

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

June 30, 2008



**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Montessori Project
San Juan 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 - San Juan 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
San Juan 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
SAN JUAN CAMPUS**

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

INTRODUCTION

Our discussion and analysis of California Montessori Project – San Juan 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 \$1,293,613 at June 30, 2008.
2. Overall revenues were \$4,698,315 which was greater than the expenditures of \$4,340,299.
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 enrollment at CMP – San Juan Campus Charter School was reported at 626.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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, changes in program funding by the Federal and State governments, and condition of facilities.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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 School's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit 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 School'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 School, 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
SAN JUAN 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 \$1,293,613 at June 30, 2008. See Table 1.

Table 1: Net Assets

	Governmental Activities		Total Percentage Change
	2008	2007	2008-2007
Assets			
Cash	\$ 979,181	\$ 470,010	108 %
Accounts Receivable	328,531	444,969	(26)
Prepaid Expenses	47,045	47,045	-
Capital Assets, Net of Accumulated Depreciation	94,178	124,457	(24)
TOTAL ASSETS	1,448,935	1,086,481	33
Liabilities			
Accounts Payable	80,493	33,030	144
Compensated Absences	74,829	61,266	22
TOTAL LIABILITIES	155,322	94,296	65
Net Assets			
Invested in Capital Assets, Net of Related Debt	94,178	124,457	(24)
Restricted	72,879	280,135	(74)
Unrestricted	1,126,556	587,593	92
TOTAL NET ASSETS	\$1,293,613	\$ 992,185	30 %

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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 \$4,698,315. 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 (70%).

The total cost of all programs and services was \$4,340,299. The School's expenses are predominately related to educating and caring for students (74%). Administrative activities accounted for just 10% of total costs. The remaining expenses were for plant services (maintenance and operations).

Table 2: Changes in Net Assets

	<u>Governmental Activities</u>		<u>Total Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u> <u>2008-2007</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 243,553	\$ 216,119	13 %
Operating Grants & Contributions	119,330	93,968	27
General Revenues			
State Aid	2,236,575	2,093,986	7
Property Taxes	1,048,511	1,010,351	4
Other Federal Sources	62,262	129,876	(52)
Other State Sources	904,664	595,814	52
Local Sources	29,879	5,755	419
Interest	53,541	43,716	22
TOTAL REVENUES	<u>4,698,315</u>	<u>4,189,585</u>	<u>12</u>
Program Expenses			
Instruction	2,469,710	2,164,738	14
Instruction-Related Services	544,393	423,175	29
Pupil Services	178,687	141,794	26
General Administration	447,826	394,730	13
Plant Services	669,404	647,283	3
Depreciation	30,279	30,279	-
TOTAL EXPENSES	<u>4,340,299</u>	<u>3,801,999</u>	<u>14</u>
INCREASE IN NET ASSETS	<u>\$ 358,016</u>	<u>\$ 387,586</u>	<u>(8) %</u>

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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 \$4,340,299.

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	\$2,469,710	\$ 2,164,738	\$ (2,106,827)	\$ (1,854,651)
Instruction-Related Services	544,393	423,175	(544,393)	(423,175)
Pupil Services	178,687	141,794	(178,687)	(141,794)
General Administration	447,826	394,730	(447,826)	(394,730)
Plant Services	669,404	647,283	(669,404)	(647,283)
Depreciation	<u>30,279</u>	<u>30,279</u>	<u>(30,279)</u>	<u>(30,279)</u>
TOTAL	<u>\$4,340,299</u>	<u>\$ 3,801,999</u>	<u>\$ (3,977,416)</u>	<u>\$ (3,491,912)</u>

FINANCIAL ANALYSIS OF THE SCHOOL'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 \$1,274,264, 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.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (continued)

The net difference between original and final budget amount was \$(114,581). This 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 amount 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 \$94,178 in a broad range of capital assets, including the 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 \$40,000 for capital projects, primarily the improvement of facilities at the Carmichael site of San Juan Charter.

Table 4: Capital Assets

	<u>Governmental Activities</u>		Total Percentage
	<u>2008</u>	<u>2007</u>	Change <u>2008-2007</u>
Buildings	\$ 152,616	\$ 152,616	-
Building Improvements	<u>74,740</u>	<u>74,740</u>	-
Totals at Historical Cost	227,356	227,356	-
Total Accumulated Depreciation	<u>133,178</u>	<u>102,899</u>	<u>29</u>
TOTAL CAPITAL ASSETS	<u>\$ 94,178</u>	<u>\$ 124,457</u>	<u>(24) %</u>

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the School 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.
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-San Juan identifies 654 students enrolled, which reflects an increase of 28 students from the prior 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
SAN JUAN CAMPUS**

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008**

	<u>Governmental Activities</u>
Assets	
Cash in County Treasury	\$ 965,221
Cash on hand and in banks	13,960
Accounts receivable:	
State governments	282,459
Miscellaneous	46,072
Deposits and prepaid assets	47,045
Capital assets, net	<u>94,178</u>
Total assets	<u>1,448,935</u>
Liabilities	
Accounts payable	80,493
Compensated absences	<u>74,829</u>
Total liabilities	<u>155,322</u>
Net Assets	
Invested in capital assets, net of related debt	94,178
Restricted	72,879
Unrestricted	<u>1,126,556</u>
Total net assets	<u>\$ 1,293,613</u>

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 2,469,710	\$ 243,553	\$ 119,330	\$ -	\$ (2,106,827)
Instruction-related services	544,393				(544,393)
Pupil services	178,687				(178,687)
General administration	447,826				(447,826)
Plant services	669,404				(669,404)
Depreciation - allocated	30,279				(30,279)
Total governmental activities	<u>\$ 4,340,299</u>	<u>\$ 243,553</u>	<u>\$ 119,330</u>	<u>\$ -</u>	<u>(3,977,416)</u>
General revenues:					
State aid					2,236,575
Property tax revenue					1,048,511
Other federal sources					62,262
Other state sources					904,664
Local sources					29,879
Interest income					53,541
Total general revenues					<u>4,335,432</u>
Changes in net assets					
Net assets - beginning					992,185
Adjustment for restatement (note 8)					(56,588)
Net assets - beginning, restated					<u>935,597</u>
Net assets - ending					<u>\$ 1,293,613</u>

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

**BALANCE SHEET - ALL GOVERNMENTAL FUNDS
June 30, 2008**

	Governmental Fund Type
	General Fund
<u>ASSETS</u>	
Cash in County Treasury	\$ 965,221
Cash on hand and in banks	13,960
Accounts receivable:	
State governments	282,459
Miscellaneous	46,072
Deposits and prepaid assets	47,045
TOTAL ASSETS	\$ 1,354,757
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 80,493
TOTAL LIABILITIES	80,493
 FUND BALANCE	
Reserved	47,045
Restricted	72,879
Undesignated	1,154,340
TOTAL FUND BALANCE	1,274,264
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,354,757

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

Total fund balances-governmental funds \$ 1,274,264

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	56,518	
Building improvements, net	<u>37,660</u>	
Total capital assets		94,178

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>(74,829)</u>	
		<u>(74,829)</u>

Total net assets - governmental activities \$ 1,293,613

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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	\$ 3,285,086
Revenue from Other State Sources	904,664
Revenue from Federal Sources	62,262
Revenue from Local Sources	446,303
TOTAL REVENUES	4,698,315
EXPENDITURES	
Instruction	2,456,151
Instruction-related services	544,393
Pupil services	178,687
General administration	447,826
Plant services	669,400
TOTAL EXPENDITURES	4,296,457
Excess of revenues over expenditures	401,858
Fund Balances at Beginning of Year	928,994
Adjustment for Restatement (Note 8)	(56,588)
Fund Balances at Beginning of Year, Restated	872,406
Fund Balances at End of Year	\$ 1,274,264

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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 \$ 401,858

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.

Depreciation expense	<u>(30,279)</u>	
Excess of depreciation expense over capital outlay		(30,279)

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>(13,563)</u>
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Change in Net Assets \$ 358,016

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 47,906	\$ 216,933	\$ 221,162	\$ 43,677
TOTAL ASSETS	<u>\$ 47,906</u>	<u>\$ 216,933</u>	<u>\$ 221,162</u>	<u>\$ 43,677</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ 47,906	\$ 216,933	\$ 221,162	\$ 43,677
TOTAL LIABILITIES	<u>\$ 47,906</u>	<u>\$ 216,933</u>	<u>\$ 221,162</u>	<u>\$ 43,677</u>

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

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The California Montessori Project, A California - 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 – San Juan Campus (the School) was approved in 2006 by the San Juan Unified School District (the District) to operate as a separate Charter. The School operates at two separate school sites (American River and Carmichael) within the geographical boundaries of San Juan Unified School District. The American River School site is currently located in Fair Oaks and the Carmichael Campus School site is current located in Carmichael. 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
SAN JUAN 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
SAN JUAN 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
SAN JUAN 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
SAN JUAN 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
SAN JUAN 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. 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.

8. 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.

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 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.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

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

C. BASIS OF ACCOUNTING: (continued)

10. 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 \$29,000.

11. 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.

12. 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.

13. 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.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

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 \$58,827 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 \$965,221.

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.

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>47,045</u>

The restricted fund balance consists of the following:

	<u>General Fund</u>
Restricted programs	\$ <u>72,879</u>

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE 4 - OPERATING LEASES:

The School has entered into various operating leases for facilities and equipment, with lease terms in excess of one year. 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. Current lease expense for the year under these agreements was \$368,588. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2009	\$ 382,436
2010	396,332
2011	326,959
2012	<u>27,331</u>
Total	<u>\$ 1,133,058</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
SAN JUAN 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	\$113,859	100%
2008	\$120,477	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	\$152,616	\$ -	\$ -	\$152,616
Building improvements	<u>74,740</u>	<u>-</u>	<u>-</u>	<u>74,740</u>
Totals at historical cost	<u>227,356</u>	<u>-</u>	<u>-</u>	<u>227,356</u>
Less accumulated depreciation for:				
Building	75,218	21,516		96,734
Building improvements	<u>27,681</u>	<u>8,763</u>	<u>-</u>	<u>36,444</u>
Total accumulated depreciation	<u>102,899</u>	<u>30,279</u>	<u>-</u>	<u>133,178</u>
Governmental activities capital assets, net	<u>\$124,457</u>	<u>\$ (30,279)</u>	<u>\$ -</u>	<u>\$ 94,178</u>

NOTE 8 - ADJUSTMENT FOR RESTATEMENT:

During the year ended June 30, 2008, the School discovered that it was not entitled to \$56,588 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
SAN JUAN CAMPUS**

**ORGANIZATION
June 30, 2008**

ORGANIZATION

The California Montessori – San Juan Campus (the School) are California Charter Schools are located in Fair Oaks and Carmichael and are sponsored by the San Juan Unified School District.

Charter number is: 776

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 Tarpennig	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
SAN JUAN CAMPUS**

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Revenue from State Aid and Property Taxes				
State Aid	\$ 2,345,161	\$ 2,236,575	\$ 2,236,575	\$ -
Property Taxes	<u>934,795</u>	<u>1,048,511</u>	<u>1,048,511</u>	-
Total Revenue from State Aid and Property Taxes	<u>3,279,956</u>	<u>3,285,086</u>	<u>3,285,086</u>	-
Revenue from Federal Sources				
Other Federal Revenues	-	<u>62,262</u>	<u>62,262</u>	-
Total Revenue from Other State Sources	-	<u>62,262</u>	<u>62,262</u>	-
Revenue from Other State Sources				
Class Size Reduction K-3	380,205	378,063	378,063	-
Charter Schools Categorical Block Grant	290,700	277,364	277,364	-
State Lottery	159,304	138,781	138,781	-
Other State Revenues	<u>30,761</u>	<u>110,456</u>	<u>110,456</u>	-
Total Revenue from Other State Sources	<u>860,970</u>	<u>904,664</u>	<u>904,664</u>	-
Revenue from Local Sources				
Fees and Contracts	204,000	243,553	243,553	-
Interest Revenue	28,400	53,541	53,541	-
Other Local Revenue	<u>178,456</u>	<u>149,209</u>	<u>149,209</u>	-
Total Revenue from Local Sources	<u>410,856</u>	<u>446,303</u>	<u>446,303</u>	-
TOTAL REVENUES	<u>4,551,782</u>	<u>4,698,315</u>	<u>4,698,315</u>	-
EXPENDITURES				
Certificated Salaries	1,396,001	1,500,491	1,500,491	-
Classified Salaries	631,918	788,985	788,985	-
Employee Benefits	356,466	379,180	379,180	-
Books and Supplies	216,054	253,870	253,870	-
Services and Other Operating Expenses	1,394,904	1,329,507	1,329,507	-
Capital outlay	<u>40,000</u>	<u>44,424</u>	<u>44,424</u>	-
TOTAL EXPENDITURES	<u>4,035,343</u>	<u>4,296,457</u>	<u>4,296,457</u>	-
Excess (deficiency) of revenues over expenditures	<u>\$ 516,439</u>	<u>\$ 401,858</u>	401,858	<u>\$ -</u>
Fund Balance at Beginning of Year			928,994	
Adjustment for Restatement (Note 8)			<u>(56,588)</u>	
Fund Balance at Beginning of Year, Restated			<u>872,406</u>	
Fund Balance at End of Year			<u>\$ 1,274,264</u>	

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN CAMPUS**

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

	(Budget) 2009		2008		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>GENERAL FUND:</u>								
<u>Revenue</u>								
Revenue Limit Sources	\$ 3,511,172	80.1	\$ 3,285,086	76.5	\$ 3,104,337	83.5	N/A	N/A
Federal	30,386	0.7	62,262	1.4	129,876	3.5	N/A	N/A
State	763,873	17.4	904,664	21.1	595,814	16.0	N/A	N/A
County, Local and Other Sources	383,063	8.7	446,303	10.4	359,558	9.7	N/A	N/A
Total Revenue	4,688,494	106.9	4,698,315	109.4	4,189,585	112.7	N/A	N/A
<u>Expenditures</u>								
Certificated Salaries	1,588,097	36.2	1,500,491	35.0	1,393,582	37.5	N/A	N/A
Classified Salaries	848,754	19.4	788,985	18.4	635,703	17.1	N/A	N/A
Employee Benefits	431,881	9.8	379,180	8.8	345,877	9.3	N/A	N/A
Books and Supplies	121,613	2.8	253,870	5.9	147,909	4.0	N/A	N/A
Services and Other Operating Expenses	1,354,986	30.9	1,329,507	30.9	1,187,383	31.9	N/A	N/A
Capital Outlay	40,000	0.9	44,424	1.0	6,019	0.2	N/A	N/A
Total Expenditures	4,385,331	100.0	4,296,457	100.0	3,716,473	100.0	N/A	N/A
Change in Fund Balance	303,163	6.9	401,858	9.4	473,112	12.7	N/A	N/A
Adjustment for Restatement (Note 8)	-	-	(56,588)	(14.1)	-	-	N/A	N/A
Ending Fund Balance	\$ 1,577,427	36.0	\$ 1,274,264	29.7	\$ 928,994	25.0	\$455,882	N/A
Average Daily Attendance	624		585		562		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
SAN JUAN 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	92	92	-
First through third	243	243	-
Fourth through sixth	189	189	-
Seventh through eighth	<u>61</u>	<u>61</u>	<u>-</u>
Totals	<u>585</u>	<u>585</u>	<u>-</u>

Supplementary Hours:

Grades K-12	Core Instruction	1,801
Grades 2-9	Pupils at Risk of Retention	1,195
Grades 2-6	Low Star Score	<u>1,649</u>
Total		<u>4,645</u>

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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	1982-83	2007-08		Number of Days		Status
	Minutes Requirement	Actual Minutes	Actual Minutes	Calendar	Traditional Calendar		
Kindergarten	36,000	-0-	47,760	180	180	In Compliance	
Grade 1	50,400	-0-	58,200	180	180	In Compliance	
Grade 2	50,400	-0-	58,200	180	180	In Compliance	
Grade 3	50,400	-0-	58,200	180	180	In Compliance	
Grade 4	54,000	-0-	58,320	180	180	In Compliance	
Grade 5	54,000	-0-	58,320	180	180	In Compliance	
Grade 6	54,000	-0-	58,320	180	180	In Compliance	
Grade 7	54,000	-0-	58,320	180	180	In Compliance	
Grade 8	54,000	-0-	58,320	180	180	In Compliance	

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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	\$ 1,281,409
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Overstatement of cash	<u>(7,145)</u>
June 30, 2008, audited financial statement fund balance	<u>\$ 1,274,264</u>

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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 School 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
San Juan Campus
4718 Engle Road
Carmichael, CA 95608

We have audited the financial statements of the California Montessori Project – San Juan 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.

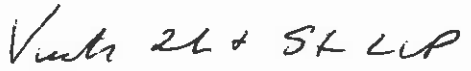
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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 San Juan Unified School District, the Sacramento County Office of Education, and California Department of Education, and 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

November 3, 2008

REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of California Montessori Project- San Juan 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 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
State instructional materials fund:		
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		
After School Education and Safety Program	4	Not applicable
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 San Juan 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 26 + Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 3, 2008

**CALIFORNIA MONTESSORI PROJECT
SAN JUAN 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 Teachers 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
SAN JUAN CAMPUS**

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

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