

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, 2009

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

2008-09

BOARD OF DIRECTORS

Ben Ochs, Chairman

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All board members receive mail at the address below:

ADMINISTRATION

Debi Lorence, Principle/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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CERTIFIED PUBLIC ACCOUNTANTS

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

August 21, 2009

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, 2009, which collectively comprise the School's 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, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2009

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, 2008 and 2009. 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 required 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, 2009. Our total assets increased \$52,367 from the prior year. There was an increase of \$86,963 in cash. This was due to a small increase in contributions, collection of prior year receivables and increase in year-end payroll liabilities. The capital assets decreased by \$2,571 to a total of \$33,106 net of depreciation, as purchases were less than the depreciation expense for the year. Accounts receivable also decreased \$30,110 due to collection of prior year SSF Revenue from other school districts.
- Our total liabilities increased from \$22,504 to \$45,318, due to increase in accrued expenses for summer wages and payroll liabilities.
- The increase in net assets of \$29,573 is mainly due to receipt of Federal School Grants which was not anticipated within the budget.
- Our revenues came primarily from three major sources. State School Fund revenues were \$555,213, Federal School Grants were \$36,673, and other revenues totaled \$106,579. Total revenues from all sources for the year were \$707,473. During the 2008-2009 fiscal year, we slightly reduced our student population, and had a decrease in Federal School Grants, decreasing the total revenue \$81,421 from prior years revenue of \$783,894,
- Our expenses totaled \$675,329 for the year, an increase of \$1,685 from the prior year. Our largest expenditures were \$502,104 for personnel, up from last year's \$479,036, increase in staff for lunch and after care programs, along with a cost of living adjustment. The increase Personnel Services was offset by decreases in Purchase Services and Supplies and Materials by \$5,716 and \$15,413, respectively.

The schedule of revenues, expenditures, and changes in fund balance – actual and budget on page 9 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 \$7,677 less than the approved budget. Even though Student enrollment maintained, the amount of State School Funding budget was less than actually received but this was offset by the Federal School Grants and increase in contributions received. Both the goals for fundraising and student activities fees collections were met for the year.
- The school expended \$39,821 less than the approved budget. The cost for personnel was more than budgeted as we added some support staff for the lunch and after care programs. This was offset by the reduction of anticipated expenses for supplies and other purchased services compared to the budget.

Reviewing the past year, we have remain at our current location for a third straight year, stabilizing the K-5 facility, our financial needs and student/teacher population. However, we continue to look for a long-term permanent home and a space for a middle school to allow us to move forward as a K-8th grade school.

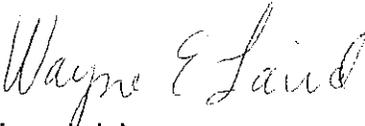
Please refer to the notes to the financial statements on pages 11 through 17 for a discussion of other issues related to the 2008-2009 year. Within that section are explanations of MITCH Charter School's organization and operation, a summary of significant accounting policies, and other important information.

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, MITCH Charter School, PO Box 230575, Tigard, OR 97281-0575.

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. TIGARD CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2009

ASSETS:

Cash	\$	399,249
Accounts Receivable		34,786
Prepaid Expenses		9,001
Capital Assets, Net of Depreciation		<u>30,535</u>
Total Assets		<u>473,572</u>

LIABILITIES:

Accounts Payable		1,254
Payroll Liabilities		42,350
Unearned Revenue		<u>1,714</u>
Total Liabilities		<u>45,318</u>

NET ASSETS:

Invested in Capital Assets		30,535
Unrestricted		<u>397,719</u>
Total Net Assets:	\$	<u><u>428,254</u></u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 415,038	\$ 79,065	\$ 368,803	\$ 32,829
Support Services	252,961	-	223,083	(29,878)
Unallocated Depreciation	9,901	-	-	(9,901)
Total Governmental Activities	<u>\$ 677,900</u>	<u>\$ 79,065</u>	<u>\$ 591,886</u>	<u>(6,949)</u>

General Revenues

Grants and Contributions Not Restricted to Specific Programs	6,008
Gain on Sale of Assets	3,000
Miscellaneous	<u>27,514</u>
Total General Revenues	<u>36,522</u>
Changes in Net Assets	29,573
Net Assets - Beginning	<u>398,681</u>
Net Assets - Ending	<u>\$ 428,254</u>

See accompanying notes to the basic financial statements

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

BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2009

	<u>GENERAL FUND</u>
ASSETS:	
Cash	\$ 399,249
Accounts Receivable	34,786
Prepaid Expenses	<u>9,001</u>
Total Assets	<u><u>\$ 443,037</u></u>
LIABILITIES AND FUND EQUITY:	
Liabilities:	
Accounts Payable	\$ 1,254
Payroll Liabilities	42,350
Unearned Revenue	<u>1,714</u>
Total Liabilities	<u>45,318</u>
Fund Balances:	
Reserved for Prepaid Expenses	9,001
Unreserved and Undesignated	<u>388,718</u>
Total Fund Balances	<u>397,719</u>
Total Liabilities and Fund Balances	<u><u>\$ 443,037</u></u>

See accompanying notes to the basic financial statements

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

Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2009

Total Fund Balances - Governmental Fund \$ 397,719

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 30,535

Net Assets \$ 428,254

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
- ACTUAL AND BUDGET -
For the Year Ended June 30, 2009

	GENERAL FUND			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
From Local Sources:				
Contributions	\$ 30,000	\$ 30,000	\$ 6,008	\$ (23,992)
Miscellaneous	90,620	90,620	106,579	15,959
State Sources	594,530	594,530	555,213	(39,317)
Federal Sources	-	-	36,673	36,673
Proceeds from Sale of Assets	-	-	3,000	3,000
Total Revenues	715,150	715,150	707,473	(7,677)
EXPENDITURES:				
Instruction:				
Salaries	263,933	263,933	279,979	(16,046)
Associated Payroll Costs & Employee Benefits	106,262	106,262	110,311	(4,049)
Purchased Services	48,120	48,120	13,358	34,762
Supplies and Materials	7,900	7,900	11,389	(3,489)
Other Objects	-	-	-	-
Total Instruction	426,216	426,216	415,038	11,177
Support Services:				
Salaries	78,294	78,294	81,252	(2,958)
Associated Payroll Costs & Employee Benefits	26,661	26,661	30,562	(3,902)
Purchased Services	142,780	142,780	125,963	16,817
Supplies and Materials	16,500	16,500	5,239	11,261
Capital Outlay	7,500	7,500	7,330	170
Other Objects	17,200	17,200	9,944	7,256
Total Support Services	288,934	288,934	260,290	28,644
Facility Acquisition				
Purchased Services	-	-	-	-
Total Facility Acquisition	-	-	-	-
Total Expenditures	715,150	715,150	675,329	39,821
Net Change in Fund Balance	-	-	32,144	32,144
Beginning Fund Balance	-	-	365,575	365,575
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,719</u>	<u>\$ 397,719</u>

See accompanying notes to the basic financial statements

M.I.T.C.H. TIGARD 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, 2009

Total Net Changes in Fund Balances - Governmental Funds \$ 32,144

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 Outlay	\$ 7,330	
Depreciation Expense	<u>(9,901)</u>	
		<u>(2,571)</u>

Change in Net Assets of Governmental Activities \$ 29,573

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 eleven member board and is organized under provisions of Oregon Revised Statutes Chapter 338 for the purpose of operating a 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, a federal charter school incentive grant passed through 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. There are no restricted net assets at June 30, 2009.

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

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)

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 assets are expensed when purchased, depreciation is not recorded as an expense and inventory is expensed when purchased.

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

LEVEL OF CONTROL

Salaries
Associated Payroll Costs & Employee Benefits
Purchased Services
Materials and Services
Capital Outlay
Other Objects

Total expenditures did not exceed the budget except as noted on page 9.

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.

E. SUPPLY INVENTORY

Detailed supply inventory records are not maintained. 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, 2009, the bank balance of \$404,798 was either insured by FDIC or covered by collateral.

Cash Consisted of:

Deposits with Financial Institutions:

Demand Deposits, Non-Interest Bearing - Checking	\$ 139,644
Demand Deposits, Interest Bearing - Money Market	100,000
Certificates of Deposit	<u>159,605</u>
	<u>\$ 399,249</u>

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 two Certificates of Deposit, account #9347 and #1210, with maturity dates of 1/10/10 and 10/12/09, respectively.

CREDIT RISK

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

CONCENTRATION OF RISK

At June 30, 2009, there were no investments.

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

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2009 are as follows:

	CAPITAL ASSETS JULY 1,			CAPITAL ASSETS
	2008	ADDITIONS	DELETIONS	JUNE 30, 2009
Furniture and Equipment	\$ 15,915	\$ -	\$ -	\$ 15,915
Office Equipment	55,159	6,588	-	61,747
Books	5,438	742	3,000	3,180
Training Materials	4,446	-	-	4,446
Software	3,227	-	-	3,227
Classroom Computers	21,018	-	-	21,018
Musical Instruments	1,360	-	-	1,360
Totals:	106,563	7,330	3,000	110,893
Accumulated Depreciation:	(73,457)	(9,901)	(3,000)	(80,358)
Net Capital Assets:	\$ 33,106	\$ (2,571)	\$ -	\$ 30,535

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, 2008 is 17.64% and as of July 1, 2008 OPSRP at 19.91% of covered payroll. Contributions to the plan for the years ending June 30, 2009 and 2008 were \$65,819 and \$64,746, respectively and were equal to the required contributions for the year including the employee's portion, which the employer pays.

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

There is a lease agreement with Calvin Presbyterian Church for classrooms and other facilities located on the Church's property. This lease agreement expires July 31, 2009. The required lease payments under the terms of the lease are \$5,500 per month plus utilities except for the July payment is \$1,000. For the years ended June 30, 2009 and 2008, total rent payments were \$61,500 and \$58,750. The utility payment for the year ended June 30, 2009 is \$1,894.

On January 10, 2009 another lease agreement with Calvin Presbyterian Church was signed to extend the School's use of the classrooms and other facilities locate on the Church's property. This lease begins August 1, 2009 and is set to expire July 31, 2010. The required lease payments under this lease are \$5,500 per month plus utilities except for the July payment is \$1,000. Future minimum lease payments are:

2009	\$ 61,500
2010	<u>1,000</u>
Total	<u>\$ 62,500</u>

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. ACCOUNT RECEIVABLE

Accounts Receivable of \$34,786 consist primarily of funds due from other School Districts, at June 30, 2009. Of this amount \$16,219 is over 90 days past due.

9. PREPAID EXPENSES

Prepaid Expenses of \$9,001 consist primarily of prepaid supplies and insurance, at June 30, 2009. These items will be expensed during the 2009-10 fiscal year.

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

AUDITORS' COMMENTS AND DISCLOSURES

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August 21, 2009

2008-09 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of M.I.T.C.H. Tigard Charter School, Washington County, Oregon, as of and for the year ended June 30, 2009 and have issued our report thereon dated August 21, 2009.

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 basic financial statements are free of material misstatement.

The management of M.I.T.C.H. Tigard Charter School, Washington County, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of M.I.T.C.H. Tigard Charter School, Washington County, Oregon, for the year ended June 30, 2009, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by internal controls.

The significant deficiencies noted are contained in our management letter dated August 21, 2009.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by internal controls. We did not consider any of the significant deficiencies noted to be material weaknesses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all the phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

This report is intended solely for the information and use of management and the State of Oregon, Secretary of State, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

ACCOUNTING RECORDS

The accounting records are adequate for audit, except as noted in our management letter.

BUDGET TRANSACTIONS

Not applicable under ORS 338.

2008-09 AND 2009-10 BUDGETS

Not applicable under ORS 338.

INVESTMENTS

There were no investments at June 30, 2009.

PUBLIC CONTRACTS AND PURCHASING

Not applicable under ORS 338.

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INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

Not applicable under ORS 338. There is no bonded debt.

STATE HIGHWAY

No state highway funds were received during the year ended June 30, 2009.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Since less than \$500,000 in federal financial assistance was expended for the year ended June 30, 2009, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133).

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We did not separately perform the procedures recommended by the Oregon Secretary of State, Audits Division, regarding compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2009 since all such information is accounted for by Tigard-Tualatin School District and such information can be found in their audit report.

COLLATERAL SECURING BANK DEPOSITS

Based on our testing we noted that during the year there were days where bank balances exceeded federal depository insurance. Balances in excess of federal depository insurance coverage were covered by collateral.

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