

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

FINANCIAL REPORT

For the Year Ended June 30, 2015

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

2014-2015

BOARD OF DIRECTORS

Jason Holland, Chair

Lindsay Childers, Vice Chair

Wayne Laird, Treasurer

Christa Griffiths, Secretary

Jody Blakely

Julie Bosket

Steve Burke

Donna Capodacqua

Kurt Ostermiller

All board members receive mail at the address below:

ADMINISTRATION

Melissa Meyer, Executive Director
PO Box 230575
Tigard, OR 97281-0575

M.I.T.C.H. CHARTER SCHOOL

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WASHINGTON COUNTY, OREGON

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX

Independent Auditor's Report

October 6, 2015

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and major fund of M.I.T.C.H. Charter School (the School), as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic 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. Charter School, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The School adopted the provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions*, as well as the provisions of GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The listing of board members, located before the table of contents, and the other information, as listed in the table of contents, are not a required part of the basic financial statements and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 6, 2015 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2015

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, 2015. 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 basic financial statements

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

The government-wide financial statements 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 position presents information regarding all assets and liabilities, with the difference between the two being reported as net position. Changes in net position 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 position 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 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 beginning net position for the year ended June 30, 2015 does not match the prior year's ending net position because GASB 68 required a restatement of the beginning net position as of July 1, 2014 but did not require any restatement of prior year amounts because the information is not only unavailable but not possible to calculate.

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Assets			
Current and other assets	\$ 856,494	\$ 799,435	7.1%
Net pension asset	253,280	-	100.0%
Capital assets (net)	737,935	774,336	-4.7%
Total Assets	<u>\$ 1,847,709</u>	<u>1,573,771</u>	<u>17.4%</u>
Liabilities			
Current and other liabilities	71,427	71,863	-0.6%
Noncurrent liabilities (net)	4,045	9,827	
Total Liabilities	<u>75,472</u>	<u>81,690</u>	<u>-7.6%</u>
Deferred Inflows of Resources:			
Net pension related deferral	<u>373,830</u>	<u>-</u>	<u>100.0%</u>
Net Position			
Net investment in capital assets	737,935	774,336	-4.7%
Restricted	32,430	32,255	0.5%
Unrestricted	628,042	685,670	-8.4%
Total Net Position*	<u>\$ 1,398,407</u>	<u>\$ 1,492,261</u>	<u>-6.3%</u>

- The School's financial position strengthened during the year ended June 30, 2015. Although total assets increased \$335,907, the majority of the change resulted from the mandated GASB 68 change in reporting. Tangible improvement was noted in an \$85,911 increase in Cash and Investments as a result of revenues in excess of costs.
- Total liabilities remained minimal and changes reflect the retirement of two small bank loans.

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Revenues			
Charges for services	191,528	189,452	1.1%
Operating contributions	49,653	35,810	38.7%
General revenues	1,250,803	1,306,098	-4.2%
Total Revenues	<u>\$1,491,984</u>	<u>\$1,531,360</u>	<u>-2.6%</u>
Expenses			
Instruction	553,434	799,673	-30.8%
Support services	582,643	564,842	3.2%
Total Expenses	<u>\$1,136,077</u>	<u>\$1,364,515</u>	<u>-16.7%</u>

Change in Net Position	355,907	166,845	113.3%
Restated Beginning Net Position	<u>1,042,500</u>	<u>1,325,416</u>	<u>-21.3%</u>
Ending Net Position	<u>\$ 1,398,407</u>	<u>\$ 1,492,261</u>	<u>-6.3%</u>

- Revenues come primarily from three major sources, state school funding, fundraising and contributions. The 2.6% decrease in total revenues is primarily due to a reduction in state school funding based upon a slightly lower student enrollment of 233 compared to 245 for the 2013-14 school year. Fundraising and Contributions remained relatively constant.
- Expense differences between years ended June 30, 2014 and 2015 are primarily due to implementation of GASB 68.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance Governmental Fund – Budget and Actual provides greater detail regarding the School’s revenues and expenditures for the year. Significant budget variations we feel should be discussed are as follows:

- Total revenues exceeded budget by 1.1% as the school collected \$74,778 (43.9%) more in contributions and activity fees.
- Total expenditures were under budget by 1.7% due to a school wide expense control effort as well as conservative budgeting.

Please refer to the notes to the basic financial statements for other issues related to the 2014-15 fiscal 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, Melissa Meyer, M.I.T.C.H. Charter School, 19550 SW 90th Court, Tualatin, OR 97062.

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BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
June 30, 2015

ASSETS:

Current:

Cash	\$	794,116
Investments		32,430
Prepaid expenses		13,779
Other assets, current		(12)
Total Current Assets		<u>840,313</u>

Non-current:

Other assets, non-current		16,181
Net pension asset		253,280
Capital assets, non-depreciable		33,579
Capital assets, net of depreciation		704,356
Total Non-current Assets		<u>1,007,396</u>

Total Assets \$ 1,847,709

LIABILITIES:

Current:

Accounts payable	\$	20,881
Payroll liabilities		17,995
Unearned revenue		26,745
Long term debt – due within one year		5,806
Total Current Liabilities		<u>71,427</u>

Long term:

Long term debt – due in more than one year		<u>4,045</u>
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Total Liabilities 75,472

DEFERRED INFLOWS OF RESOURCES:

Net pension related deferral		<u>373,830</u>
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NET POSITION:

Restricted		39,000
Net Investment in capital assets		737,935
Unrestricted		621,472
Total Net Position	\$	<u>1,398,407</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, 2015

<u>FUNCTIONS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Instruction	\$ 553,434	\$ 138,339	\$ 49,653	\$ (365,442)
Support Services	<u>582,643</u>	<u>53,189</u>	<u>-</u>	<u>(529,454)</u>
Total Governmental Activities	<u>\$ 1,136,077</u>	<u>\$ 191,528</u>	<u>\$ 49,653</u>	<u>(894,896)</u>
General Revenues				
				1,246,704
				2,410
				<u>1,689</u>
				<u>1,250,803</u>
				355,907
				<u>1,042,500</u>
				<u>\$ 1,398,407</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, 2015

	<u>GENERAL FUND</u>
ASSETS:	
Cash	\$ 794,116
Investments	32,430
Prepaid expenses	13,779
Other assets	<u>(12)</u>
Total Assets	<u>\$ 840,313</u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts payable	\$ 20,881
Payroll liabilities	17,995
Unearned revenue	<u>26,745</u>
Total Liabilities	<u>65,621</u>
Fund Balances:	
Nonspendable	13,779
Restricted	39,000
Unassigned	<u>721,913</u>
Total Fund Balances	<u>774,692</u>
Total Liabilities and Fund Balances	<u>\$ 840,313</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 Position
June 30, 2015

Total Fund Balances – Governmental Fund	\$	774,692
<p>The net pension asset (liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.</p>		
		253,280
<p>Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.</p>		
		(373,830)
<p>The cost of capital assets (furniture and fixtures, machinery and equipment, and leasehold improvements), purchased or constructed, is reported as an expenditure in the governmental fund. The Statement of Net Position includes those capital assets among the assets of the School as a</p>		
Net capital assets		737,935
<p>Refundable rental deposits paid on a long-term lease contract, not receivable in the current period, are reported as an expenditure in the governmental fund. The Statement of Net Position includes those deposits among the assets of the School as a whole.</p>		
Other assets		16,181
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Loan payable		(2,179)
Promissory notes		(7,672)
		<hr/>
Net Position	\$	<u>1,398,407</u>

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 –
GOVERNMENTAL FUND
For the Year Ended June 30, 2015

	GENERAL FUND
REVENUES:	
Local sources	\$ 245,280
State sources	1,246,704
	<hr/>
Total Revenues	1,491,984
	<hr/>
EXPENDITURES:	
Instruction	799,575
Support services	595,733
Facilities acquisition and construction	33,579
Debt service	17,832
	<hr/>
Total Expenditures	1,446,719
	<hr/>
Net Change in Fund Balance	45,265
Beginning Fund Balance	729,427
	<hr/>
Ending Fund Balance	\$ 774,692
	<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, 2015

Total Net Changes in Fund Balances – Governmental Funds \$ 45,265

The pension expense represents the changes in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. 329,211

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	\$ 24,937	
Depreciation expense	<u>(61,338)</u>	(36,401)

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 position.

Principal payment		<u>17,832</u>
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Change in Net Position of Governmental Activities \$ 355,907

See accompanying notes to the basic financial statements.

NOTES TO
BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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. 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) Charter School (the School) is a non-profit corporation governed by a nine 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 61, are separate entities that are included in the School's reporting 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.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statement of Activities display information about the School as a whole. The Statement of Net Position 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. CHARTER SCHOOL
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position.

NET POSITION

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following categories:

Restricted – consists of external constraints placed on 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 was a restricted net position of \$39,000 at June 30, 2015, representing amounts invested in CD’s and deposited in a bank held as collateral for a bank loan.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. 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 are 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). There were restricted net funds of \$39,000 at June 30, 2015 representing amounts invested in CDs and deposited in a bank held as collateral for a bank loan.
- 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.

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, long-term debt is reported as an expense when paid, pension costs are not recorded until paid, and inventory is expensed when purchased instead of when used.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS (Continued)

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

LEVEL OF CONTROL

Instruction
Support Services
Facilities Acquisition and Construction
Debt Service

Total expenditures are compared to the budget amounts on page 21.

D. CAPITAL ASSETS

Capital assets, which include furniture, 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 \$1,500 and a useful life of more than one year. 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 using the straight-line method over the useful life of the asset. Furniture and fixtures are depreciated for 10 to 15 years. Machinery and equipment are depreciated for 5 to 10 years. Leasehold improvements are depreciated over 20 years.

E. SUPPLY INVENTORY

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

F. RETIREMENT PLANS

Substantially all of the School's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's 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. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

G. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The School does not have any items that qualify for reporting in this category.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the Statement of Financial 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. At June 30, 2015, there were deferred inflows of \$373,830 representing net pension related deferrals related to the implementation of GASB 68.

H. 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.

2. CASH AND CASH EQUIVALENTS

Cash includes demand deposits held at financial institutions.

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. The cash is deposited in an approved depository for public funds, and thus is collateralized under ORS 295.

CUSTODIAL 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, 2015, none of the bank balance was exposed to custodial credit risk.

3. INVESTMENTS

Policy is to follow state statutes governing cash management. Statutes authorize 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. Investments at June 30, 2015 consisted of Certificates of Deposit.

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

NOTES TO BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

CREDIT RISK

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

At June 30, 2015, investments held with financial institutions consisted of the following:

Certificates of Deposit \$ 32,430

Certificate of deposit funds are restricted as collateral for the bank loan as detailed at Note 10.

4. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additions	Deletions	June 30, 2015
Non-depreciable Assets				
Construction in Progress	\$ -	\$ 33,579	\$ -	\$ 33,579
Depreciable Assets				
Furniture and Fixtures	\$ 60,566	\$ -	\$ (8,292)	\$ 52,274
Machinery and Equipment	145,025	-	(106,077)	38,948
Leasehold Improvements	887,004	-	-	887,004
Total Assets	1,092,595	-	(114,369)	978,226
Accumulated Depreciation				
Furniture and Fixtures	(27,606)	(5,657)	6,798	(26,465)
Machinery and Equipment	(119,198)	(11,085)	98,929	(31,354)
Leasehold Improvements	(171,455)	(44,596)	-	(216,051)
Total Depreciation	(318,259)	(61,338)	105,727	(273,870)
Net Depreciable Capital Assets	\$ 774,336			\$ 704,356

Depreciation was allocated 100% to support services.

5. PREPAID EXPENSES

Prepaid expenses of \$13,779 consisted of rent paid prior to June 30, 2015, for future expenses. These items will be expensed during the 2015-16 fiscal year.

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER ASSETS

Other assets of \$16,181 is primarily a security deposit held by the lessor for the leased building.

7. RETIREMENT PLANS

PLAN DESCRIPTION

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employee defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

- a. PERS Pension (Chapter 238). The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i) Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 - ii) Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii) Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv) Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. OPSRP Pension Program (OPSRP DB). The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (Continued)

PLAN DESCRIPTION (Continued)

- i) Pension Benefits. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
 - General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

- ii) Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii) Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv) Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

FUNDING POLICY

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2015 were \$112,582, excluding amounts to fund employer specific liabilities.

At June 30, 2015, the School reported a net pension asset of \$253,280 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2012, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2012, the School's proportion was 0.01 percent.

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (Continued)

FUNDING POLICY (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(488,728)
Changes in proportion and differences between School contributions and proportionate share of contributions	2,316	-
Subtotal - Amortized deferrals (below)	-	(486,412)
School contributions subsequent to measurement date	112,582	-
Net deferred outflow (inflow) of resources		\$ (373,830)

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	Amount
2016	\$ (121,678)
2017	(121,678)
2018	(121,678)
2019	(121,678)
2020	300
Thereafter	-
Total	\$ (486,412)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

ACTUARIAL VALUATIONS

The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (Continued)

ACTUARIAL VALUATIONS (Continued)

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessarily to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, Published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2012 Experience Study which is reviewed for the four-year period ending December 31, 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (Continued)

ACTUARIAL VALUATIONS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension 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 pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate – The following presents the School’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	Decrease (6.75%)	Rate (7.75%)	Increase (8.75%)
School's proportionate share of the net pension liability	\$536,356	\$(253,280)	\$(921,127)

Changes in Plan Provisions Subsequent to Measurement Date: The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. Oregon Public Employees Retirement System Notes to the Schedules of Employer Allocations and Pension Amounts by Employer As of and for the Fiscal Year Ended June 30, 2014. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year’s actuarial valuations. The impact of the Moro decision on the total pension liability and employer’s net pension liability (asset) has not been fully determined. However, PERS’ third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

June 30, 2014 Measurement Date for all PERS Employers (in millions)		
	Pre- Moro	Post-Moro
Net pension liability		
Total pension liability	\$ 63,135	\$ 68,050
Fiduciary net position	65,402	65,400
Net pension liability (asset)	\$ (2,267)	\$ 2,650

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700,

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_rev_ised.pdf

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. UNEARNED REVENUE

Unearned revenue consists of activity fees collected that are to be used during the 2015-16 fiscal year. Unearned revenue at June 30, 2015 was \$26,745.

9. OPERATING LEASES

There is a 60 month copier lease with monthly payments of \$428 through June 2019.

There is a ten year lease agreement with Sylvia B. Gustina, Trustee for the use of the classrooms and other facilities located on the Trustee's property. The lease is set to expire on June 30, 2020. The required lease payments under this lease are currently \$13,159 per month plus utilities. The lease payments will increase 2% each year, ending at \$14,819 per month during the year ended June 30, 2020.

Total expense for the above leases was \$205,363 for the year ended June 30, 2015.

Future minimum lease payments for all leases are as follows:

	Property	Copiers	Total
2015-16	\$ 202,433	\$ 7,736	\$ 210,169
2016-17	205,705	5,571	211,276
2017-18	208,788	5,138	213,926
2018-19	212,473	5,138	217,611
2019-20	35,750	-	35,750
	<u>\$ 865,148</u>	<u>\$ 23,583</u>	<u>\$ 888,731</u>

10. LONG-TERM DEBT

There is a bank loan with Capital Pacific Bank which has an annual interest rate of 4.2% and a monthly payment of \$1,094, which includes interest. The loan is secured by the CDs and deposits held with Capital Pacific Bank.

There are direct loans with individuals at interest rates of 4.20% to 4.50% per annum (see below). 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:

Issue Date	Interest Rate	July 1, 2014 Balance	Issued	Matured and Redeemed	June 30, 2015 Balance
Loans:					
8/31/2010	4.20%	\$ 14,927	\$ -	\$ 12,748	\$ 2,179
Promissory Notes:					
7/21/2010	4.50%	10,066	-	2,943	7,123
7/21/2010	4.00%	2,690	-	2,141	549
		<u>\$ 27,683</u>	<u>\$ -</u>	<u>\$ 17,832</u>	<u>\$ 9,851</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

10. LONG-TERM DEBT (Continued)

Future requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-16	\$ 5,806	\$ 281	\$ 6,087
2016-17	3,218	128	3,346
2017-18	<u>827</u>	<u>9</u>	<u>836</u>
Total	<u>\$ 9,851</u>	<u>\$ 418</u>	<u>\$ 10,269</u>

11. COMMITMENTS AND 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 cannot 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 the School a ten year charter. These financial statements have not considered the effect of a nonrenewal of the charter.

12. 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 for the last three years.

13. TAX STATUS

The School has qualified as an organization whose activities, related to its nonprofit status, are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the tax-exempt purpose is subject to unrelated business income tax. No provision is made in the financial statements for a federal income tax liability as management believes there is no taxable unrelated income.

U.S. Generally Accepted Accounting Principles require management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain position has been taken that more than likely would not be sustained upon examination by the Internal Revenue Service. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

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

NOTES TO BASIC FINANCIAL STATEMENTS

14. RESTATEMENT OF PRIOR YEAR NET POSITION

Due to the implementation of GASB Statements 68 and 71, a restatement of the prior year net position was required to record the net pension liability at the prior measurement date and reclassify prior year pension contributions from expenses to deferred outflows. The restatement is as follows:

Net position-Beginning as previously reported	\$ 1,492,261
Proportionate share of net pension liability at prior measurement date	(570,220)
Net outflow/(inflows) of resources (prior year employer contributions)	<u>120,459</u>
Net position-Beginning as restated	<u>\$ 1,042,500</u>

OTHER INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND – BUDGET AND ACTUAL
 For the Year Ended June 30, 2015

REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Local sources	\$ 170,502	\$ 170,502	\$ 245,280	\$ 74,778
State sources	<u>1,305,605</u>	<u>1,305,605</u>	<u>1,246,704</u>	<u>(58,901)</u>
Total Revenues	<u>1,476,107</u>	<u>1,476,107</u>	<u>1,491,984</u>	<u>15,877</u>
EXPENDITURES:				
Instruction	863,170	863,170	799,575	63,595
Support services	589,185	589,185	595,733	(6,548)
Facility acquisition and construction	-	-	33,579	(33,579)
Debt service	<u>18,691</u>	<u>18,691</u>	<u>17,832</u>	<u>859</u>
Total Expenditures	<u>1,471,046</u>	<u>1,471,046</u>	<u>1,446,719</u>	<u>24,327</u>
Net Change in Fund Balance	5,061	5,061	45,265	40,204
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>729,427</u>	<u>729,427</u>
Ending Fund Balance	<u>\$ 5,061</u>	<u>\$ 5,061</u>	<u>\$ 774,692</u>	<u>\$ 769,631</u>

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REQUIRED
SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2015

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) The School's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.01 %	\$ (253,280)	\$ 549,266	(46.1) %	103.6 %
2014	0.01	570,220	584,120	97.6	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2015	\$ 112,582	\$ 112,582	\$ -	\$ 549,266	20.5 %
2014	120,459	120,459	-	584,120	20.6

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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REPORTS ON LEGAL AND
OTHER REGULATORY REQUIREMENTS

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October 6, 2015

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of M.I.T.C.H. Charter School as of and for the year ended June 30, 2015, and have issued our report thereon dated October 6, 2015. 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 basic 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).**

In connection with our testing nothing came to our attention that caused us to believe M.I.T.C.H. 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 basic 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.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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