

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

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

June 30, 2008



**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund and fiduciary funds of the California Montessori Project - Elk Grove Campus (a California public charter school operated by California Montessori Project) (the School) as of and for the year ended June 30, 2008 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the fiduciary fund of the School as of June 30, 2008, and the changes in financial position 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 our report dated November 3, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
California Montessori Project
Elk Grove Campus

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The management's discussion and analysis, and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


VICENTI, LLOYD & STUTZMAN LLP

November 3, 2008

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

INTRODUCTION

Our discussion and analysis of California Montessori Project - Elk Grove Campus (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with the School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001

FINANCIAL HIGHLIGHTS

1. Total net assets were \$1,284,155 at June 30, 2008.
2. Overall revenues were \$2,095,085, which was greater than the expenditures of \$1,982,437.
3. The overall enrollment for the California Montessori Project (the Organization) increased from 1305 students in 2006-07 to 1328 students in 2007-08. The October 2007 CBEDS enrollments at CMP – Elk Grove Campus Charter School was reported at 261.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The three sections together provide a comprehensive overview of the School. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

1. Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
2. Fund financial statements focus on reporting the individual parts of the School operations in more detail. The fund financial statements comprise the remaining statements.
 - Governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

The government-wide financial statements of the School include government activities. Most of the Charter's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limits funding, and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the School is meeting legal responsibilities for using certain revenues. The School has two kinds of funds:

1. Governmental funds - Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explains the relationship (or differences) between them.
2. Fiduciary funds – the School is the trustee, or fiduciary, for assets that belong to others; for the Charter, the student body activities fund is an agency fund. The School is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School-wide financial statements because the School cannot use the assets to finance its operations.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The School's net assets were \$1,284,155 at June 30, 2008. See table 1.

Table 1: Net Assets

	<u>Governmental Activities</u>		Total Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u> <u>2008-2007</u>
Assets			
Cash	\$ 837,984	\$ 784,095	7 %
Accounts Receivable	190,404	163,421	17
Prepaid Expenses	32,096	32,096	-
Capital Assets, Net of Accumulated Depreciation	<u>281,091</u>	<u>290,353</u>	<u>(3)</u>
TOTAL ASSETS	<u>1,341,575</u>	<u>1,269,965</u>	<u>6</u>
Liabilities			
Accounts Payable	5,089	8,906	(43)
Compensated Absences	42,040	26,109	61
Current portion of long-term liabilities Capital leases	<u>10,291</u>	<u>20,335</u>	<u>(49)</u>
TOTAL LIABILITIES	<u>57,420</u>	<u>55,350</u>	<u>4</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	270,800	270,018	-
Restricted	38,805	938,782	(96)
Unrestricted	<u>974,550</u>	<u>5,815</u>	<u>16,659</u>
TOTAL NET ASSETS	<u>\$1,284,155</u>	<u>\$ 1,214,615</u>	<u>6 %</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

The School's total revenues were \$2,095,085. This is the sum of all program revenues and all general revenues. A large portion of the 2007-08 revenue was based on ADA. The largest portion of the unrestricted revenue comes from State aid and property taxes (66%).

The total cost of all programs and services was \$1,982,437. The School's expenses are predominately related to educating and caring for students (80%). Administrative activities accounted for just 9% of total costs. The remaining expenses were for plant services (maintenance and operations).

Table 2: Changes in Net Assets

	Governmental Activities		Total Percentage Change 2008-2007
	2008	2007	
Revenues			
Program Revenues:			
Charges for Services	\$ 64,604	\$ 76,634	(16) %
Operating Grants & Contributions	49,811	93,746	(47)
General Revenues			
State Aid	1,021,783	1,019,177	-
Property Taxes	368,807	360,457	2
Other Federal Sources	390,995	-	N/A
Other State Sources	25,990	829,779	(97)
Local Sources	150,746	92,617	63
Interest	22,349	18,558	20
TOTAL REVENUES	<u>2,095,085</u>	<u>2,490,968</u>	<u>(16)</u>
Program Expenses			
Instruction	1,251,028	1,020,431	23
Instruction-Related Services	284,977	209,575	36
Pupil Services	59,562	53,019	12
General Administration	186,935	174,959	7
Plant Services	183,003	257,512	(29)
Debt Service - interest	570	1,766	(68)
Depreciation	16,362	16,125	1
TOTAL EXPENSES	<u>1,982,437</u>	<u>1,733,387</u>	<u>14</u>
INCREASE IN NET ASSETS	<u>\$ 112,648</u>	<u>\$ 757,581</u>	<u>(85) %</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Governmental Activities

The cost of all governmental activities this year was \$1,982,437.

Table 3 presents the cost of each of the School's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3: Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Instruction	\$1,251,028	\$ 1,020,431	\$ (1,136,613)	\$ (850,081)
Instruction-Related Services	284,977	209,575	(284,977)	(209,575)
Pupil Services	59,562	53,019	(59,562)	(53,019)
General Administration	186,935	174,959	(186,935)	(174,959)
Plant Services	183,003	257,512	(183,003)	(257,512)
Interest on long-term debt	570	1,766	(570)	(1,766)
Depreciation	16,362	16,125	(16,362)	(16,125)
TOTAL	<u>\$1,982,437</u>	<u>\$ 1,733,387</u>	<u>\$ (1,868,022)</u>	<u>\$ (1,563,037)</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF THE CHARTER'S FUNDS

The solid financial performance of the School as a whole is reflected in its governmental funds as well. The School's Special General Fund is used to report the majority of the activities of the School. The student body funds are maintained separately. As the School completed the year, its governmental funds reported a fund balance of \$1,055,395, which is based on the School's conservative spending practices, and, further, reflects the School's commitment to fiscal solvency for future years. The CMP administrative team and Governing Board recognize that a healthy fund balance is especially critical to the continued operation of Charter Schools, due to the volatility of laws and regulations which impact Charter funding.

The net difference between original and final budget amounts was \$(185,653). The difference was due to changes when the State budget was adopted (vs. what was initially anticipated) and revisions that took place over the course of the fiscal year. Also, the net difference between actual and budgeted amounts was \$0.

General Fund Budgetary Highlights

Over the course of the year, the School revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved September 2008. A schedule of the School's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the School had invested \$281,091 in a broad range of capital assets, including the portable buildings and building improvements. See Table 4. More detailed information about the School's capital assets is presented in the notes to the financial statements. The Charter's fiscal year 2009 budget projects spending of \$0 for capital projects. Further budget revisions may occur to reflect the potential purchase of a new campus and facility to serve the students of the Elk Grove Charter.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Table 4: Capital Assets

	Governmental Activities		Total Percentage Change 2008-2007
	2008	2007	
Buildings	\$ 201,108	\$ 201,108	-
Building Improvements	148,428	141,328	5
Totals at Historical Cost	349,536	342,436	2
Total Accumulated Depreciation	68,445	52,083	31
TOTAL CAPITAL ASSETS	\$ 281,091	\$ 290,353	(3) %

Long-Term Debt

At year end, the School had \$20,335 in debt, consisting of a capital lease. See Table 5. More detailed information about the School's debt is presented in the notes to the financial statements.

Table 5: Long-Term Debt

	Governmental Activities		Total Percentage Change 2008-2007
	2008	2007	
Capital Leases	\$ 10,291	\$ 20,335	(49) %

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the Charter was aware of several circumstances that could affect its future financial health:

1. **CMP Charter Authorization:** With the ongoing demand of reporting to four separate District authorizers, and other responsibilities related to CMP's re-organization, efficiency and operation within the Central Office will continue to be addressed in 2008-2009.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

2. The uncertainty of federal and state funding can have a profound impact on the financial health of the Charter. State budget cuts have impacted the Organization's revenue by approximately 7%. The CMP leadership team is confident that the Organization will be able to maintain the integrity of program, while accommodating this decrease in revenue, as well as anticipated midyear budget cuts.
3. The 2008 CBEDS report for CMP-Elk Grove identifies 290 students enrolled, which reflects an increase of 29 students from the prior year.
4. The Organization will be accessing approximately \$6 million in Proposition 55 state facilities funds to be applied toward the property acquisition and school construction for the Shingle Springs Campus. 50% of those monies will be released in the form of a low-interest loan, with the repayment schedule commencing one year following the completion of construction. It is anticipated that school facilities construction would be completed in time for the 2010-11 school year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Executive Director at 4718 Engle Road, Carmichael, CA 95608 (916) 971-2432.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008**

	<u>Governmental Activities</u>
Assets	
Cash in County Treasury	\$ 836,742
Cash on hand and in banks	1,242
Accounts receivable:	
State governments	172,925
Miscellaneous	17,479
Deposits and prepaid assets	32,096
Capital assets, net	<u>281,091</u>
Total assets	<u>1,341,575</u>
Liabilities	
Accounts payable	5,089
Compensated absences	42,040
Current portion of long-term liabilities:	
Capital leases	<u>10,291</u>
Total liabilities	<u>57,420</u>
Net Assets	
Invested in capital assets, net of related debt	270,800
Restricted	38,805
Unrestricted	<u>974,550</u>
Total net assets	<u>\$ 1,284,155</u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 1,251,028	\$ 64,604	\$ 49,811	\$ -	\$ (1,136,613)
Instruction-related services	284,977				(284,977)
Pupil services	59,562				(59,562)
General administration	186,935				(186,935)
Plant services	183,003				(183,003)
Debt service - interest	570				(570)
Depreciation - unallocated	16,362				(16,362)
Total governmental activities	\$ 1,982,437	\$ 64,604	\$ 49,811	\$ -	(1,868,022)
General revenues:					
State aid					1,021,783
Property tax revenue					368,807
Other state sources					390,995
Federal sources					25,990
Local sources					150,746
Interest income					22,349
Total general revenues					1,980,670
Changes in net assets					
Net assets - beginning					1,214,615
Adjustment for restatement (note 8)					(43,108)
Net assets - beginning, restated					1,171,507
Net assets - ending					\$ 1,284,155

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS
BALANCE SHEET - ALL GOVERNMENTAL FUNDS
June 30, 2008**

	Governmental Fund Type
	General Fund
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash in County Treasury	\$ 836,742
Cash on hand and in banks	1,242
Accounts receivable:	
State governments	172,925
Miscellaneous	17,479
Deposits and prepaid assets	32,096
Total Current Assets	\$ 1,060,484
 LIABILITIES AND NET ASSETS	
Accounts Payable	5,089
TOTAL LIABILITIES	5,089
 FUND BALANCE	
Reserved	32,096
Restricted	38,805
Undesignated	984,494
TOTAL FUND BALANCE	1,055,395
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,060,484

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
June 30, 2008**

Total fund balances-governmental funds		\$ 1,055,395
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Buildings, net	132,663	
Building improvements, net	<u>148,428</u>	
Total capital assets		281,091

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Long-term debt	<u>(10,291)</u>	
Total long-term debt		(10,291)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Compensated absences	<u>(42,040)</u>	
		<u>(42,040)</u>

Total net assets - governmental activities		\$ <u>1,284,155</u>
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The accompanying notes are an integral part of these financial statements.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008**

	Governmental Fund Type
	General Fund
REVENUES	
Revenue from State Aid and Property Taxes	\$ 1,390,590
Revenue from Other State Sources	390,995
Revenue from Federal Sources	25,990
Revenue from Local Sources	287,510
TOTAL REVENUES	2,095,085
EXPENDITURES	
Instruction	1,235,097
Instruction-related services	284,977
Pupil services	59,562
General administration	186,935
Plant services	190,103
Debt service - principal	10,044
Debt service - interest	570
TOTAL EXPENDITURES	1,967,288
Excess of revenues over expenditures	127,797
Fund Balances at Beginning of Year	970,706
Adjustment for Restatement (Note 8)	(43,108)
Fund Balances at Beginning of Year, Restated	927,598
Fund Balances at End of Year	\$ 1,055,395

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008**

Net change in fund balances - Total governmental funds	\$	127,797
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay	7,100	
Depreciation expense	<u>(16,362)</u>	
Excess of depreciation expense over capital outlay		(9,262)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal payments	10,044
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net increase in compensated absences	<u>(15,931)</u>
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Change in Net Assets	\$	<u><u>112,648</u></u>
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The accompanying notes are an integral part of these financial statements.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2008**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
ELK GROVE CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 12,640	\$ 77,267	\$ 90,917	\$ (1,010)
TOTAL ASSETS	<u>\$ 12,640</u>	<u>\$ 77,267</u>	<u>\$ 90,917</u>	<u>\$ (1,010)</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 12,640	\$ 77,267	\$ 90,917	\$ (1,010)
TOTAL LIABILITIES	<u>\$ 12,640</u>	<u>\$ 77,267</u>	<u>\$ 90,917</u>	<u>\$ (1,010)</u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The California Montessori Project, A California Charter School, Inc. (the Organization) was formed to provide a Montessori based educational program to every child in the state of California. The California Montessori Project – Elk Grove Campus (the School) was approved in 2006 by Elk Grove Unified School District (the District) to operate as a separate Charter. The School site is currently located in Elk Grove. The School is an operating segment of California Montessori Project, Inc., a non-profit corporation. 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, 2011, 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 1% of the School's per pupil revenues to provide administrative oversight.

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 accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 provides a comprehensive, entity-wide perspective of the School's financial activities.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

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

A. BASIS OF PRESENTATION: (continued)

The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements. The Fiduciary activities of the School's component unit are reported separately in the Fiduciary Fund statement. The School's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements.

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School as a whole. These statements include the financial activities of the primary government. Fiduciary funds are excluded.

The statement of net assets presents the financial condition of the governmental activities of the School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

2. Fund Financial Statements:

During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental fund financial statements is on major funds. The fiduciary funds are reported by type. The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

A. BASIS OF PRESENTATION (continued)

2. Fund Financial Statements: (continued)

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

General administration – includes data processing services and all other general administration services.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

B. FUND ACCOUNTING:

To ensure compliance with the California Education Code, the financial resources of the School are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The statements of revenue, expenditures and changes in fund balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

GOVERNMENTAL FUNDS - MAJOR

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

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

B. FUND ACCOUNTING: (continued)

FIDUCIARY FUNDS

Student Fund - used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body.

C. 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.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. **Cash and Cash Equivalents**

The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

2. **Receivables**

Receivables are generally recorded when the amount is earned and can be estimated

3. **Deposits and Prepaid Assets**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

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

C. BASIS OF ACCOUNTING: (continued)

4. Inventories

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

5. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

The School does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Tenant Improvements	7 years

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

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

C. BASIS OF ACCOUNTING: (continued)

6. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized in general fund at year-end. The entire compensated absences liability is reported on the government-wide financial statements.

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, 2008. 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.

7. Long Term Obligations

The School reports long-term debt of governmental funds at face value in the government-wide financial statements.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors or laws or regulations of other governments.

9. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

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

C. BASIS OF ACCOUNTING: (continued)

10. 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 bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in lieu property tax payments 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.

11. On-Behalf Payments

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 \$17,000.

12. 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 supplementary section for the general fund. The School utilizes the County appropriation ledger and School prepared computer reports for budgetary control.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

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

C. BASIS OF ACCOUNTING: (continued)

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

14. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the School receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the School based on the above guidelines. In addition, the School receives donations of immaterial equipment and supplies which are not recorded upon receipt.

NOTE 2 - DEPOSITS:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial risk. As of June 30, 2008, none of the School's bank balance of \$6,571 was exposed to credit risk.

Cash in County

In accordance with Education Code Section 41001, the School maintains substantially all of its cash in the County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the School's deposits in this pool as of June 30, 2008, as provided by the pool sponsor, was approximately \$836,742.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 3 - FUND BALANCE (RESERVED/RESTRICTED/DESIGNATED):

Reservations and designations of the ending fund balance indicate the portions of fund balance not appropriable 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>
Deposits and prepaid assets	\$ <u>32,096</u>

The restricted fund balance consists of the following:

	<u>General Fund</u>
Restricted programs	\$ <u>38,805</u>

NOTE 4 - LONG-TERM DEBT:

A. Capital Leases

The School leases portables and equipment valued at \$168,652 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>
2009	\$ 10,614
Less amount representing interest	<u>(323)</u>
Present value of net minimum lease payments	\$ <u>10,291</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 - LONG-TERM DEBT: (continued)

B. Changes in General Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital leases	\$ <u>20,335</u>	\$ <u> </u> -	\$ <u>10,044</u>	\$ <u>10,291</u>

NOTE 5 - 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 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS

The School's contribution to STRS for the current fiscal year is as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2007	\$47,806	100%
2008	\$70,067	100%

NOTE 6 - 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 7 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008 is shown below:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Building	\$201,108	\$ -	\$ -	\$201,108
Building improvements	<u>141,328</u>	<u>7,100</u>	<u> </u>	<u>148,428</u>
Totals at historical cost	<u>342,436</u>	<u>7,100</u>	<u> </u>	<u>349,536</u>
Less accumulated depreciation for:				
Building	32,456	6,704	<u> </u>	39,160
Building improvements	<u>19,627</u>	<u>9,658</u>	<u> </u>	<u>29,285</u>
Total accumulated depreciation	<u>52,083</u>	<u>16,362</u>	<u> </u>	<u>68,445</u>
Governmental activities capital assets, net	<u>\$290,353</u>	<u>\$ (9,262)</u>	<u>\$ </u>	<u>\$281,091</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 8 – ADJUSTMENT FOR RESTATEMENT:

During the year ended June 30, 2008, the School discovered that it was not entitled to \$43,108 of special education revenue recorded in a previous fiscal period. An adjustment to beginning net assets and fund balance has been made accordingly.

SUPPLEMENTARY INFORMATION SECTION

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**ORGANIZATION
June 30, 2008**

ORGANIZATION

The California Montessori Project - Elk Grove Campus (the School) is a California Charter School located in the Sacramento County and is sponsored by the Elk Grove Unified School District.

Charter School number is: 777

BOARD OF DIRECTORS

<u>MEMBERS</u>	<u>OFFICE</u>	<u>TERM</u>
Val Toppenberg	Chairman/Business Representative	2009
Erin Auernig	Vice Chairman/Montessori Representative	2009
Stephanie Garrettson	Secretary	2009
Paula Tarpinning	District Representative - San Juan USD/Non-voting	N/A
Christy Moustris	District Representative – Elk Grove USD	N/A
Patty Hagemeyer	District Representative - Sacramento City USD	N/A
Teresa Wenig	District Representative – Buckeye USD	N/A
Kim Yeager	Teacher Representative – Shingle Springs	2009
Julie Miller	Teacher Representative – American River	2009
Maria Ostendorf	Teacher Representative – Capitol	2009
Jenny Savakus	Community Representative	2009
Jayna Gaskell	Charter School Representative	2009
Allison Claire	Parent Representative – Carmichael	2009
Vicky Brady	Parent Representative – Elk Grove	2009

ADMINISTRATION

Gary Bowman Executive Director

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Revenue from State Aid and Property Taxes				
State Aid	\$ 1,136,946	\$ 1,021,783	\$ 1,021,783	\$ -
Property Taxes	<u>332,628</u>	<u>368,807</u>	<u>368,807</u>	<u>-</u>
Total Revenue from State Aid and Property Taxes	<u>1,469,574</u>	<u>1,390,590</u>	<u>1,390,590</u>	<u>-</u>
Revenue from Other State Sources				
Class Size Reduction K-3	155,295	157,437	157,437	-
Charter Schools Categorical Block Grant	130,150	120,428	120,428	-
State Lottery	71,322	69,678	69,678	-
Other State Revenues	<u>3,431</u>	<u>43,452</u>	<u>43,452</u>	<u>-</u>
Total Revenue from Other State Sources	<u>360,198</u>	<u>390,995</u>	<u>390,995</u>	<u>-</u>
Revenue from Federal Sources				
Other Federal Revenue	-	25,990	25,990	-
Total Revenue from Federal Sources	<u>-</u>	<u>25,990</u>	<u>25,990</u>	<u>-</u>
Revenue from Local Sources				
Fees and Contracts	90,000	64,604	64,604	-
Interest Revenue	10,000	22,349	22,349	-
Other Local Revenue	<u>171,897</u>	<u>200,557</u>	<u>200,557</u>	<u>-</u>
Total Revenue from Local Sources	<u>271,897</u>	<u>287,510</u>	<u>287,510</u>	<u>-</u>
 TOTAL REVENUES	 <u>2,101,669</u>	 <u>2,095,085</u>	 <u>2,095,085</u>	 <u>-</u>
EXPENDITURES				
Certificated Salaries	729,661	856,006	856,006	-
Classified Salaries	280,888	279,834	279,834	-
Employee Benefits	174,230	190,695	190,695	-
Books and Supplies	102,111	137,337	137,337	-
Services and Other Operating Expenses	496,329	477,018	477,018	-
Capital outlay	5,000	15,784	15,784	-
Debt service				
Principal	-	10,044	10,044	-
Interest	<u>-</u>	<u>570</u>	<u>570</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,788,219</u>	<u>1,967,288</u>	<u>1,967,288</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 313,450</u>	<u>\$ 127,797</u>	127,797	<u>\$ -</u>
Fund Balance at Beginning of Year			970,706	
Adjustment for Restatement (Note 8)			<u>(43,108)</u>	
Fund Balance at Beginning of Year, Restated			<u>927,598</u>	
Fund Balance at End of Year			<u>\$ 1,055,395</u>	

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

	(Budget) 2009		2008		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
GENERAL FUND:								
Revenue								
Revenue Limit Sources	\$ 1,537,310	77.4	\$ 1,390,590	70.7	\$ 1,379,634	80.6	N/A	N/A
Federal	13,481	0.7	25,990	1.3	-	-	N/A	N/A
State	342,903	17.3	390,995	19.9	829,779	48.5	N/A	N/A
County, Local and Other Sources	292,549	14.7	287,510	14.6	281,555	16.4	N/A	N/A
Total Revenue	2,186,243	110.1	2,095,085	106.5	2,490,968	145.5	N/A	N/A
Expenditures								
Certificated Salaries	894,168	45.0	856,006	43.5	597,362	35.0	N/A	N/A
Classified Salaries	307,922	15.5	279,834	14.2	289,777	16.9	N/A	N/A
Employee Benefits	212,149	10.7	190,695	9.7	140,847	8.2	N/A	N/A
Books and Supplies	63,677	3.2	137,337	7.0	156,208	9.1	N/A	N/A
Services and Other Operating Expenses	509,237	25.6	477,018	24.2	505,193	29.5	N/A	N/A
Capital Outlay	-	-	15,784	0.8	12,063	0.7	N/A	N/A
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	10,044	0.5	8,848	0.5	N/A	N/A
Interest	-	-	570	0.1	1,766	0.1	N/A	N/A
Total Expenditures	1,987,153	100.0	1,967,288	100.0	1,712,064	100.0	N/A	N/A
Change in Fund Balance	199,090	10.0	127,797	6.5	778,904	45.5	N/A	N/A
Adjustment for Restatement (Note 8)	-	-	(43,108)	(33.7)	-	-	N/A	N/A
Ending Fund Balance	\$ 1,254,485	63.1	\$ 1,055,395	53.6	\$ 970,706	56.7	\$ 191,802	N/A
Average Daily Attendance	274		244		250		N/A	N/A
Total Long Term Debt	-		\$ 10,291		20,335		N/A	N/A

IMPORTANT NOTES:

All percentages are of total expenditures.

Average daily attendance is at Second Period

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2008**

AVERAGE DAILY ATTENDANCE

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

<u>Grades</u>	2007-08 Second Period Report	2007-08 Annual Report	Increase (Decrease)
Kindergarten	28	29	1
First through third	110	108	(2)
Fourth through sixth	85	84	(1)
Seventh through eighth	<u>21</u>	<u>21</u>	-
Totals	<u>244</u>	<u>242</u>	<u>(2)</u>

Supplementary Hours:

Grades K-12 Core Instruction	283
Grades 7-12 Remedial Instruction	84
Grades 2-9 Pupils at risk of Retention	751
Grades 2-6 Low Star Score	<u>760</u>
Total	<u>1,878</u>

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF INSTRUCTIONAL TIME OFFERED
For the Fiscal Year Ended June 30, 2008**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the State Department of Education.

ADA statistics reported to the State for the fiscal year ended June 30, 2008 are as follows:

Grade Level	1986-87 Minutes		1982-83		2007-08		Number of Days		Status
	Requirement	Actual	Actual	Minutes	Actual	Minutes	Traditional	Calendar	
Kindergarten	36,000	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 1	50,400	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 2	50,400	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 3	50,400	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 4	54,000	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 5	54,000	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 6	54,000	-0-	-0-	58,440	58,440	180	180	In Compliance	
Grade 7	54,000	-0-	-0-	58,440	58,440	180	180	In Compliance	

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
TO AUDITED FINANCIAL STATEMENT FUND BALANCES
For the Fiscal Year Ended June 30, 2008**

	<u>General Fund</u>
June 30, 2008, annual financial and budget report fund balance	\$ 1,053,982
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Understatement of cash	<u>1,413</u>
June 30, 2008, audited financial statement fund balance	<u>\$ 1,055,395</u>

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2008**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison For The General Fund

GASB Statement No. 34 requires a budgetary comparison be presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

B. Schedule of Financial Trends and Analysis

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

C. 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.

D. Schedule of Instructional Time Offered

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.

E. Reconciliation of Annual Financial Report with Audited Financial Statements Fund Balances

This schedule provides the information necessary to reconcile the fund balance as reported on the SACS Form to the audited financial statements.



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

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

We have audited the financial statements of the California Montessori Project – Elk Grove Campus (a California public charter school operated by California Montessori Project) (the School) as of and for the year ended June 30, 2008 which collectively comprise the School’s basic financial statements, and have issued our report thereon dated November 3, 2008. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the School’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School’s financial statements that is more than inconsequential will not be prevented or detected by the School’s internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
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Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, of the School, the Elk Grove Unified School District, the Sacramento County Office of Education, the California Department of Education, the State Controller's Office, the 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

November 3, 2008



REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of California Montessori Project Elk Grove Campus (a California public charter school operated by California Montessori Project) (the School) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. 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 *2007-2008 Standards and Procedures for Audits of California K-12 Local Educational Agencies* [published by the Education Audit Appeals Panel]. 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 Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Not applicable
Kindergarten continuation	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational center/programs	6	Not applicable


REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Community day schools	9	Not applicable
Class size reduction program:		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Morgan-Hart class size reduction program	7	Not applicable
Instructional materials:		
General requirements	12	Not applicable
Grades K-8 only	1	Not applicable
Grades 9-12 only	1	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive program	4	Not applicable
GANN limit calculation	1	Not applicable
School Construction Funds:		
School District Bonds	3	Not applicable
State School Facilities Funds	1	Not applicable
Alternative Pension Plans	2	Not applicable
Excess sick leave	2 or 3	Not applicable
Notice to right to elect California State Teachers Retirement System (CalSTRS) membership		
System (CalSTRS) membership	1	Not applicable
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Not applicable
State Lottery Funds (California State Lottery Act of 1984)	2	Not applicable
California School Age Families Education (Cal-Safe) Program	3	Not applicable
School Accountability Report Card	3	Not applicable
Mathematics and reading professional development	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Yes
Nonclassroom based instructional/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	3	Yes

Based on our audit, we found that, for the items tested, the School 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 School had not complied with the laws and regulations of state programs and requirements.

REPORT ON STATE COMPLIANCE

This report is intended solely for the information and use of the Board, management, the Elk Grove Unified School District, the Sacramento County Office of Education, the California Department of Education, and the State Controller's Office, 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

November 3, 2008

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008**

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings for the fiscal year ended June 30, 2008.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2008**

There were no findings or questioned costs for the fiscal year ended June 30, 2007.