

M.I.T.C.H. CHARTER SCHOOL
(A COMPONENT UNIT OF TIGARD-TUALATIN SCHOOL DISTRICT)
WASHINGTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



12700 SW 72nd Ave.
Tigard, OR 97223

M.I.T.C.H. TIGARD CHARTER SCHOOL
(A COMPONENT UNIT OF TIGARD-TUALATIN SCHOOL DISTRICT)
WASHINGTON COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2011

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M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

2010-11

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Shana Hildreth, Chairman

Joel Smith, Vice Chair

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Gordon Fiddes, Secretary

Paula Beaulieu

Rebeka Teets

Jeff Yost

All board members receive mail at the address below:

ADMINISTRATION

Debi Lorence, Principal/Executive Administrator
PO Box 230575
Tigard, OR 97281-0575

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M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

September 8, 2011

To the Board of Directors
M.I.T.C.H. Tigard Charter School
Washington County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and major fund of M.I.T.C.H. Tigard Charter School, Washington County, Oregon (a nonprofit School) as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements as listed in the table of contents, pursuant to ORS 297.405 to 297.555, ORS 297.990 and ORS 338. These financial statements are the responsibility of the management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of M.I.T.C.H. Tigard Charter School, Washington County, Oregon, as of June 30, 2011, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and we express no opinion on it.

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(503)639-5757

19550 SW 90th Court
Tualatin, OR 97062

www.mitcharterschool.org

mitch@mitcharterschool.org

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2011

As management of M.I.T.C.H. Charter School, we offer the following narrative overview and analysis of the School's financial statements for the years ended June 30, 2011 and 2010. It is management's goal in preparing this discussion to assist users of these financial statements in interpreting key data found in the pages that follow, and to analyze the results of this fiscal year. Because the information contained in this discussion is necessarily select in nature, it should be read and interpreted in conjunction with those financial statements.

These financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34 as currently required.

The School's basic financial statements consist of the following:
Government-wide financial statements
Fund financial statements
Notes to the financial statements

A budget-to-actual schedule is also included in this report as supplementary information.

The government-wide financial statements on pages 5 and 6 are designed to provide an overview of the School's financial operations, in a manner similar to a private-sector business. The statement of net assets presents information regarding all assets and liabilities, with the difference between the two being reported as net assets. Changes in net assets may serve as a useful indicator of whether or not the overall financial position of the School is improving or deteriorating. The statement of activities presents information showing how the School's net assets increased or decreased during the year under audit. All activities in the government-wide financial statements are presented on the full accrual basis of accounting, in which they are reported as soon as the event occurs, regardless of the timing of associated cash flows.

The fund financial statements on pages 7 and 9 are presented focusing on near-term inflows and outflows of expendable resources, as well as balances of expendable resources available at the end of the year. This information might be useful in assessing the School's near-term financial situation, and is useful in the preparation and analysis of annual budgets. The governmental fund financial statements provide reconciliation to the government-wide financial statements.

An analysis of the government-wide financial statements shows the following:

- The School's financial position increased during the year ended June 30, 2011. Our total net assets increased \$515,012 from the prior year. There was a decrease of \$7,563 in cash. The changes are due to the completion of the leasehold improvement made to convert a former warehouse to a school building. The capital assets increased \$338,021 to a total of \$883,541 net of depreciation, this included construction cost and in-kind contributions of \$39,354 help keep the cost down and brought the school community pride. Accounts receivable increased \$17,142 mainly due to non collection of prior year SSF Revenue from other school districts and fundraising collections received after year end.
- Our total liabilities decreased from \$410,404 to \$255,523 due to the payment for completion of the school construction payable. This payment was offset by the long term liabilities for loans received to defray construction cost.
- The increase in net assets of \$515,012 was due to the completion of the leasehold improvements.
- Our revenues came primarily from three major sources. State School Fund revenues were \$1,111,479 Fundraising was \$25,640 and Contributions totaled \$271,520 of which \$39,354 was in kind donations. Total revenues from all sources for the year were \$1,587,264. During the 2010-2011 fiscal year, we increased our student population from 147 to 245, contribution of \$200,000 from the landlord for remodeling cost and loan proceeds of \$185,000 (of which (\$59,000 was recognized last year), increasing the total revenue \$1,111,479 from prior years revenue of \$866,019,

The schedule of revenues, expenditures, and changes in fund balance – actual and budget on page 20 presents greater detail regarding the School's revenues and expenditures for the year. Significant budget variations we feel should be discussed are as follows:

- The school received \$115,976 less than the final budget, mainly due to the lower need of revenue associated with lower remodel cost of the leased warehouse for the new school facility. We budgeted for a total of half of the original \$900,000 construction estimate. However the timing of contributions and the loans obtained for the school were less then budget so the remodel was slightly scaled down. For the year the State School Funding was more than budget because of the slight increase in amount received per student from budget estimates. Once again both the goals for operating cost fundraising and student activities fees collections were exceeded for the year.
- The school expended \$266,807 less than the approved final budget. All categories were under budgeted expenses. The construction cost for the new building accounted for \$68,893 less than budget while Support Services was less by \$65,980 due to less than anticipated building cost and along with instruction savings on payroll and benefits compared with budget estimates as there was a wage freeze during the 2010-2011 fiscal year.
- Our expenses totaled \$1,436,433 for the year, an increase of \$248,300 from the prior year. The largest change from the prior year was the \$211,944 expended on the Salaries and Benefits as we added an additional 1st grade class and 6th, 7th and 8th grades, along with additional support staff. Material and Services went up \$140,124 mainly due to increase in rent and associated building costs. Supplies went up \$19,044 due to the additional students and classes. Capital outlay was \$381,107 as decrease of \$158,106 from the prior year as the remodel of the school was completed. The school had debt expense of \$26,160 as repayment began for the loans received.

Economic Factors and Next Year's Budget

During preparation of the budget for the ensuing fiscal year, the following are major assumptions used in developing the FY 2011-12 budget:

Revenue:

- Increase of students from 245 to the 250 allowed by the charter. We reduced the kindergarten class to 20 and increase the 4-8th grade classes by 1 to 26 students per class room.
- State School Funding has increased slightly from the prior year as the State of Oregon finalized the Biennial Budget
- Though SSF per student is budgeted similar as last year it is still increasing due to increase in students
- All Fundraising and contributions has been estimated similar to the prior year on a per student basis

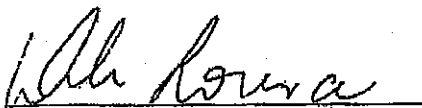
Expenditure:

- Personnel- FTE is budgeted similar to prior years with 3% wage increase and PERS contribution increase.
- Purchased Services and Supplies and Material based on actual cost for the prior year as we gained understanding during the first year of operations
- Debt Service – This is budgeted for the principal and interest cost for the loans obtain for the remodel costs.

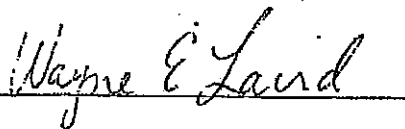
Please refer to the notes to the financial statements on pages 11 through 19 for a discussion of other issues related to the 2010-2011 year. Within that section are explanations of MITCH Charter School's organization and operation, a summary of significant accounting policies, and other important information.

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Director, Debi Lorence, M.I.T.C.H. Charter School, 19550 SW 90th Court, Tualatin, OR 97062.

Sincerely,



Debi Lorence,
School and Executive Director



Wayne Laird,
Treasurer

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M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2011

ASSETS:

Cash	\$	399,348
Restricted Cash		29,242
Accounts Receivable		37,823
Prepaid Expenses		25,525
Other Assets		16,181
Capital Assets, Net of Depreciation		<u>883,541</u>
Total Assets		<u>1,391,660</u>

LIABILITIES:

Current

Accounts Payable		19,007
Payroll Liabilities		29,046
Unearned Revenue		48,630
Long Term Debt - Due within One Year		<u>33,714</u>

Long Term

Long Term Debt - Due within More Than One Year		<u>125,126</u>
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Total Liabilities		<u>255,523</u>
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NET ASSETS:

Invested in Capital Assets, Net		724,701
Restricted		29,242
Unrestricted		<u>382,194</u>
Total Net Assets:	\$	<u>1,136,137</u>

See accompanying notes to the basic financial statements

**M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

<u>FUNCTIONS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Instruction	\$ 640,012	\$ 82,919	\$ 320,779	\$ (236,314)
Support Services	432,240	26,596	-	(405,644)
Total Governmental Activities	<u>\$ 1,072,252</u>	<u>\$ 109,515</u>	<u>\$ 320,779</u>	<u>(641,958)</u>
General Revenues				
State Sources				1,111,479
Interest and Investment Earnings				3,069
Miscellaneous				42,422
Total General Revenues				<u>1,156,970</u>
Changes in Net Assets				515,012
Net Assets - Beginning				<u>621,125</u>
Net Assets - Ending				<u>\$ 1,136,137</u>

See accompanying notes to the basic financial statements

M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2011

	<u>GENERAL FUND</u>
ASSETS:	
Cash	\$ 399,348
Restricted Cash	29,242
Accounts Receivable	37,823
Prepaid Expenses	25,525
Other Assets	<u>16,181</u>
Total Assets	<u>\$ 508,119</u>
 LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts Payable	\$ 19,007
Payroll Liabilities	29,046
Deferred Revenue	<u>48,630</u>
Total Liabilities	<u>96,683</u>
 Fund Balances:	
Nonspendable	25,525
Restricted	29,242
Unassigned	<u>356,669</u>
Total Fund Balances	<u>411,436</u>
Total Liabilities and Fund Balances	<u>\$ 508,119</u>

See accompanying notes to the basic financial statements

M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Fund \$ 411,436

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in the governmental fund. The statement of Net Assets includes those capital assets among the assets of the School as a whole.

Net Capital Assets 883,541

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Loan Payable (49,968)
Promissary Notes (108,872)

Net Assets \$ 1,136,137

See accompanying notes to the basic financial statements

M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Year Ended June 30, 2011

	General Fund
REVENUES:	
Local Sources	\$ 423,160
State Sources	1,111,479
Federal Sources	52,625
	<hr/>
Total Revenues	1,587,264
	<hr/>
EXPENDITURES:	
Instruction	640,012
Support Services	389,154
Facilities Acquisition and Construction	381,107
Debt Service	26,160
	<hr/>
Total Expenditures	1,436,433
	<hr/>
OTHER FINANCING SOURCES AND USES	
Loan and Note Proceeds	185,000
	<hr/>
Net Change in Fund Balance	335,831
Beginning Fund Balance	75,605
	<hr/>
Ending Fund Balance	\$ 411,436
	<hr/> <hr/>

See accompanying notes to the basic financial statements

M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

Reconciliation of the Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2011

Total Net Changes in Fund Balances - Governmental Funds \$ 335,831

Capital Outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital Additions and Deletions, Net	\$ 381,107	
Depreciation Expense	<u>(43,086)</u>	
		338,021

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of long-term debt principal consumes current financial resources of governmental funds. However, neither transaction has any effect on net assets.

Proceeds of Debt	\$ (185,000)	
Principal Payment	<u>26,160</u>	
		(158,840)

Change in Net Assets of Governmental Activities	\$	<u>515,012</u>
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See accompanying notes to the basic financial statements

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units as required by Oregon law for charter schools. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

M.I.T.C.H. (Multisensory Instruction Teaching Children Hands-on) Tigard Charter School is a non profit corporation governed by an seven member board and is organized under provisions of Oregon Revised Statutes Chapter 338 for the purpose of operating a charter school. Generally accepted accounting principles in the United States of America require that these financial statements present all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 39, are separate entities that are included in the reporting entity because of the significance of their operational or financial relationships with the School. All significant activities with which the School exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units. M.I.T.C.H. is a component unit of the Tigard-Tualatin School District because even though they are separate legal entities, M.I.T.C.H. operates under authority of the Tigard-Tualatin School District who exercises oversight as required by Oregon law.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

FUND FINANCIAL STATEMENTS

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION
(CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Grant revenue is not considered available and, therefore, is not recognized until received. Expenditures are recorded when the liability is incurred.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following major governmental fund is reported:

GENERAL FUND

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund (there are no other funds). The principal revenue sources are payments of state school support from Tigard-Tualatin School District, program fees, fundraising and donations.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the government wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net assets.

NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following categories:

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Invested in capital assets, net of related debt – consists of net assets that are invested in furniture, equipment and other capital assets, net of related debt and depreciation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION
(CONTINUED)

FUND EQUITY

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications -- nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund.

There were no committed or assigned fund balances at year end.

Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION
(CONTINUED)

C. BUDGETS

A budget is prepared for the General Fund on the modified accrual basis of accounting in the main program categories as listed below. The budget is prepared on a basis consistent with generally accepted accounting principles except capital assets are expensed when purchased, depreciation is not recorded as an expense and inventory is expensed when purchased instead of when used.

Expenditure budgets are made at the following levels for each fund:

LEVEL OF CONTROL

Instruction
Support Services
Facilities Acquisition and Construction
Debt Service
Contingency

Total expenditures are compared to the budget amounts on page 20.

D. CAPITAL ASSETS

Capital assets, which include equipment and other assets, are reported in the government wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$500. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is recorded on capital assets on the straight line method over the useful life of the asset. Furniture and Fixtures are depreciated for 10 to 15 years and Machinery and Equipment for 5 to 10 years.

E. SUPPLY INVENTORY

Detailed supply inventory records are not maintained. Management believes supply amounts were not material at year end.

F. RETIREMENT PLANS

Substantially all employees are participants in Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

G. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2011, the bank balance of \$465,552 was either insured by FDIC or covered by collateral.

Cash Consisted of:

Deposits with financial institutions:

Demand deposits, checking	\$ 427,850
Demand deposits, money market	<u>740</u>
Total	<u>\$ 428,590</u>

Reported as:

Cash	\$ 399,348
Restricted cash	<u>29,242</u>
Total	<u>\$ 428,590</u>

INVESTMENTS

Policy is to follow state statutes governing cash management. Statutes authorize the investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligation of the United States and its agencies and instrumentalities.

INTEREST RATE RISK

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments with a maturity date.

CREDIT RISK

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

CONCENTRATION OF RISK

At June 30, 2011, there were no investments.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2011 are as follows:

	CAPITAL ASSETS			CAPITAL ASSETS	
	JULY 1, 2010	ADDITIONS	DELETIONS	JUNE 30, 2011	
Assets not being depreciated:					
Construction in Progress	\$ 484,001	\$ -	\$ 484,001	\$ -	
Assets being depreciated					
Furniture and fixtures	52,140	7,656	20	59,776	
Machinery and equipment	99,338	857,472	-	956,810	
Total assets being depreciated	151,478	865,128	20	1,016,586	
Total Assets	635,479	865,128	484,021	1,016,586	
Accumulated Depreciation	(89,959)	(43,086)	-	(133,045)	
Net Capital Assets	<u>\$ 545,520</u>	<u>\$ 822,042</u>	<u>\$ 484,021</u>	<u>\$ 883,541</u>	

Depreciation was allocated to Support Services.

4. RETIREMENT PLANS

Plan Description

Contributions are made to the Oregon Public Employees Retirement System (PERS), a state-wide cost-sharing multiple-employer defined benefit pension plan. Within PERS, schools comprise a cost-sharing component. Generally, employees who retire at or after age 55 or with thirty years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67% of their final average salary for each year of credited service. Final average monthly salary is based upon either the three calendar years out of the last ten calendar years of employment during which the highest salaries were earned or the last thirty-six calendar months of membership, whichever is larger. Employees become members of PERS after six months of service in a qualified position and benefits fully vest on reaching five years of service. Vested employees with fewer than thirty years of service will receive reduced benefits if retirement occurs prior to age 58. PERS also provides death and disability benefits.

Benefits are established by State statute. The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. RETIREMENT PLANS (CONTINUED)

Funding Policy

Covered employees are required by State statute to contribute 6% of their salary to the plan. The school is required to contribute at actuarially determined rates, as adopted by the PERS Board. The current rate PERS effective July 1, 2010 is 14.22% and as of July 1, 2010 OPSRP at 14.74% of covered payroll. Contributions to the plan for the years ending June 30, 2011 and 2010 were \$83,917 and \$48,408, respectively and were equal to the required contributions for the year including the employee's portion, which the employer pays.

Management has determined, based upon the School's small impact on the state wide pool, that no material implicit rate subsidy exists and therefore there is no OPEB obligation for implicit post-employment benefits.

5. RISK MANAGEMENT

There is exposure 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. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage.

6. LEASES

A copier lease was entered into on September 30, 2009, in the amount of \$200 per month.

On December 8, 2009 a ten year lease agreement with Sylvia B. Gustina, Trustee was signed for the School's use of the classrooms and other facilities located on the Trustee's property. The first lease payment was due on August 1, 2010 and the lease is set to expire on June 30, 2020. The required lease payments under this lease are \$12,400 per month plus utilities. Future minimum lease payments are for all leases are:

	<u>Property</u>	<u>Copier Lease</u>	<u>Total</u>
2011-12	\$ 151,528	\$ 2,400	\$ 153,928
2012-13	154,559	2,400	156,959
2013-14	157,650	2,400	160,050
2014-15	160,801	400	161,201
2015-16	164,023	-	164,023
2016-21	689,544	-	689,544
2021-25	14,819	-	14,819
Total	<u>\$ 1,492,924</u>	<u>\$ 7,600</u>	<u>\$ 1,500,524</u>

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. COMMITMENTS & CONTINGENCIES

A substantial portion of operating funding is received from the State of Oregon through Tigard-Tualatin School District. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause the School to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations can not be determined.

The School operates under authority of Tigard-Tualatin School District who grants a charter to the School and exercises oversight as required by Oregon law. In March 2008 the Tigard --Tualatin School District granted M.I.T.C.H. Tigard Charter School a ten year charter. These financial statements have not considered the effect of a non renewal of the charter.

Federally assisted grant programs are participated in. These programs are subject to program compliance audits by the grantors or their representatives. Compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts are expected by management to be immaterial.

8. ACCOUNT RECEIVABLE

Accounts Receivable of \$37,823 consists primarily of funds due from other School Districts, at June 30, 2011. There is no allowance for doubtful accounts as management believes all amounts are collectible.

9. PREPAID EXPENSES

Prepaid Expenses of \$25,525 consisted primarily of rent, insurance and supplies at June 30, 2011. These items will be expensed during the 2011-12 fiscal year.

10. OTHER ASSETS

Other Assets of \$16,181 is primarily a security deposit for the leased building which was paid in April of 2009. A \$12,400 prepayment was required by the lease agreement.

11. RESTRICTED CASH

As of June 30, 2010, there was restricted cash of \$29,242 which was held in a bank account in the School's name. The money consists of the unspent Your Fair Share payments and contributions made for technology.

M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. LONG TERM DEBT

During the year a bank loan was entered into. The loan is in the amount of \$60,000 and has an annual interest rate of 4.2%. The loan period is 60 months with a \$1,132 monthly payment beginning on September 1, 2010. The loan is secured by CD's obtained from the Bank by individuals for the School.

The School entered into 6 direct loans with individuals at interest rates of 4% to 5% per annum. The loan periods are five and seven years in length. Loan payments are due quarterly. The loans are unsecured and upon default would be considered contributions to the School.

Long Term Debt Schedule:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Bank Loan	8/31/2010	4.20%	\$ -	\$ 60,000	\$ (10,032)	\$ 49,968
Individual Loan	7/21/2010	5.00%	-	50,000 (1)	(6,732)	43,268
Individual Loan	7/21/2010	4.38%	-	25,000 (1)	(3,412)	21,588
Individual Loan	7/21/2010	4.50%	-	20,000 (1)	(1,856)	18,144
Individual Loan	7/21/2010	4.00%	-	10,000 (1)	(1,376)	8,624
Individual Loan	7/21/2010	4.00%	-	10,000	(1,376)	8,624
Individual Loan	7/21/2010	4.00%	-	10,000	(1,376)	8,624
			<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ (26,160)</u>	<u>\$ 158,840</u>

Future Requirements

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 33,714	\$ 6,828	\$ 40,542
2011-12	35,331	5,210	40,541
2012-13	37,027	3,515	40,542
2013-14	38,804	1,738	40,542
2014-15	10,040	340	10,380
2015-16	3,218	128	3,346
2016-17	706	9	715
Total	<u>\$ 158,840</u>	<u>\$ 17,768</u>	<u>\$ 176,608</u>

13. RELATED PARTY TRANSACTION

Four of the individual loans shown above, and marked by (1), were made by related parties (Board Members and the Executive Director).

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M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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M.I.T.C.H. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND - ACTUAL AND BUDGET
 For the Year Ended June 30, 2011

REVENUES:	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Local Sources	\$ 604,800	\$ 602,240	\$ 423,160	\$ (179,080)
State Sources	1,012,050	1,095,000	1,111,479	16,479
Federal Sources	20,500	6,000	52,625	46,625
Total Revenues	<u>1,637,350</u>	<u>1,703,240</u>	<u>1,587,264</u>	<u>(115,976)</u>
 EXPENDITURES:				
Instruction	681,564	728,041	640,012	88,029
Support Services	463,221	455,134	389,154	65,980
Facility Acquisition and Construction	450,000	450,000	381,107	68,893
Debt Service	19,200	57,000	26,160	30,840
Contingency	23,365	13,065	-	13,065
Total Expenditures	<u>1,637,350</u>	<u>1,703,240</u>	<u>1,436,433</u>	<u>266,807</u>
 OTHER FINANCING SOURCES AND USES				
Loan and Note Proceeds	-	-	185,000	185,000
Net Change in Fund Balance	-	-	335,831	335,831
Beginning Fund Balance	-	-	75,605	75,605
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,436</u>	<u>\$ 411,436</u>

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M.I.T.C.H. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

September 8, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of M.I.T.C.H. Tigard Charter School as of and for the year ended June 30, 2011, and have issued our report thereon dated September 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Insurance and fidelity bonds in force or required by law.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Public charter school requirements.**

In connection with our testing nothing came to our attention that caused us to believe M.I.T.C.H. Tigard Charter School was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

