

MITCH CHARTER SCHOOL

Washington County, Oregon

Financial Report

For the Year Ended June 30, 2017



MCDONALD JACOBS

MITCH Charter School
Washington County, Oregon

BOARD OF DIRECTORS
June 30, 2017

Donna Capodacqua, Chair
Karen Forman, Treasurer
Caitlin Blood, Secretary
Jody Blakely
Jeff Demland, Vice Treasurer
Ian Gordon-Knight
Jason Holland, Vice Secretary
Brittany Leonard
Melissa Meyer, Executive Director (ex officio)
Brent Savage

All board members receive mail at the address below:

19550 SW 90th Ct.
Tualatin, OR 97062

MITCH Charter School
Washington County, Oregon

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INDEPENDENT AUDITOR'S REPORT

Shareholders

MARK A. CLIFT, CPA
KARIN S. WANDTKE, CPA
SANG AHN, CPA
GERARD DEBLOIS JR., CPA
MARY STRASDIN, CPA
ANTHONY ALMER, CPA
TYEE CARR, CPA

To the Board of Directors
MITCH Charter School

Principals

JAKE JACOBS, CPA RETIRED
SUSAN J. MARKS, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities and the major fund of MITCH Charter School (an Oregon nonprofit corporation), Washington County, Oregon (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of MITCH Charter School as of June 30, 2017 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the schedules of proportionate share of net pension liability and contributions on page 31 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

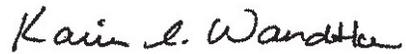
Other Information

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, 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

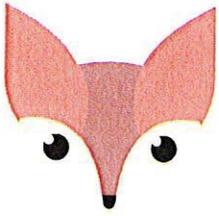
Report on Other Legal and Regulatory Requirements

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated September 21, 2017, on our consideration of the School's 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.

McDonald Jacobs, P.C.



Karin S. Wandtke, Shareholder
Portland, Oregon
September 21, 2017



MITCH CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2017

As management of MITCH Charter School (the School), we offer the following narrative overview and analysis of the School's financial statements for the year ended June 30, 2017. 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 select in nature, it should be considered in conjunction with the financial statements and notes to basic financial statements included in this financial report.

Although the School is a not-for-profit organization, these financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34 as amended. The State of Oregon, Secretary of State's interpretation of the enabling legislation related to Oregon Charter Schools, requires this presentation. The interpretation requires the School's financial statements to be presented on the same basis as those of our sponsoring district, the Tigard-Tualatin School District.

The School's financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

The government-wide financial statements on pages 7 and 8 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 on pages 10 and 12 are presented focusing on near-term inflows and outflows of available resources as well as balances of available resources available at the end of the year. The Reconciliations of Governmental Funds on pages 11 and 13 provide reconciliation between the fund financial statements and the government-wide financial statements.

All activities of the School are considered to be governmental activities.

Condensed financial information is presented below.

Net Position	Governmental Activities		
	June 30,		
	2017	2016	Change
Current assets	\$ 424,068	\$ 571,112	\$ (147,044)
Capital and noncurrent assets	685,466	744,769	(59,303)
Total assets	<u>1,109,534</u>	<u>1,315,881</u>	<u>(206,347)</u>
Deferred outflows of resources	<u>838,943</u>	<u>167,373</u>	<u>671,570</u>
Current liabilities	59,727	38,751	20,976
Noncurrent liabilities	<u>1,486,963</u>	<u>643,356</u>	<u>843,607</u>
Total liabilities	<u>1,546,690</u>	<u>682,107</u>	<u>864,583</u>
Deferred inflows of resources	<u>76,758</u>	<u>143,594</u>	<u>(66,836)</u>
Net position:			
Net investment in capital assets	669,285	728,588	(59,303)
Unrestricted	<u>(344,256)</u>	<u>(71,035)</u>	<u>(273,221)</u>
Total net position	<u>\$ 325,029</u>	<u>\$ 657,553</u>	<u>\$ (332,524)</u>

The School showed a decrease in its financial position during the year ended June 30, 2017. Our total assets decreased from \$1,315,881 to \$1,109,534 at the end of the 2017 fiscal year, of which \$669,285 are capital assets, net of depreciation. Our total liabilities increased from \$682,107 to \$1,546,690, of which \$59,727 were current as of June 30, 2017. Our total net position decreased from \$629,780 to a deficit (\$258,302). An increase of \$888,082 in noncurrent liabilities relates to the increase in the net pension liability.

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

Change in Net Position	Governmental Activities		
	Fiscal year ended June 30,		
	2017	2016	Change
Revenues:			
State School Fund	\$ 1,365,774	\$ 1,318,609	\$ 47,165
Charges for services	74,632	139,446	(64,814)
Operating grants, contributions, other	60,429	25,194	35,235
Total revenues	<u>1,500,835</u>	<u>1,483,249</u>	<u>17,586</u>
Expenses:			
Instruction	1,084,932	1,329,455	(244,523)
Support services	667,243	808,790	(141,547)
Community services	13,593	23,441	(9,848)
Unallocated depreciation	67,591	62,417	5,174
Total expenses	<u>1,833,359</u>	<u>2,224,103</u>	<u>(390,744)</u>
Change in net position	(332,524)	(740,854)	408,330
Net position - beginning of year	<u>657,553</u>	<u>1,398,407</u>	<u>(740,854)</u>
Net position - end of year	<u>\$ 325,029</u>	<u>\$ 657,553</u>	<u>\$ (332,524)</u>

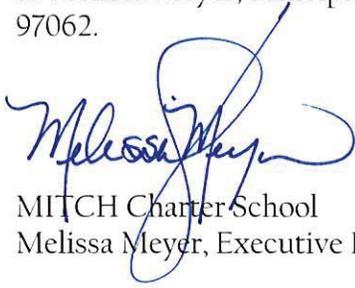
Our revenues came primarily from three major sources. State School Fund revenues were \$1,365,774, charges for services were \$74,632 and contributions and other revenue were \$60,429. Total revenues from all sources for the year were \$1,500,835, an increase of \$17,586 from 2015-2016 revenues of \$1,483,249. Our largest expenses were for personnel costs, which total \$1,214,585.

Our expenses totaled \$1,833,359 for the year, an decrease of \$390,744 over 2015-2016 expenses of \$2,251,876. The total increase in expenses reflects activity due to GASB 68 and 71. The total change in expenses includes a decrease in personnel related expenses of \$302,839 and a decrease in other operating of \$87,935.

We ended Spring 2017 with 238 students and opened this Fall 2017 with 256 students.

Please refer to the notes to the basic financial statements on pages 13 through 29 for a discussion of other matters related to the 2016-2017 year. Within that section are explanations of MITCH Charter School's organization and operations, 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 Melissa Meyer, Principal, at MITCH Charter School, 19550 SW 90th Court, Tualatin, OR 97062.

A handwritten signature in blue ink, appearing to read "Melissa Meyer", is written over the printed name below.

MITCH Charter School
Melissa Meyer, Executive Director

MITCH CHARTER SCHOOL
Washington County, Oregon

BASIC FINANCIAL STATEMENTS

MITCH CHARTER SCHOOL
Washington County, Oregon

STATEMENT OF NET POSITION
June 30, 2017

ASSETS:	
Cash and cash equivalents	\$ 409,331
Accounts receivable	14,737
Other assets, non-current	16,181
Capital assets, net of depreciation	<u>669,285</u>
TOTAL ASSETS	<u>1,109,534</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Net pension related deferral	<u>838,943</u>
LIABILITIES:	
Accounts payable	13,422
Accrued payroll and related expenses	17,460
Unearned revenue	28,845
Net pension liability	<u>1,486,963</u>
TOTAL LIABILITIES	<u>1,546,690</u>
DEFERRED INFLOWS OF RESOURCES:	
Net pension related deferral	<u>76,758</u>
NET POSITION:	
Net investment in capital assets	669,285
Unrestricted	<u>(344,256)</u>
TOTAL NET POSITION	<u>\$ 325,029</u>

See notes to basic financial statements.

MITCH CHARTER SCHOOL
Washington County, Oregon

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) and Changes in Net Position
FUNCTIONS:					
Instruction	\$ 1,084,932	\$ 59,874	\$ 59,033		\$ (966,025)
Support services	667,243	-	-		(667,243)
Community services	13,593	14,758	-		1,165
Unallocated depreciation	67,591	-	-		(67,591)
Total governmental activities	1,833,359	74,632	59,033		(1,699,694)
General revenues:					
					1,365,774
					1,396
					1,367,170
					(332,524)
					657,553
					\$ 325,029

See notes to basic financial statements.

MITCH CHARTER SCHOOL
Washington County, Oregon

BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2017

GENERAL FUND

ASSETS

Cash and cash equivalents	\$	409,331
Accounts receivable		<u>14,737</u>
TOTAL ASSETS	\$	<u><u>424,068</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$	13,422
Accrued payroll and related expenses		17,460
Unearned revenue		<u>28,845</u>

Total liabilities 59,727

Fund balance:

Unassigned 364,341

Total fund balance 364,341

TOTAL LIABILITIES AND FUND BALANCE \$ 424,068

See notes to basic financial statements.

MITCH CHARTER SCHOOL
Washington County, Oregon

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balance - Governmental Fund	\$ 364,341
The net pension asset/(liability) is the difference between the total pension liability and the assets set aside to pay benefits to past and current employees and beneficiaries.	(1,486,963)
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and contributions subsequent to measurement date.	
Deferred outflows of resources related to the pension	838,943
Deferred inflows of resources related to the pension	(76,758)
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 Position includes those capital assets among the assets of the School as a whole.	
Capital assets, net of depreciation	669,285
Refundable rental deposit 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.	
Other assets	<u>16,181</u>
Net position	<u>\$ 325,029</u>

See notes to basic financial statements.

MITCH CHARTER SCHOOL
Washington County, Oregon

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the year ended June 30, 2017

GENERAL FUND

Revenues:	
Local sources	\$ 135,061
State sources	<u>1,365,774</u>
Total revenues	<u>1,500,835</u>
Expenditures:	
Instruction	1,003,354
Support services	643,620
Community services	13,593
Capital outlay	<u>8,288</u>
Total expenditures	<u>1,668,855</u>
Net change in fund balance	(168,020)
Beginning fund balance	<u>532,361</u>
Ending fund balance	<u><u>\$ 364,341</u></u>

See notes to basic financial statements.

MITCH 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, 2017

Net change in fund balance - Governmental Fund	\$ (168,020)
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.	(105,201)
Capital outlays are reported as expenditures, however, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.	
Capital outlay	8,288
Depreciation expense	<u>(67,591)</u>
Change in net position	<u>\$ (332,524)</u>

See notes to basic financial statements.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) for governmental units as required by an interpretation of Oregon law related to 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 School's accounting policies are described below.

A. The Financial Reporting Entity

MITCH Charter School (MITCH or the School) is a nonprofit corporation organized under the laws of the State of Oregon and governed by a 9-member board. The mission of MITCH is to teach a coherent, cumulative, and content-specific curriculum in language arts, history, geography, mathematics, science, the arts, and agriculture so that our students become literate, knowledgeable, and confident leaders serving our community, nation, and world.

MITCH operates as an Oregon Charter School under the provisions of Oregon Revised Statutes Chapter 338. This statute requires that the Charter School be considered a governmental organization and is subject to the *Minimum Standards of Audits of Oregon Municipal Corporations*. Generally accepted accounting principles require that these financial statements present MITCH and all component units, if any. All significant activities with which the School exercises oversight responsibility have been considered for inclusion in the basic financial statements. MITCH has no component units. Even though the School is a separate legal entity, MITCH Charter School 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 Position and Statement of Activities display information about the School as a whole.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation, Continued

Government-Wide Financial Statements (GWFS), Continued

Program revenues include fundraising revenues, contributions and grants. Revenues not classified as program revenues are reported as general revenues and include State School Fund and other general revenues.

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."

The School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

Fund Financial Statements

The accounts of the School 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.

Governmental Fund Type

The General Fund is a governmental fund and is used to account for all of the School's activities. Governmental funds 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. The School considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Grant revenue is not considered available and, therefore, is not recognized until eligible expenditures are incurred. Expenditures are recorded when the liability is incurred.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation, Continued

Governmental Fund Type, Continued

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.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The School has only one major governmental fund, a 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 payment of state school support from Tigard-Tualatin School District, grants, program fees, fundraising and contributions.

Fund balances of the governmental fund are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the School's Board of Directors.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the School's Board of Directors may assign amounts for specific purposes.

Unassigned – all amounts not included in other spendable classifications.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation, Continued

Fund Balances – Governmental Fund, Continued

As of June 30, 2017, fund balances of the governmental fund consist of:

- Unassigned fund balance of \$364,341.

The School did not have nonspendable, restricted, committed or assigned fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School considers restricted funds to have been spent first. When an expenditure for which committed, assigned or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

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 deferred revenue in the Balance Sheet and Statement of Net Position.

Net Position

Net position is classified in the following categories:

Net investment in capital assets - consists of net assets invested in buildings, equipment and other capital assets of the School, net of any related debt.

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 was no restricted net position at June 30, 2017.

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

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Budget

The School is not legally bound to follow Oregon budget law which eliminates that requirement to present budgetary comparison schedules.

D. Capital Assets

Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,500 and a useful life in excess of 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 on 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. Retirement Plans

Substantially all of MITCH Charter School's licensed teachers and administrative staff are eligible participants in the 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 the fiduciary net position of PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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/expenditures during the reporting period. Actual results could differ from those estimates.

G. Income Tax Status

MITCH Charter School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. MITCH Charter School is not a private foundation.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Income Tax Status, Continued

The School follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the School's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

H. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net 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. As of June 30, 2017, there were deferred outflows of \$838,943 representing net pension related deferrals.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. As of June 30, 2017, there were deferred inflows of \$76,758 representing net pension related deferrals.

2. CASH DEPOSITS AND CASH EQUIVALENTS

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, deposits may not be returned. There is no deposit policy for custodial risk. As of June 30, 2017, bank balances totaled \$414,189, all of which were insured by Federal Deposit Insurance Corporation (FDIC). The School also held cash in a PayPal account and undeposited funds totaling \$7 that were not insured.

MITCH CHARTER SCHOOL
Washington County, Oregon
 NOTES TO BASIC FINANCIAL STATEMENTS, Continued
 June 30, 2017

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u> <u>Balance</u>
Leasehold improvements	\$ 890,841	\$ -	\$ -	\$ 890,841
Machinery and equipment	86,204	8,288	-	94,492
Furniture and fixtures	<u>106,321</u>	<u>-</u>	<u>-</u>	<u>106,321</u>
Total depreciable assets	1,083,366	8,288	-	1,091,654
Less accumulated depreciation	<u>(354,778)</u>	<u>(67,591)</u>	<u>-</u>	<u>(422,369)</u>
Net depreciable assets	<u>728,588</u>	<u>(59,303)</u>	<u>-</u>	<u>669,285</u>
 Net capital assets	 <u>\$ 728,588</u>	 <u>\$ (59,303)</u>	 <u>\$ -</u>	 <u>\$ 669,285</u>

4. RETIREMENT PLANS

Plan Description

Employees of the School are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

4. RETIREMENT PLANS, Continued

Benefits Provided

a. Tier One/Tier Two Retirement Benefit ORS Chapter 238

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 (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 benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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 conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

4. RETIREMENT PLANS, Continued

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 when determining the monthly benefit.

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 of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

b. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. 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:

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 OPSRP 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.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

4. RETIREMENT PLAN, Continued

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.

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.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA will vary based on the amount of the annual benefit.

c. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

4. RETIREMENT PLANS, Continued

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

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. This 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, 2013 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$152,699, excluding amounts to fund employer specific liabilities.

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

At June 30, 2017, the School reported a liability of \$1,486,963 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2014 rolled forward to June 30, 2016. 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 entities, actuarially determined. At June 30, 2016, the School's proportion was .01 percent, which was unchanged from its proportion measured as of June 30, 2015.

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

4. RETIREMENT PLANS, Continued

For the year ended June 30, 2017, the School recognized pension expense (income) of \$660,486. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 49,195	\$ -
Changes in assumptions	317,133	-
Net difference between projected and actual earnings on pension plan investments	293,761	-
Changes in proportionate share		
Differences between School contributions and proportionate share of system contributions	419	70,011
	<u>25,736</u>	<u>6,747</u>
Subtotal - amortized deferrals (below)	686,244	76,758
School contributions subsequent to measurement date	152,699	-
Total deferred outflow and inflow of resources	<u>\$ 838,943</u>	<u>\$ 76,758</u>

The amount of \$152,699 reported as deferred outflows of resources related to pensions resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30, 2018	\$ 106,836
2019	106,836
2020	214,939
2021	160,150
2022	<u>20,725</u>
Total	<u>\$ 609,486</u>

MITCH CHARTER SCHOOL
Washington County, Oregon
 NOTES TO BASIC FINANCIAL STATEMENTS, Continued
 June 30, 2017

4. RETIREMENT PLANTS, Continued

Actuarial Assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit 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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) 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. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent (reduced from 2.75 percent)
Long-Term Expected Rate of Return *	7.50 percent (reduced from 7.75 percent)
Discount Rate	7.50 percent (reduced from 7.75 percent)
Projected Salary Increases	3.50 percent (reduced from 3.75 percent)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.
* At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.5 percent.	

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

4. RETIREMENT PLANS, Continued

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 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means see the PERS' separately issued financial report.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

MITCH CHARTER SCHOOL
Washington County, Oregon
 NOTES TO BASIC FINANCIAL STATEMENTS, Continued
 June 30, 2017

4. RETIREMENT PLANS, Continued

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Rate (7.50%)	Increase (8.50%)
School's proportionate share of the net pension liability	\$ 2,400,949	\$1,486,963	\$ 723,030

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

5. LEASE COMMITMENTS

The School leases its facilities under an operating lease through August 2020 with current monthly rent of \$13,964 subject to annual increases of approximately 2%. The School also leases a copier under an operating lease through June 2018 with monthly payments of \$405. Lease expense totaled approximately \$171,900 for the year ended June 30, 2017.

Future minimum lease payments are as follows:

Year ending June 30, 2018	\$ 175,200
2019	173,800
2020	177,200
2021	29,600
Total	\$ 555,800

MITCH CHARTER SCHOOL
Washington County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2017

6. 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 statewide 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 increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

The School operates under authority of Tigard-Tualatin School District who grants the charter and exercises oversight as required by Oregon law. The effect of non-renewal of the charter has not been determined.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

8. SUBSEQUENT EVENTS

MITCH Charter School has evaluated all subsequent events through September 21, 2017, the date the financial statements were available to be issued.

9. RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets were restated to reflect an increase of \$27,773 related to deferred pension outflows and inflows.

MITCH CHARTER SCHOOL
Washington County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

MITCH CHARTER SCHOOL
Washington County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2017

Schedule of the Proportionate Share of 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) CAL's covered payroll	(b/c) NPL as a % of covered payroll	Plan fiduciary net position as a % of the total pension liability
2017	0.01%	\$ 1,486,963	\$ 764,068	194.61%	80.50%
2016	0.01%	643,356	652,119	98.66%	91.90%
2015	0.01%	(253,280)	549,266	-46.11%	103.60%
2014	0.01%	570,220	584,120	97.62%	92.00%

Schedule of Contributions

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2017	\$ 152,699	\$ 152,699	-	\$ 764,068	19.99%
2016	130,326	130,326	-	652,119	19.99%
2015	112,582	112,582	-	549,266	20.50%
2014	120,459	120,459	-	584,120	20.62%

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

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.

MITCH CHARTER SCHOOL
Washington County, Oregon

AUDIT COMMENTS AND DISCLOSURES



Shareholders

MARK A. CLIFT, CPA
KARIN S. WANDTKE, CPA
SANG AHN, CPA
GERARD DEBLOIS JR., CPA
MARY STRASDIN, CPA
ANTHONY ALMER, CPA
TYEE CARR, CPA

Principals

JAKE JACOBS, CPA RETIRE
SUSAN J. MARKS, CPA

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
MITCH Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of MITCH Charter School (the School) as of and for the year ended June 30, 2017, and have issued our report thereon dated September 21, 2017.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its 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:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Insurance and fidelity bonds in force or required by law
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Public charter school requirements

In connection with our testing nothing came to our attention that caused us to believe the 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.

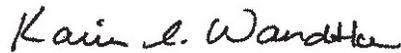
OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information the Board of Directors, management of MITCH Charter School, Tigard-Tualatin School District, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

McDonald Jacobs, P.C.



Karin S. Wandtke, Shareholder
Portland, Oregon
September 21, 2017