Support Services															
Salaries of Supervisors of Instruction	16,289	0							3,566		12,723				
Salaries of Program Directors															
Salaries of Other Prof. Staff															
Salaries of Secretarial and Clerical Ass't															
Personal Services - Employee Benefits															
Supplies and Materials	52,465					4,141						21,698		26,626	
Communication	0														
Purchased Professional/Educational Services	10,000													10,000	
Class- room Improvements	0														
Building Improvements															
Non instructional Equipment	7,500													7,500	
Total Support Services	86,254	0	0	0	0	4,141		0	3,566	0	12,723	21,698	0	17,500	0
TOTAL EXPENDITURES	\$595,605	\$96,094	\$5,170	\$4,902	\$42,904	\$14,141	\$1,200	\$574	\$100,394	\$10,050	\$14,187	\$82,707	\$2,769	\$193,887	

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Statement of Net Position
 Proprietary Fund
 As of June 30, 2022

	Proprietary Fund Business-Type Activities Enterprise
	<u>Enterprise</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$663
Interfund	\$0
Intergovernmental Receivable	
Federal	0
State	0
Total Current Assets	<u>0</u>
Total Assets	<u>\$663</u>
LIABILITIES	
Account Payable	<u>0</u>
Total Current Liabilities	<u>0</u>
Net Position	
Unrestricted	663
Invested in capital assets - net	
Total Net Position	<u>\$663</u>

Exhibit G-2

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Proprietary Fund Business-Type Activities Enterprise
OPERATING REVENUES	
Other Grants	
Cancellation of Payable	\$50,989
PEBT	
EM Schools	
Total Other Grants	50,989
OPERATING EXPENSES	
Supplies, Materials & Other	(\$80)
Total Operating Expenses	(80)
Income (Loss) From Operations	50,909
Nonoperating Revenues	
State Sources	
State Sources	
Federal Sources	
School Breakfast Program	
National School Lunch Program	
Total Nonoperating Revenues	0
Net Income (Loss)	50,909
Transfer in - Subsidy From General Fund	0
Total Net Position - July 1, 2021	(50,246)
Total Net Position - June 30, 2022	\$663

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statements of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Proprietary Fund Business-Type Activities
Cash flows from operating activities	\$0
Cash Payments supplies, material and other	(80)
Net Cash (Used) by Operating Activities	(80)
Cash Flows from Noncapital Financing Activities	
Other State Grant Revenue	
Cash Received from State and Federal Subsidy Reimbursements	
Net Cash Provided by Noncapital Financing Activities	0
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	(80)
Cash and Cash Equivalents, Beginning of Year	743
Cash and Cash Equivalents, End of Year	\$663
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Income	\$50,909
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	0
Transfer of subsidy from General Fund	0
Decrease in Inventory	0
(Increase) Decrease in Accounts Payable	(50,989)
Change in Assets and Liabilities	0
Total Adjustment	(80)
Net Cash Provided by (Used In) Operating Activities	(\$80)

FIDUCIARY FUNDS

(NOT APPLICABLE)

Exhibit H-1

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Combining Statement of Agency Funds Net Position
Fiduciary Funds
As of June 30, 2022**

NOT APPLICABLE

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2022**

NOT APPLICABLE

Exhibit H-3

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit H-4

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit H-5

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

STATISTICAL SECTION

This part of the Middlesex County Stem Charter School annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the school's overall financial health.

Contents

Exhibits

Financial Trends

J- 1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

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

FINANCIAL TRENDS

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	2022	2021	2020	2019
Governmental activities				
Invested in capital assets, net	\$ 303,206	\$ 267,323	\$ 26,915	\$ 35,886
Restricted- Capital Reserve	-	-	-	-
Unrestricted (Deficit)	1,910,099	1,315,749	405,466	(40,492)
Total governmental activities net position	<u>\$ 2,213,305</u>	<u>\$ 1,583,072</u>	<u>\$ 432,381</u>	<u>\$ (4,606)</u>
Business-type activities				
Invested in capital assets, net				
Restricted	663	50,246	-	7,462
Unrestricted	<u>\$ 663</u>	<u>\$ 50,246</u>	<u>\$ -</u>	<u>\$ 7,462</u>
Total business-type activities net position				
School-wide				
Invested in capital assets, net	303,206	267,323	26,915	120,352
Restricted	-	-	-	-
Unrestricted (Deficit)	1,910,099	1,265,503	355,325	(90,677)
Total school net position	<u>\$ 2,213,305</u>	<u>\$ 1,532,826</u>	<u>\$ 382,240</u>	<u>\$ 29,675</u>

Source: School Financial Statements

MIDDLESEX COUNTY STEM CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expenses				
Governmental activities				
Instruction				
Regular	2,359,597	1,386,010	1,224,695	498,965
Support Services:				
General administration	1,434,016	505,166	294,068	335,255
School Administrative Services	982,939	946,487	850,500	363,873
On-behalf TPAF Social Security / Pension / Medical	87,458	0	0	0
Capital outlay	91,931	0	0	0
Unallocated depreciation	48,679	65,495	8,971	8,971
Total governmental activities expenses	<u>5,004,620</u>	<u>2,903,158</u>	<u>2,378,234</u>	<u>1,207,064</u>
Business-type activities:				
Proprietary Fund	80	105	0	50,989
Total business-type activities expense	<u>80</u>	<u>105</u>	<u>0</u>	<u>50,989</u>
Total school expenses	<u>5,004,700</u>	<u>2,903,263</u>	<u>2,378,234</u>	<u>1,258,053</u>
Program Revenues				
Governmental activities:				
Operating grants and contributions	595,605	183,383	125,052	8,282
Total governmental activities program revenues	<u>595,605</u>	<u>183,383</u>	<u>125,052</u>	<u>8,282</u>
Business-type activities:				
Charges for services				804
Proprietary Fund	50,989	0	0	0
Total business type activities program revenues	<u>50,989</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>646,594</u>	<u>183,383</u>	<u>125,052</u>	<u>8,282</u>
Net (Expense)/Revenue				
Governmental activities	(\$4,409,015)	(\$2,719,775)	(\$2,253,182)	(\$1,198,782)
Business-type activities	(50,909)	(105)	44	(50,185)
Total school-wide net expense	<u>(\$4,459,924)</u>	<u>(\$3,334,720)</u>	<u>(\$3,334,720)</u>	<u>(\$3,334,720)</u>
Governmental activities:				
State / Local Share	923,313	3,865,286	2,655,185	1,183,630
State and Federal Aid aid	3,670,871	0	0	0
PPP/SBA Loan Forgiveness	208,486	0		
Student Activity	1,559			
Amortization expense over principal payments on leases	(44,901)			
Miscellaneous income	135,588	0	34,984	10,546
Increase in Net Capital Outlay	99,431	0	0	0
Total activities	<u>4,994,347</u>	<u>3,865,286</u>	<u>2,690,169</u>	<u>1,194,176</u>
Business-type activities:				
Transfers	0	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>4,994,347</u>	<u>3,865,286</u>	<u>2,690,169</u>	<u>1,194,176</u>
Change in Net Position				
Governmental activities	\$585,332	\$1,145,511	\$436,987	(\$4,606)
Business-type activities	(\$50,909)	(\$105)	\$44	\$6,868
Total school	<u>\$534,423</u>	<u>\$1,145,406</u>	<u>\$437,031</u>	<u>\$2,262</u>

Source: School Financial Statements

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund				
Unassigned	\$1,910,099	\$1,330,481	\$405,466	(\$40,492)
Total General Fund	<u>\$1,910,099</u>	<u>\$1,330,481</u>	<u>\$405,466</u>	<u>(\$40,492)</u>
All Other Governmental Funds				
Restricted	<u>663</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total all other governmental funds	<u>\$ 663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: School Financial Statements

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHOOL WIDE REVENUES AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues				
State sources	4,594,184	2,766,556	1,922,989	947,386
Miscellaneous revenue	345,633	709,530	514,128	208,025
Federal sources	595,605	572,583	378,104	47,047
Total revenue	<u>5,535,422</u>	<u>4,048,669</u>	<u>2,815,221</u>	<u>1,202,458</u>
Expenditures				
Instruction				
Regular Instruction	2,359,597	1,233,448	1,065,702	498,965
Support Services:	0	0	0	0
General administration	1,434,016	730,586	530,308	335,255
School administrative services/Plant	982,939	873,629	773,253	363,873
TPAF Social Security / Pension / Medical	87,458		0	0
Capital Outlay	91,931	291,034	0	44,857
Food Service	0	0	0	0
Special Revenue	0	0	0	0
Total expenditures	<u>4,955,941</u>	<u>3,128,697</u>	<u>2,369,263</u>	<u>1,242,950</u>
Excess (Deficiency) of revenues over (under) expenditures				
Other Financing sources (uses)				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 579,481</u>	<u>\$ 919,972</u>	<u>\$ 445,958</u>	<u>\$ (40,492)</u>

Source: School Financial Statements

REVENUE CAPACITY

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 General Fund - Other Local Revenue By Source

(Unaudited)

	Sale of Capital Assets	Donations	Prior Year Refunds	Sale and Leaseback of Textbooks	Other Local	Totals
2019		10,546				10,546
2020		34,984				34,984
2021						0
2022					135,588	135,588

Source: School Financial Statements

Exhibit J-6

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit J-7

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit J-8

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit J-10

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit J-11

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit J-12

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Years Ended June 30, 2022**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(UNAUDITED)

<u>Function/Program</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Instruction				
Regular	31	23	19	13
Special education				
Support Services:				
Student & instruction related services				
General administration	4	3	3	1
School administrative services	16	6	6	3
Central services				
Food Service				
Total	<u>51</u>	<u>32</u>	<u>28</u>	<u>17</u>

Source: School Personnel Records

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(UNAUDITED)**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2022	332	4,908,533	14,784	63.4%	31	11:1		317.3	296.1	20.5%	93.32%

Sources: School records

Exhibit J-18

MIDDLESEX COUNTY STEM CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(UNAUDITED)

	<u>2022</u>
<u>School Building</u>	
Square Feet	31,890
Capacity (students)	332
Enrollment	332
Number of Schools at June 30	
Elementary	1

Source: School Records

Exhibit J-19

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2022
UNAUDITED**

	<u>Coverage</u>	
School Package Policy-DIPLOMA JOINT INSURANCE FUND		
Property- Blanket Building & Contents	\$ 500,000,000.00	\$ 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	\$ 1,000.00
Comprehensive General Liability		
Per Occurrence	\$ 5,000,000.00	None
Aggregate	\$ 5,000,000.00	None
Comprehensive Automobile Liability	\$ 5,000,000.00	None
Auto Physical Damage	Actual Cash Value	\$ 1,000.00
Cyber Liability - 3rd Party	\$ 2,000,000.00	\$ 10,000.00
Cyber Liability - 1st Party	\$ 750,000.00	\$ 10,000.00
Environmental Impairment Liability- DIPLOMA JOINT INSURANCE FUND		
Each Incident	\$ 1,000,000.00	\$ 50,000.00
Aggregate	\$ 5,000,000.00	
School Leaders Professional Liability-DIPLOMA JOINT INSURANCE FUND		
Each Loss	\$ 5,000,000.00	\$ 15,000.00
Annual Aggregate	\$ 5,000,000.00	
IEP Defense Sublimit	\$ 100,000.00	\$ 15,000.00
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	\$ 5,000,000.00	Statutory None
Public Official Bond- Western Surety (CNA)		
Business Administrator/Board Secretary	\$ 150,000.00	None

Source: Risk Manager

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

**Charter School Performance Framework Financial Indicators
Near Term Indicators**

	2022	2021	2020	2019
Cash and Cash Equivalents	690,615	1,059,216	372,872	904
Current Assets	2,080,922	1,989,025	641,406	184,919
Capital Assets-Net	303,206	0		0
Total Assets	2,384,128	1,989,025	641,406	823,798
Current Liabilities	170,160	708,653	286,081	275,596
Long Term Liabilities				
Total Liabilities	170,160	708,653	286,081	275,596
Net Position	2,213,968	1,280,372	355,325	(90,677)
Total Revenue	5,586,411	4,048,669	2,815,221	1,202,458
Total Expenses	(4,956,021)	(3,128,697)	(2,369,263)	(1,242,950)
Change in Net Position	630,390	919,972	445,958	(40,492)
Depreciation	48,679	8,971	8,971	5,495
Interest payments	0	0	0	0
Final average daily enrollment	309.4	265	183	93
March 30th budgeted Enrollment	309.4	265	183	93
Near term indicators	2022	2021	2020	2019
CURRENT RATIO	3.6	2.24	2.81	N/A
Unrestricted days cash	1.81	133	57	N/A
Enrollment variance	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A
Total margin	11.00%	23	16	N/A
Debt to Asset	0	0	0	0
Cash flow	(368,601)	686,344	371,968	N/A
Debt Service Coverage ratio	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

**INDEPENDENT AUDITORS' 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**

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *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, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School ("the Charter School"), in the County of Middlesex, State of New Jersey, as of and for the fiscal year ending June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated March 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School'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* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
March 8, 2023

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EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
NJ OMB 15-08**

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

I have audited Middlesex County Stem Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Middlesex County Stem Charter School's major Federal and State programs for the year ended June 30, 2022. Middlesex County Stem Charter School's major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Middlesex County Stem Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and NJ OMB Circular 15-08. My responsibilities under those standards, the Uniform Guidance and NJ OMB Circular 15-08, are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Middlesex County Stem Charter School and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on

compliance for each major Federal and State programs. My audit does not provide a legal determination of Middlesex County Stem Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Middlesex County Stem Charter School's Federal and State programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Middlesex County Stem Charter School's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Middlesex County Stem Charter School's compliance with the requirements of each major Federal and State programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Middlesex County Stem Charter School's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Middlesex County Stem Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of Middlesex County Stem Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and NJ OMB Circular 15-08.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal and State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal and 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 Federal and 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.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
March 8, 2023

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2022

Federal/Grantor Program Title	Federal Assistance Listing Number	Federal Award Identification Number	Grant Period	Award Amount	Balance July 1, 2021	Prior Carry-over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjust	Deferred Revenue/ (Accounts Receivable) June 30, 2022	Due to State June 30, 2022
Special Revenue Fund:												
U.S. Department of Education												
Pass-Through Programs: Through New Jersey State Department of Education												
Title I Part A	84.010	S010A200030	07/01/20-09/30/21	88,191	(70,705)	-	88,191	17,486	-	-	-	-
Title I Part A	84.010	S010A210030	07/01/21-09/30/22	131,289	-	-	-	76,094	-	(76,094)	-	-
Title I Reallocated	84.010A	S010A200030	07/01/20-09/30/21	2,514	-	-	2,514	2,514	-	-	-	-
Title 11	84.367A	S367A200029	07/01/20-09/30/21	12,743	(2,743)	-	12,743	-	-	-	-	10,000
Title 11	84.367A	S367A210029	07/01/21-09/30/22	16,920	-	-	-	5,170	-	(5,170)	-	-
Title IV	84.424	S424A200031	07/01/20-09/30/21	10,000	(10,000)	-	10,000	-	-	-	-	-
Title IV	84.424	S424A210031	07/01/21-09/30/22	10,000	-	-	-	4,902	-	(4,902)	-	-
Total ESEA					(83,448)	-	113,448	106,167			(86,167)	10,000
Special Education Cluster												
IDEA Part B	84.027A	H027A200100	07/01/20-09/30/21	41,612	(36,508)	-	41,612	2,786	-	-	-	2,318
IDEA Pre-School	84.173A	H173A200114	07/01/20-09/30/21	473	(473)	-	473	-	-	-	-	-
IDEA Pre-School	84.173A	H173A210114	07/01/21-09/30/22	725	-	-	-	574	-	(574)	-	-
IDEA Part B	84.027A	H027A210100	07/01/21-09/30/22	55,392	-	-	-	40,118	-	(40,118)	-	-
ARP IDEA Pre-School	84.173X	H173X210114	07/01/21-09/30/22	1,200	-	-	-	1,200	-	(1,200)	-	-
ARP IDEA Part B	84.027X	H027X210100	07/01/21-09/30/22	14,141	-	-	-	14,141	-	(14,141)	-	-
Total Special Education Cluster					(36,981)	-	42,085	58,818			(56,032)	2,318
Charter School Program Grant	84.282B		10/1/19-09/30/23	1,200,000	(257,896)	-	257,896	220,513	-	-	(220,513)	-
Education Stabilization Fund Cluster												
Cares Act	84.425D	S425D200027	03/13/20-09/30/22	53,458	(50,689)	-	53,458	2,769	-	-	-	-
CRRSA ESSER 11	84.425D	S425D210027	03/13/20-09/30/23	274,113	(114,221)	-	-	100,394	-	(214,615)	-	-
CRRSA Learning Acceleration	84.425D	S425D210027	03/13/20-09/30/23	25,000	-	-	-	10,050	-	(10,050)	-	-
CRRSA Mental Health	84.425D	S425D210027	03/13/20-09/30/23	45,000	-	-	-	14,187	-	(14,187)	-	-
ARP ESSER	84.425U	S425U210027	03/13/20-09/30/24	616,052	-	-	-	82,707	-	(82,707)	-	-
Total Education Stabilization Fund Cluster					(164,910)	-	53,458	210,107			(321,559)	-
Total Special Revenue/NJ Dept. of Education, Pass Through Programs					(543,235)	-	466,887	595,605			(684,271)	12,318
General Fund												
Medical Assistance Program (SEMI)	93.778	2105NJ5MAP	07/01/21-06/30/22	-	-	-	-	-	-	-	-	-
Total Expenditures of Federal Awards					\$ (543,235)	\$ -	\$ 466,887	\$ 595,605			\$ (684,271)	\$ 12,318

See accompanying notes to schedules of expenditures of Federal and State award programs.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2022

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance June 30, 2021</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjustments</u>	<u>(Accts Rec) June 30, 2022</u>
NJ DEPT. OF EDUCATION									
GENERAL FUND									
Equalization Aid - State	22-495-034-5120-078	7/1/21-06/30/22	4,292,717	\$ -	4,292,717	4,292,717			-
Special Education Aid	22-495-034-5120-089	7/1/21-06/30/22	85,140	-	85,140	85,140			-
Security Aid	22-495-034-5120-084	7/1/21-06/30/22	128,869	-	128,869	128,869			-
Reimbursed Social Security Tax	22-495-034-5094-003	7/1/21-06/30/22	87,458	-	87,458	87,458			-
Total General Fund / Total State Department of Education				-	4,594,184	4,594,184			-
NJ STATE DEPT OF AGRICULTURE - DIRECT PROGRAMS									
Total State Financial Assistance				\$ -	\$ 4,594,184	\$ 4,594,184			\$ -

See accompanying notes to schedules of expenditures of Federal and State award programs.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Middlesex County Stem Charter School. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance 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 are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with 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 the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB *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 expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Federal	State	Total
General Fund		\$4,594,184	\$4,594,184
Special Revenue Fund	595,605		595,605
Enterprise Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total Awards and Financial Assistance	<u>595,605</u>	<u>\$4,594,184</u>	<u>\$5,189,789</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The TPAF Social Security Contributions of \$87,458 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, 2022.

The amount reported as TPAF Pension System Contributions in the amount of \$0 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$0 and long term disability contributions of \$0 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2022.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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 schools basic financial statements and the amount subject to State single audit and major program determination.

NOTE 7. DE MINIMIS INDIRECT COST RATE

The Charter School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?	X	

Federal Awards

N/A

Internal control over compliance:	
Material weakness(es) identified?	
Significant deficiencies identified not considered to be material weakness(es)?	

Type of auditor’s report on compliance for major programs:

Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?

Identification of major programs:

CDFA Number(s)	Name of Federal Program
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Dollar threshold used to distinguish between type A and type B programs (.520)

Auditee qualified as low risk auditee:

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>	
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000		
Auditee qualified as low risk auditee:	X		
Type of auditor’s report issued:	Unmodified		
Internal control over major programs:			
Material weakness(es) identified:		X	
Significant deficiencies identified not considered to be material weakness(es)?		X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X	
Identification of major programs:			
<u>CDFA Number(s)</u>			<u>Name of State Program</u>
22-495-034-5120-078			Equalization Aid
22-495-034-5120-089			Special Education Aid
22-495-034-5120-084			Security Aid

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, 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.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of U.S. Uniform Guidance or with NJOMB Circular 15-08.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.