

CALIFORNIA MONTESSORI PROJECT

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE**

June 30, 2003



CALIFORNIA MONTESSORI PROJECT

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Montessori Project
4718 Engle Road
Carmichael, CA 95608

We have audited the accompanying general purpose financial statements of the California Montessori Project (the School), as of and for the year ended June 30, 2003 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the California Montessori Project as of June 30, 2003, and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2003 on our consideration of the California Montessori Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors
California Montessori Project

The accompanying financial and statistical information identified as supplemental information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


VICENTI, LLOYD & STUTZMAN LLP

September 18, 2003

CALIFORNIA MONTESSORI PROJECT
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2003

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General Fund</u>	<u>Agency Funds</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>ASSETS</u>					
Cash on Hand and in Banks	\$ 150,730	\$ 57,933	\$ -	\$ -	\$ 208,663
Cash in Revolving Fund	3,000				3,000
Accounts Receivable:					
State Governments	421,018				421,018
Miscellaneous	57,268				57,268
Deposits and prepaid assets	44,517				44,517
Fixed Assets			177,490		177,490
Amount to be Provided For:					
Capital Leases				78,722	78,722
Charter School Loan				187,500	187,500
TOTAL ASSETS	<u>\$ 676,533</u>	<u>\$ 57,933</u>	<u>\$ 177,490</u>	<u>\$ 266,222</u>	<u>\$ 1,178,178</u>
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Cash Advance from County Treasury	\$ 297,414	\$ -	\$ -	\$ -	\$ 297,414
Accounts Payable	135,543				135,543
Deferred Revenue	25,093				25,093
Due to Student Groups		57,933			57,933
Capital Leases				78,722	78,722
Charter School Loan				187,500	187,500
TOTAL LIABILITIES	<u>458,050</u>	<u>57,933</u>	<u>-</u>	<u>266,222</u>	<u>782,205</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA MONTESSORI PROJECT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**

For the Fiscal Year Ended June 30, 2003

	Governmental Fund Type
	General Fund
REVENUES	
Revenue from Revenue Limit Sources	\$ 3,007,388
Revenue from Other State Sources	749,198
Revenue from Local Sources	<u>605,309</u>
TOTAL REVENUES	<u>4,361,895</u>
EXPENDITURES	
Certificated Salaries	1,329,374
Classified Salaries	1,049,285
Employee Benefits	441,758
Books and Supplies	171,266
Services and Other Operating Expenses	1,008,622
Capital Outlay	<u>90,898</u>
TOTAL EXPENDITURES	<u>4,091,203</u>
Excess of revenues over expenditures	<u>270,692</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from Capital Lease	11,426
Debt Service	<u>(118,677)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(107,251)</u>
Excess of revenues over expenditures and other sources (uses)	163,441
Fund Balances at Beginning of Year	<u>55,042</u>
Fund Balances at End of Year	<u>\$ 218,483</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA MONTESSORI PROJECT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2003**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Revenue Limit Sources			
Principal Apportionment	\$ 2,767,000	\$ 2,767,470	\$ 470
Property Taxes	240,000	239,918	(82)
Total Revenue from Revenue Limit Sources	3,007,000	3,007,388	388
Revenue from Other State Sources			
Class Size Reduction K-3	373,300	373,272	(28)
Charter Schools Categorical Block Grant	118,100	118,101	1
State Lottery	179,500	173,333	(6,167)
Other State Revenues	84,500	84,492	(8)
Total Revenue from Other State Sources	755,400	749,198	(6,202)
Revenue from Local Sources			
Fees and Contracts	454,000	447,544	(6,456)
Interest Revenue	1,700	1,727	27
Other Local Revenue	97,400	156,038	58,638
Total Revenue from Local Sources	553,100	605,309	52,209
TOTAL REVENUES	4,315,500	4,361,895	46,395
EXPENDITURES			
Certificated Salaries	1,330,000	1,329,374	626
Classified Salaries	1,049,500	1,049,285	215
Employee Benefits	442,100	441,758	342
Books and Supplies	172,000	171,266	734
Services and Other Operating Expenses	1,009,000	1,008,622	378
Capital Outlay	91,000	90,898	102
TOTAL EXPENDITURES	4,093,600	4,091,203	2,397

The accompanying notes are an integral part of these financial statements.

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The California Montessori Project, A California Charter School, Inc. (The School) was formed to provide a Montessori based educational program to every child in the state of California. The School was approved in 2001 by the Wheatland Elementary School District (the District). The School is funded principally through the California Department of Education and the District. The School is governed by a Governance Board consisting of one teacher, one parent, the District Superintendent or designee, one Montessori community member, one business community member, one charter community member, and one public member from the community at large. In addition, the currently employed Director(s) will sit on the Governing Board as non-voting members.

The District has granted the charter through June 30, 2006, subject to amendment and renewal. The charter may be revoked by the District only for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

The School has a memorandum of understanding with the District whereby the School pays the District 2% of the School's per pupil revenues to provide administrative oversight and payroll services.

The accounting policies of the School conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The School records financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual, updated to conform to the financial and reporting requirements promulgated by the State Department of Education.

A. Basis of Presentation

The accounts of the School are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. School resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups of the School are included in the financial statements as follows:

Governmental Fund Types:

General Fund - The General fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Basis of Presentation (continued)

Fiduciary Fund Types (Agency Funds):

Student Fund - This fund is maintained to account for student fund raising activities and expenditures to promote the general welfare, morale and educational experiences of the students.

Account Groups:

Fixed Assets - Fixed assets are long-lived assets of the School as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and would be capitalized (recorded and accounted for) in the General Fixed Asset Account Group.

Long-Term Liabilities - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The basis of accounting for both revenues and expenditures have exceptions which are noted below, including an exception for unmatured interest on general long-term debt, which is recognized when due.

C. Budgets and Budgetary Accounting

State law requires that budgets be legally adopted by the Governing Board for all governmental type funds. A summary of revenue and expenditures compared with budget estimates is shown in the financial statements for all governmental type funds. The School utilizes the County appropriation ledger and School prepared computer reports for budgetary control.

D. Inventories

Values of instructional and operational supplies on hand at year end have not been reflected in the General Fund financial statements; they are expensed when incurred.

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

E. Total Columns of the Financial Statements

Included on the financial statements are total columns captioned "Memorandum Only" to indicate that they are presented only for information purposes. Adjustments to eliminate inter-fund transactions have not been recorded in arriving at such amounts and the memorandum totals are not intended to fairly present the financial position or results of operations of the School.

F. Accumulated Unpaid Employee Vacation and Sick Leave

Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. There was not a material amount of unused vacation time at June 30, 2003. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

However, the employees do not gain a vested right to accumulated sick leave and payments are not made for unused sick leave balances at the time of termination of employment. Therefore, accumulated unused sick leave is not recorded as a liability.

G. GASB Statement No. 24

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all charter schools in California. However, a fiscal advisory was issued by the California Department of Education instructing Schools not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the School is estimated at \$62,000.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations in any governmental funds of the School.

CALIFORNIA MONTESSORI PROJECT

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003**

NOTE 3 - CASH:

Cash at June 30, 2003, consisted of the following:

Deposits:

Cash on Hand and in Banks	\$ 208,663
Cash in Revolving Fund	3,000

Pooled Funds:

Cash in County Treasury	-0-
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Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the School maintains substantially all of its cash in the Yuba County Treasury.

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

	<u>Category*</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Cash on Hand and in Banks	\$208,633	\$	\$	\$208,633	\$208,633
Cash in Revolving Fund	<u>3,000</u>	—	—	<u>3,000</u>	<u>3,000</u>
Total Deposits	<u>\$211,633</u>	<u>\$-</u>	<u>\$-</u>	<u>\$211,633</u>	<u>\$211,633</u>

* Category 1 includes deposits that are insured or collateralized. Category 2 includes deposits that are insured or collateralized by the pledging financial institution's trust department or agent in the School's name. Category 3 includes deposits that are not insured or collateralized in the School's name.

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

NOTE 4 - CASH ADVANCE FROM COUNTY TREASURY:

Per SBXI 18, the Legislature shifted the final Second Principal (P2) apportionment payment related to the 2002-2003 fiscal year from June 2003 to July 2003. This shift delayed the payment by two weeks. During this time period, the County Treasury allowed the School to overdraw on their cash funds held with the County to meet expenditures.

NOTE 5 - FUND BALANCE (RESERVED/RESTRICTED/DESIGNATED):

Reservations and designations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for future uses, as indicated in the financial statements. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

The reserved fund balance consists of the following:

	<u>General Fund</u>
Deposit and prepaid assets	\$ 44,517
Revolving Cash	<u>3,000</u>
	<u>\$ 47,517</u>

NOTE 6 - GENERAL LONG-TERM DEBT:

A. Capital Leases

The School leases portables and equipment valued at \$177,490 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2004	\$70,508
2005	<u>11,751</u>
Total	82,259
Less amount representing interest	<u>(3,537)</u>
Present value of net minimum lease payments	<u>\$78,722</u>

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

NOTE 6 - GENERAL LONG-TERM DEBT: (continued)

B. Department of Education Loan

The School received a Charter School Revolving Loan in the amount of \$250,000. Remaining annual repayment requirements are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 62,500	\$ 7,893	\$ 70,393
2005	62,500	5,149	67,649
2006	<u>62,500</u>	<u>2,405</u>	<u>64,905</u>
Total	<u>\$187,500</u>	<u>\$15,447</u>	<u>\$202,947</u>

Payments will be deducted annually from February - May apportionments.

C. Changes in General Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2003, is shown below.

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
Capital leases	\$123,473	\$11,426	\$56,177	\$ 78,722
Department of Education	<u>250,000</u>	<u>-</u>	<u>62,500</u>	<u>187,500</u>
Totals	<u>\$373,473</u>	<u>\$11,426</u>	<u>\$118,677</u>	<u>\$266,222</u>

NOTE 7 - OPERATING LEASES:

The School has entered various operating leases for facilities, with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the School will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2004	\$ 469,134
2005	380,254
2006	378,752
2007	<u>25,131</u>
Total	<u>\$1,253,271</u>

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

NOTE 8 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-03 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS

The School's contributions to STRS for each of the last two fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2002	76,485	100%
2003	112,100	100%

NOTE 9 - PROPERTY TAXES:

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on September 1 and are payable in two installments on or before December 10 and April 10. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County of Yuba bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. Wheatland Elementary School District, the sponsor agency of California Montessori Project, is required by law to provide in lieu property tax payments to the School on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

CALIFORNIA MONTESSORI PROJECT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

NOTE 10 - CONTINGENCIES:

State Allowances, Award, and Grants

The School has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 11 – GENERAL FIXED ASSETS:

A schedule of changes in general fixed assets for the year ended June 30, 2003 is shown below:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Portables	\$ 166,064	11,426	-0-	\$ 177,490

NOTE 12 - SUBSEQUENT EVENT:

Implementation of GASB Statement No. 34

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The statement prescribes a new financial reporting model that will restructure much of the information the School has presented in the past. Nation-wide implementation of GASB Statement No. 34 will be phased in over a three year period, beginning with larger Schools. Since the School's revenues are under \$10 million, GASB Statement No. 34 is effective for fiscal year 2003-04.

CALIFORNIA MONTESSORI PROJECT

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2003**

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
CARMICHAEL CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 7,275	\$ 120,297	\$ 122,556	\$ 5,016
TOTAL ASSETS	<u>\$ 7,275</u>	<u>\$ 120,297</u>	<u>\$ 122,556</u>	<u>\$ 5,016</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 7,275	\$ 120,297	\$ 122,556	\$ 5,016
TOTAL LIABILITIES	<u>\$ 7,275</u>	<u>\$ 120,297</u>	<u>\$ 122,556</u>	<u>\$ 5,016</u>
ELK GROVE CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 7,907	\$ 55,024	\$ 59,176	\$ 3,755
TOTAL ASSETS	<u>\$ 7,907</u>	<u>\$ 55,024</u>	<u>\$ 59,176</u>	<u>\$ 3,755</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 7,907	\$ 55,024	\$ 59,176	\$ 3,755
TOTAL LIABILITIES	<u>\$ 7,907</u>	<u>\$ 55,024</u>	<u>\$ 59,176</u>	<u>\$ 3,755</u>
SHINGLE SPRINGS CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 20,144	\$ 212,493	\$ 194,062	\$ 38,575
TOTAL ASSETS	<u>\$ 20,144</u>	<u>\$ 212,493</u>	<u>\$ 194,062</u>	<u>\$ 38,575</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 20,144	\$ 212,493	\$ 194,062	\$ 38,575
TOTAL LIABILITIES	<u>\$ 20,144</u>	<u>\$ 212,493</u>	<u>\$ 194,062</u>	<u>\$ 38,575</u>
CAPITAL CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 6,665	\$ 44,598	\$ 43,195	\$ 8,068
TOTAL ASSETS	<u>\$ 6,665</u>	<u>\$ 44,598</u>	<u>\$ 43,195</u>	<u>\$ 8,068</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 6,665	\$ 44,598	\$ 43,195	\$ 8,068
TOTAL LIABILITIES	<u>\$ 6,665</u>	<u>\$ 44,598</u>	<u>\$ 43,195</u>	<u>\$ 8,068</u>
AMERICAN RIVER CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ -	\$ 40,368	\$ 37,849	\$ 2,519
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 40,368</u>	<u>\$ 37,849</u>	<u>\$ 2,519</u>

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY INFORMATION SECTION

CALIFORNIA MONTESSORI PROJECT

ORGANIZATION

June 30, 2003

ORGANIZATION

The California Montessori Project is a California Charter School located in the Sacramento and El Dorado Counties and is sponsored by the Wheatland Elementary School District (WESD) in Yuba County. During the current fiscal year, the School maintained five school sites covering kindergarten through eighth grade.

BOARD OF DIRECTORS

<u>MEMBERS</u>	<u>OFFICE</u>
Val Toppenberg	Chairman
Erin Auernig	Vice Chair
Sara Aikenhead	Treasurer
Lisa Coates	Secretary
Tami Johnson	WESD Superintendent Designee
Dorothy Hilts	Teacher
Angie Wiggins	Parent

ADMINISTRATION

Mr. Keith Alpaugh President/Executive Director

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2003**

AVERAGE DAILY ATTENDANCE

A comparison of the average daily attendance for the current and prior school year is shown in the following summary.

<u>Grades</u>	2002-03 Second Period Report	<u>Annual Report</u>		Increase (Decrease)
		<u>2002-03</u>	<u>2001-02</u>	
Kindergarten	144	146	120	26
First through third	336	334	216	118
Fourth through sixth	160	158	110	48
Seventh through eighth	<u>27</u>	<u>28</u>	<u>0</u>	<u>28</u>
Totals	<u>667</u>	<u>666</u>	<u>446</u>	<u>220</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

SCHEDULE OF INSTRUCTIONAL TIME OFFERED

For the Fiscal Year Ended June 30, 2003

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2002-03 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	-0-	41,400	180	In Compliance
Grade 1 to 3	50,400	-0-	51,960	180	In Compliance
Grade 4 to 5	54,000	-0-	57,930	180	In Compliance
Grade 6 to 8	54,000	-0-	57,930	180	In Compliance

*If a School offered more minutes in 1982-83 than the requirement, it may not reduce the number of minutes below the 1982-83 level. This is not applicable to the School.

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
TO AUDITED FINANCIAL STATEMENT FUND BALANCES**

For the Fiscal Year Ended June 30, 2003

	General Fund
June 30, 2003, annual financial and budget report fund balance	\$203,510
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Understatement of cash	61,317
Understatement of accounts receivable	3,749
Overstatement of prepaid expenditures	(25,000)
Understatement of deferred revenue	<u>(25,093)</u>
June 30, 2003, audited financial statement fund balance	<u>\$218,483</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Years Ended June 30,

	2004 (Budgeted)		2003		2002	
	Amount	%	Amount	%	Amount	%
GENERAL FUND:						
Revenue:						
Revenue limit sources	\$ 3,786,132	73.6	\$ 3,007,388	71.4	\$2,088,522	60.8
Federal	11,500	0.2	-	0.0	150,000	4.4
State	989,270	19.2	749,198	17.8	348,869	10.2
County and local	983,509	19.1	605,309	14.4	486,854	14.2
Proceeds from Charter School Loan	-	0.0	-	0.0	250,000	7.3
Proceeds from Capital Leases	-	0.0	11,426	0.3	166,064	4.8
Total Revenues	<u>5,770,411</u>	<u>112.2</u>	<u>4,373,321</u>	<u>103.6</u>	<u>3,490,309</u>	<u>101.6</u>
Expenditures:						
Certificated Salaries	1,958,305	38.1	1,329,374	31.6	968,622	28.2
Classified Salaries	763,265	14.8	1,049,285	24.9	653,351	19.0
Employee Benefits	627,034	12.2	441,758	10.5	262,432	7.6
Books and Supplies	209,500	4.1	171,266	4.1	354,781	10.3
Contracted Services	1,487,985	28.9	1,008,622	24.0	790,257	23.0
Capital Outlay	19,000	0.4	90,898	2.2	303,521	8.8
Other Transfers	-	0.0	-	0.0	59,732	1.7
Debt Service	76,500	1.5	118,677	2.8	42,571	1.2
Total Expenditures	<u>5,141,589</u>	<u>100.0</u>	<u>4,209,880</u>	<u>100.0</u>	<u>3,435,267</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ 628,822</u>	<u>12.2</u>	<u>\$ 163,441</u>	<u>3.9</u>	<u>\$ 55,042</u>	<u>1.6</u>
Ending Fund Balance	<u>\$ 847,305</u>	<u>16.5</u>	<u>\$ 218,483</u>	<u>5.2</u>	<u>\$ 55,042</u>	<u>1.6</u>
Available Reserve Balance	<u>\$ 799,788</u>	<u>15.6</u>	<u>\$ 170,966</u>	<u>4.1</u>	<u>\$ 52,042</u>	<u>1.5</u>
Recommended Reserve	<u>\$ 154,248</u>		<u>\$ 126,296</u>		<u>\$ 50,000</u>	
Average Daily Attendance (P2)	<u>882</u>		<u>667</u>		<u>440</u>	
Total Long-Term Debt	<u>\$ 136,648</u>		<u>\$ 266,222</u>		<u>\$ 373,473</u>	

IMPORTANT NOTES:

For a Charter this size, the State recommends available reserves of the greater of 3% of total expenditures or \$50,000.

All percentages are of total expenditures.

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

NOTES TO SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2003

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

Average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

The School has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46200 through 46206.

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS Form to the audited financial statements.

D. Schedule of Financial Trends and Analysis

The State Controller's Office requires that this report be prepared showing financial trends of the general fund over the past two fiscal years as well as the current year budget. This report is intended to identify if the School has potential fiscal problems and if they have met the recommended available reserve percentages.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
California Montessori Project
4718 Engle Road
Carmichael, CA 95608

We have audited the general purpose financial statements of California Montessori Project (the School) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether California Montessori Project's combined general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

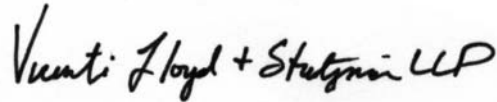
Internal Control Over Financial Reporting

In planning and performing our audit, we considered California Montessori Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be considered to be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

This report is intended solely for the information and use of the Board, management, the Wheatland Elementary School District, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

September 18, 2003

REPORT ON STATE COMPLIANCE

Board of Directors
 California Montessori Project
 4718 Engle Road
 Carmichael, CA 95608

We have audited the general purpose financial statements of the California Montessori Project (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated September 18, 2003. Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The School's management is responsible for the School's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	Yes

REPORT ON STATE COMPLIANCE

(Continued)

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting: (continued)		
Continuation education	11	Not applicable
Adult education	8	Not applicable
Regional occupational center/programs	4	Not applicable
Staff development day	4	Not applicable
Incentive for longer instructional day:		
Charter Schools	4	Yes
County Office of Education	4	Not applicable
GANN limit calculation	1	Not applicable
Early retirement incentive program	5	Not applicable
Community day schools	8	Not applicable
Class size reduction program:		
Option 1	10	Yes
Option 2	9	Not applicable
Option 1 and 2	14	Not applicable
Class size reduction in two courses in grade 9	8	Not applicable
Instructional materials:		
Instructional materials funding realignment program	9	Yes
Schiff-Bustamante standards-based instructional materials	9	Not applicable
Digital high school education technology grant program	5	Not applicable
California Public Schools Library Act of 1998	4	Not applicable
Ratios of administrative employees to teachers	3	Not applicable
Office of Criminal Justice Planning	-	Not applicable

Based on our audit, we found that, for the items tested, the California Montessori Project complied with the laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the California Montessori Project had not complied with the laws and regulations of state programs and requirements.

This report is intended solely for the information and use of the Board, management, the Wheatland Elementary School District, the California Department of Education, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.


 VICENTI, LLOYD & STUTZMAN LLP

September 18, 2003

CALIFORNIA MONTESSORI PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2003

There were no findings and questioned costs related to the general purpose financial statements for the fiscal year ended June 30, 2003.

CALIFORNIA MONTESSORI PROJECT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2003

Finding No.	Finding	Code	Recommendation	Current Status
N/A	There were no prior year finding reported.	N/A	N/A	N/A