

CALIFORNIA MONTESSORI PROJECT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE

June 30, 2008



CALIFORNIA MONTESSORI PROJECT

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Montessori Project
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 (the Organization) 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 Organization'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 California Montessori Project 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 California Montessori Project'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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California Montessori Project'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
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

INTRODUCTION

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

The Management's Discussion and Analysis (MD&A) is an element of the 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 \$3,870,440 at June 30, 2008. This was an increase of \$711,705 (23%) over the prior year.
2. Overall revenues were \$11,389,092, which were greater than the expenditures of \$10,519,387.
3. The overall enrollment for the California Montessori Project (the Organization) increased from 1305 students in 2006-07 to 1328 students in 2007-08.
4. The October 2007 CBEDS enrollment at CMP - San Juan Campus Charter School was reported at 626.
5. The October 2007 CBEDS enrollment at CMP - Capitol Campus Charter School was reported at 134.
6. The October 2007 CBEDS enrollment at CMP – Elk Grove Campus Charter School was reported at 261.
7. The October 2007 CBEDS enrollment at CMP - Shingle Springs Campus Charter School was reported at 307.

CALIFORNIA MONTESSORI PROJECT

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 Organization. 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 Organization 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 Charter 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 Organization 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 Organization's net assets and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the Organization's financial health or position.

- Over time, increases or decreases in the Organization's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Organization, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

OVERVIEW OF FINANCIAL STATEMENTS (continued)

The government-wide financial statements of the Organization include government activities. Most of the Organization'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 Organization's most significant funds, not the Organization as a whole. Funds are accounting devices that the Organization 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 Organization is meeting legal responsibilities for using certain revenues. The Organization has two kinds of funds:

1. Governmental funds - Most of the Organization'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 Organization'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 explain the relationship (or differences) between them.
2. Fiduciary funds – the Organization is the trustee, or fiduciary, for assets that belong to others; for the Organization, the student body activities fund is an agency fund. The Organization 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 Organization'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 Organization-wide financial statements because the Organization cannot use the assets to finance its operations.

CALIFORNIA MONTESSORI PROJECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The Organization's combined net assets were \$3,870,440 at June 30, 2008. See Table 1.

Table 1: Net Assets

	<u>Governmental Activities</u>		<u>Total Percentage Change 2008-2007</u>
	<u>2008</u>	<u>2007</u>	
Assets			
Cash	\$ 2,779,381	\$2,048,157	36 %
Accounts Receivable	912,217	867,928	5
Prepaid Expenses	109,152	79,141	38
Capital Assets, Net of Accumulated Depreciation	<u>1,552,027</u>	<u>1,567,915</u>	<u>(1)</u>
TOTAL ASSETS	<u>5,352,777</u>	<u>4,563,141</u>	<u>17</u>
Liabilities			
Accounts Payable	339,604	264,627	28
Compensated Absences	208,801	147,746	41
Long-Term Debt	<u>933,932</u>	<u>992,033</u>	<u>(6)</u>
TOTAL LIABILITIES	<u>1,482,337</u>	<u>1,404,406</u>	<u>6</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	618,095	575,882	7
Restricted	184,463	1,450,949	(87)
Unrestricted	<u>3,067,882</u>	<u>1,131,904</u>	<u>171</u>
TOTAL NET ASSETS	<u>\$ 3,870,440</u>	<u>\$3,158,735</u>	<u>23 %</u>

CALIFORNIA MONTESSORI PROJECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

The Organization's total revenues were \$11,389,092. 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 (62%).

The total cost of all programs and services was \$10,519,387. The Organization's expenses are predominately related to educating and caring for students (78%). 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	\$ 540,105	\$ 506,206	7 %
Operating Grants & Contributions	254,413	344,216	(26)
General Revenues			
State Aid	4,732,611	4,615,447	3
Property Taxes	2,314,959	2,176,278	6
Other Federal Sources	132,743	129,876	2
Other State Sources	1,952,518	1,871,432	4
Local Sources	1,343,664	110,190	1,119
Interest	118,079	95,946	23
TOTAL REVENUES	<u>11,389,092</u>	<u>9,849,591</u>	<u>16</u>
Program Expenses			
Instruction	5,605,317	4,766,494	18
Instruction-Related Services	2,244,142	992,318	126
Pupil Services	344,520	263,160	31
General Administration	892,923	862,015	4
Plant Services	1,266,635	1,174,498	8
Debt Service - interest	63,957	75,899	(16)
Depreciation	101,893	90,384	13
TOTAL EXPENSES	<u>10,519,387</u>	<u>8,224,768</u>	<u>28</u>
INCREASE IN NET ASSETS	<u>\$ 869,705</u>	<u>\$1,624,823</u>	<u>(46) %</u>

CALIFORNIA MONTESSORI PROJECT
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 \$10,519,387.

Table 3 presents the cost of each of the Organization'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	\$ 5,605,317	\$4,766,494	\$ (4,810,799)	\$ (3,916,072)
Instruction-Related Services	2,244,142	992,318	(2,244,142)	(992,318)
Pupil Services	344,520	263,160	(344,520)	(263,160)
General Administration	892,923	862,015	(892,923)	(862,015)
Plant Services	1,266,635	1,174,498	(1,266,635)	(1,174,498)
Interest on long-term debt	63,957	75,899	(63,957)	(75,899)
Depreciation	101,893	90,384	(101,893)	(90,384)
TOTAL	<u>\$10,519,387</u>	<u>\$8,224,768</u>	<u>\$ (9,724,869)</u>	<u>\$ (7,374,346)</u>

CALIFORNIA MONTESSORI PROJECT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

FINANCIAL ANALYSIS OF THE CHARTER'S FUNDS

The solid financial performance of the Organization as a whole is reflected in its governmental funds as well. The Organization School's General Fund is used to report the majority of the activities of the Organization. The student body funds are maintained separately. As the Organization completed the year, its governmental funds reported a combined fund balance of \$3,461,146, well above last year's ending fund balance of \$2,730,599. The increase in fund balance was attributed to a combination of factors, including ADA growth, as well as an increased efficiency of personnel resources. The increase is reflective of the Organization's conservative spending practices, and, further, reflects the Organization'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 amount was \$(277,226). This difference is due, in part, to the programmatic-based decision to allow for attrition of student enrollment in upper grades (grades 4-8), rather than 'backfill' the positions vacated by departing students.

General Fund Budgetary Highlights

Over the course of the year, the Organization 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 Organization's original and final budget amounts compared with actual revenues and expenses is provided in the supplementary section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Organization had invested \$1,552,027 in a broad range of capital assets, including the Shingle Springs Charter site, portable buildings, improvements, and equipment. See Table 4. More detailed information about the Organization's capital assets is presented in the notes to the financial statements.

CMP - San Juan Campus Charter School: The School's fiscal year 2009 budget projects spending of \$40,000 for capital projects, primarily the improvement of facilities at the Carmichael site.

CMP - Capitol Campus Charter School: The School's fiscal year 2009 budget projects spending of \$0 for capital projects.

CMP - Elk Grove Campus Charter School: The School's fiscal year 2009 budget projects spending of \$0 for capital projects.

CMP - Shingle Springs Campus Charter School: The Charter's fiscal year 2009 budget projects spending of \$35,000 for capital projects; primarily related to proposed improvements to the physical education field and facilities infrastructure.

CALIFORNIA MONTESSORI PROJECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Table 4: Capital Assets

	<u>Governmental Activities</u>		<u>Total Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
			<u>2008-2007</u>
Buildings	\$1,449,392	\$ 1,449,392	- %
Building Improvements	427,955	341,950	25
Totals at Historical Cost	<u>1,877,347</u>	<u>1,791,342</u>	<u>5</u>
Total Accumulated Depreciation	<u>325,320</u>	<u>223,427</u>	<u>46</u>
TOTAL CAPITAL ASSETS	<u>\$1,552,027</u>	<u>\$ 1,567,915</u>	<u>(1) %</u>

Long-Term Debt

At year end, the Organization had \$933,932 in debt, consisting mainly of capital purchase, capital leases, and notes payable. See Table 5. More detailed information about the Organization's debt is presented in the notes to the financial statements.

Table 5: Long-Term Debt

	<u>Governmental Activities</u>		<u>Total Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
			<u>2008-2007</u>
Capital Leases	\$ 10,291	\$ 20,335	(49) %
Notes Payable	<u>923,641</u>	<u>971,698</u>	<u>(5)</u>
TOTAL LONG-TERM DEBT	<u>\$ 933,932</u>	<u>\$ 992,033</u>	<u>(6) %</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the Organization 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

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 Organization. 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 the overall CMP network identifies 1389 students enrolled, which reflects an increase of 61 students, including an additional 29 students at the Elk Grove Campus and 28 students at the San Juan Campuses (American River/Carmichael Campuses).
4. The Organization will be accessing an amount of up to \$14 million in Proposition 55 state facilities funds to be applied toward the property acquisition and school construction for the Elk Grove and Shingle Springs Campuses. 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.
5. The Organization's staff is actively pursuing re-location of the Capitol Campus to a larger facility, which would allow for an increase in student enrollment. This move would occur at the beginning of the 2009-10 school year.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Organization's finances and to demonstrate the Organization'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
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities
Assets	
Cash in County Treasury	\$ 2,733,939
Cash on hand and in banks	35,192
Cash in revolving fund	10,250
Accounts receivable:	
State governments	810,315
Miscellaneous	101,902
Deposits and prepaid assets	109,152
Capital assets, net	1,552,027
Total assets	5,352,777
Liabilities	
Accounts payable	339,604
Compensated absences	208,801
Current portion of long-term liabilities:	
Capital leases	10,291
Notes payable	42,393
Non-current portion of long-term liabilities:	
Notes payable	881,248
Total liabilities	1,482,337
Net Assets	
Invested in capital assets, net of related debt	618,095
Restricted	184,463
Unrestricted	3,067,882
Total net assets	\$ 3,870,440

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

CALIFORNIA MONTESSORI PROJECT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 5,605,317	\$ 540,105	\$ 254,413	\$ -	\$ (4,810,799)
Instruction-related services	2,244,142				(2,244,142)
Pupil services	344,520				(344,520)
General administration	892,923				(892,923)
Plant services	1,266,635				(1,266,635)
Debt service - interest	63,957				(63,957)
Depreciation - unallocated	101,893				(101,893)
Total governmental activities	<u>\$10,519,387</u>	<u>\$ 540,105</u>	<u>\$ 254,413</u>	<u>\$ -</u>	<u>(9,724,869)</u>
General revenues:					
					4,732,611
State aid					2,314,959
Property tax revenue					132,743
Other federal sources					1,952,518
Other state sources					1,343,664
Local sources					118,079
Interest income					<u>10,594,574</u>
Total general revenues					
					869,705
Changes in net assets					
Net assets - beginning					3,158,735
Adjustment for restatement (note 9)					<u>(158,000)</u>
Net assets - beginning, restated					<u>3,000,735</u>
Net assets - ending					<u>\$ 3,870,440</u>

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

CALIFORNIA MONTESSORI PROJECT
BALANCE SHEET - ALL GOVERNMENTAL FUNDS
June 30, 2008

	Governmental Fund Type
	General Fund
<u>ASSETS</u>	
Cash in County Treasury	\$ 2,733,939
Cash on hand and in banks	35,192
Cash in revolving fund	10,250
Accounts receivable:	
State governments	810,315
Miscellaneous	101,902
Deposits and prepaid assets	109,152
TOTAL ASSETS	<u>\$ 3,800,750</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	<u>\$ 339,604</u>
TOTAL LIABILITIES	<u>339,604</u>
 FUND BALANCE	
Reserved	119,402
Restricted	184,463
Undesignated	<u>3,157,281</u>
TOTAL FUND BALANCE	<u>3,461,146</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,800,750</u>

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

CALIFORNIA MONTESSORI PROJECT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances-governmental funds \$ 3,461,146

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	1,272,854	
Building improvements, net	<u>279,173</u>	
Total capital assets		1,552,027

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>(933,932)</u>	
Total long-term debt		(933,932)

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>(208,801)</u>	
		<u>(208,801)</u>

Total net assets - governmental activities \$ 3,870,440

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

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

	Governmental Fund Type
	General Fund
REVENUES	
Revenue from State Aid and Property Taxes	\$ 7,047,570
Revenue from Other State Sources	1,952,518
Revenue from Federal Sources	132,743
Revenue from Local Sources	1,301,490
TOTAL REVENUES	10,434,321
EXPENDITURES	
Instruction	5,529,779
Instruction-related services	1,289,371
Pupil services	344,520
General administration	954,771
Plant services	1,305,275
Debt service - principal	58,101
Debt service - interest	63,957
TOTAL EXPENDITURES	9,545,774
Excess of revenues over expenditures	888,547
Fund Balances at Beginning of Year	2,730,599
Adjustment for Restatement (Note 9)	(158,000)
Fund Balances at Beginning of Year, Restated	2,572,599
Fund Balances at End of Year	\$ 3,461,146

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

CALIFORNIA MONTESSORI PROJECT
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	\$	888,547
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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	86,005	
Depreciation expense	<u>(101,893)</u>	
Excess of depreciation expense over capital outlay		(15,888)

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	58,101
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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>(61,055)</u>
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Change in Net Assets	\$	<u>869,705</u>
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The accompanying notes are an integral part of these financial statements.

CALIFORNIA MONTESSORI PROJECT

**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>
SAN JUAN CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 47,906	\$ 216,933	\$ 221,162	\$ 43,677
TOTAL ASSETS	\$ 47,906	\$ 216,933	\$ 221,162	\$ 43,677
<u>LIABILITIES</u>				
Due to Student Groups	\$ 47,906	\$ 216,933	\$ 221,162	\$ 43,677
TOTAL LIABILITIES	\$ 47,906	\$ 216,933	\$ 221,162	\$ 43,677
CAPITOL CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 11,502	\$ 86,423	\$ 75,591	\$ 22,334
TOTAL ASSETS	\$ 11,502	\$ 86,423	\$ 75,591	\$ 22,334
<u>LIABILITIES</u>				
Due to Student Groups	\$ 11,502	\$ 86,423	\$ 75,591	\$ 22,334
TOTAL LIABILITIES	\$ 11,502	\$ 86,423	\$ 75,591	\$ 22,334
ELK GROVE CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 12,640	\$ 77,267	\$ 90,917	\$ (1,010)
TOTAL ASSETS	\$ 12,640	\$ 77,267	\$ 90,917	\$ (1,010)
<u>LIABILITIES</u>				
Due to Student Groups	\$ 12,640	\$ 77,267	\$ 90,917	\$ (1,010)
TOTAL LIABILITIES	\$ 12,640	\$ 77,267	\$ 90,917	\$ (1,010)
SHINGLE SPRINGS CAMPUS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 46,409	\$ 185,726	\$ 171,814	\$ 60,321
TOTAL ASSETS	\$ 46,409	\$ 185,726	\$ 171,814	\$ 60,321
<u>LIABILITIES</u>				
Due to Student Groups	\$ 46,409	\$ 185,726	\$ 171,814	\$ 60,321
TOTAL LIABILITIES	\$ 46,409	\$ 185,726	\$ 171,814	\$ 60,321
TOTAL AGENCY FUNDS:				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 118,457	\$ 566,349	\$ 559,484	\$ 125,322
TOTAL ASSETS	\$ 118,457	\$ 566,349	\$ 559,484	\$ 125,322
<u>LIABILITIES</u>				
Due to Student Groups	\$ 118,457	\$ 566,349	\$ 559,484	\$ 125,322
TOTAL LIABILITIES	\$ 118,457	\$ 566,349	\$ 559,484	\$ 125,322

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

CALIFORNIA MONTESSORI PROJECT

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 Charter School was originally granted a charter in 2000 by the Wheatland School District with five (5) campuses within boundaries of four (4) school districts (the Districts).

American River Campus	San Juan Unified School District
Carmichael Campus	San Juan Unified School District
Capitol Campus	Sacramento Unified School District
Elk Grove Campus	Elk Grove Unified School District
Shingle Springs Campus	Buckeye Unified School District

During the year 2006-2007, the Organization's charter petitions were approved for the establishment of the California Montessori Project campuses as four separate charters (the Schools) of the Districts in accordance with Education Code Section 47605. The American River Campus and Carmichael Campus are under one charter agreement, and they operate at two separate school sites within the geographical boundaries of San Juan Unified School District. The American River Campus site is currently located in Fair Oaks, and the Carmichael Campus site is currently located in Carmichael. The other three charter school campuses operate at a single site within the boundaries of their sponsoring District. The central admin offices are located at the Carmichael Campus site.

The Schools are funded principally through the California Department of Education and the District. The Schools are governed by a Governance Board consisting of teachers, parents, District Superintendents or designees, Montessori community members, business community members, charter community members, and public members from the community at large.

The Districts have granted the charters through June 30, 2011, subject to amendment and renewal. The charters may be revoked by the Districts only for material violations of the charters, failure to meet student outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provisions of the law.

The Organization also has a memorandum of understanding with the Wheatland Elementary School District, whereby the Organization pays the District \$180 per P-2 ADA for providing business services as outlined in the Business Service Agreement. Each School has a memorandum of understanding with the sponsoring District whereby the School pays the District 1% of the School's per pupil revenues to provide administrative oversight.

The accounting policies of the Organization conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The Organization 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.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

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.

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 Organization's component unit are reported separately in the Fiduciary Fund statement. Organization'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 Organization 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 Organization at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Organization'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 Organization. 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 Organization.

CALIFORNIA MONTESSORI PROJECT
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:

During the year, the Organization segregates transactions related to certain Organization 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 Organization 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:

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 Organization 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.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

GOVERNMENTAL FUNDS - MAJOR

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

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. The Organization operates five Student Funds.

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 Organization'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
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 Organization 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

6. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. 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.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

C. BASIS OF ACCOUNTING: (continued)

6. Compensated Absences (continued)

Employees of the Organization are paid for days or hours worked based upon Board approved schedules which include vacation. 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 Organization 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.

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 agencies of California Montessori Project are required by law to provide in lieu property tax payments to the Organization on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

C. BASIS OF ACCOUNTING: (continued)

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 Organizations not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the Organization is estimated at \$74,000.

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 Organization utilizes the County appropriation ledger and Organization prepared computer reports for budgetary control.

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 Organization receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the Organization based on the above guidelines. In addition, the Organization receives donations of immaterial equipment and supplies which are not recorded upon receipt.

CALIFORNIA MONTESSORI PROJECT
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 Organization's deposits may not be returned to it. The Organization does not have a deposit policy for custodial risk. As of June 30, 2008, none of the Organization's bank balance of \$187,291 was exposed to credit risk.

Cash in County

In accordance with Education Code Section 41001, the Organization 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 Organization's deposits in this pool as of June 30, 2008, as provided by the pool sponsor, was approximately \$2,733,939.

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
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	\$109,152
Revolving Cash	<u>10,250</u>
	<u>\$119,402</u>

The restricted fund balance consists of the following:

	<u>General Fund</u>
Restricted programs	<u>\$184,463</u>

NOTE 4 - LONG-TERM DEBT:

A. Capital Leases

The Elk Grove Campus 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
Total	10,614
Less amount representing interest	<u>(323)</u>
Present value of net minimum lease payments	<u>\$10,291</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 - LONG-TERM DEBT: (continued)

B. Notes Payable

The Shingle Springs Campus has a loan agreement with Western Sierra National Bank in the amount of \$750,000. The loan bears an initial interest rate of 7% per annum and shall be in 38 monthly principal and interest payment in the amount of \$4,991. The note then requires 83 monthly payments of approximately \$5,283 at an initial interest rate of 7%. The note matures in December 2015. Future maturities are as follows:

Year Ended <u>June 30</u>	<u>Total</u>
2009	\$ 4,885
2010	7,480
2011	8,069
2012	8,705
2013	9,391
Thereafter	<u>690,848</u>
Total	<u>\$729,378</u>

The Shingle Springs Campus also has an unsecured loan agreement with Gardner Partnership in the amount of \$245,000. Deanna Gardner is a partner of the Gardner Partnership and she is also the principal of American River, one of the Organization's sites. The loan bears interest of 8% per annum. The loan is to be paid back as follows: The first year is for interest only with monthly payment of \$1,633. Years 2 to 7 are for principal and interest with monthly payment of \$4,296. Future maturities are as follows:

Year Ended <u>June 30</u>	<u>Total</u>
2009	37,508
2010	40,622
2011	43,993
2012	47,645
2013	<u>24,495</u>
Total	<u>\$194,263</u>

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 - LONG-TERM DEBT: (continued)

C. 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	\$ 20,335	\$ -	\$ (10,044)	\$ 10,291
Notes payable	<u>971,698</u>	<u> </u>	<u>(48,057)</u>	<u>923,641</u>
Totals	<u>\$992,033</u>	<u>\$ -</u>	<u>\$ (58,101)</u>	<u>\$933,932</u>

NOTE 5 - OPERATING LEASES:

The Organization 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 Organization will cancel any of the agreements prior to the expiration date. Current lease expense for the year under these agreements was \$415,027. Future minimum lease payments under these agreements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payments</u>
2009	\$ 428,875
2010	442,771
2011	373,398
2012	<u>27,331</u>
Total	<u>\$ 1,272,375</u>

NOTE 6 - 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).

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS)

Plan Description

The Organization 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 Organization 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.

Contributions to STRS

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

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2006	\$241,685	100%
2007	\$256,736	100%
2008	\$303,693	100%

NOTE 7 - CONTINGENCIES:

State Allowances, Award, and Grants

The Organization 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.

CALIFORNIA MONTESSORI PROJECT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – CAPITAL ASSETS:

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

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Building	\$1,449,392	\$ -	\$ -	\$1,449,392
Building improvements	<u>341,950</u>	<u>86,005</u>	<u> </u>	<u>427,955</u>
Totals at historical cost	<u>1,791,342</u>	<u>86,005</u>	<u> </u>	<u>1,877,347</u>
Less accumulated depreciation for:				
Building	160,650	64,742		225,392
Building improvements	<u>62,777</u>	<u>37,151</u>	<u> </u>	<u>99,928</u>
Total accumulated depreciation	<u>223,427</u>	<u>101,893</u>	<u> </u>	<u>325,320</u>
Governmental activities capital assets, net	<u>\$1,567,915</u>	<u>\$ (15,888)</u>	<u>\$ -</u>	<u>\$1,552,027</u>

NOTE 9 – ADJUSTMENT FOR RESTATEMENT:

During the year ended June 30, 2008, the School discovered that it was not entitled to \$158,000 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

ORGANIZATION
June 30, 2008

ORGANIZATION

The California Montessori Project is a Charter Management Organization located in the Sacramento and El Dorado Counties and is sponsored by various Districts. During the current fiscal year, the Organization maintained five school sites covering kindergarten through eighth grade.

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 Tarpenning	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

GENERAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin	Total
<u>Assets</u>						
Cash in County Treasury	\$ 965,221	\$ 257,355	\$ 836,742	\$ 359,864	\$ 314,757	\$ 2,733,939
Cash on hand and in banks	13,960	2,508	1,242	17,482	-	35,192
Cash in revolving fund	-	-	-	-	10,250	10,250
Accounts receivable:						
State governments	282,459	84,975	172,925	269,956	-	810,315
Miscellaneous	46,072	9,375	17,479	27,308	1,668	101,902
Deposits and prepaid assets	47,045	-	32,096	30,011	-	109,152
Total Assets	\$ 1,354,757	\$ 354,213	\$ 1,060,484	\$ 704,621	\$ 326,675	\$ 3,800,750
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 80,493	\$ 12,703	\$ 5,089	\$ 8,390	\$ 232,929	\$ 339,604
Total Liabilities	80,493	12,703	5,089	8,390	232,929	339,604
Fund Balances						
Reserved for special purposes	47,045	-	32,096	30,011	10,250	119,402
Restricted	72,879	30,033	38,805	42,746	-	184,463
Undesignated	1,154,340	311,477	984,494	623,474	83,496	3,157,281
Total Fund Balances	1,274,264	341,510	1,055,395	696,231	93,746	3,461,146
Total Liabilities and Fund Balances	\$ 1,354,757	\$ 354,213	\$ 1,060,484	\$ 704,621	\$ 326,675	\$ 3,800,750

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

GENERAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2008

	San Juan	Capitol	Elk Grove	Shingle Springs	Central Admin	Total
Revenues						
Revenue from State Aid and Property Taxes	\$ 3,285,086	\$ 710,084	\$ 1,390,590	\$ 1,661,810	\$ -	\$ 7,047,570
Revenue from Other State Sources	904,664	227,011	390,995	429,848	-	1,952,518
Revenue from Federal Sources	62,262	13,459	25,990	31,032	-	132,743
Revenue from Local Sources	446,303	187,405	287,510	227,994	152,278	1,301,490
Total Revenues	<u>4,698,315</u>	<u>1,137,959</u>	<u>2,095,085</u>	<u>2,350,684</u>	<u>152,278</u>	<u>10,434,321</u>
Expenditures						
Instruction	2,456,151	526,229	1,235,097	1,200,173	112,129	5,529,779
Instruction-related services	544,393	201,395	284,977	258,606	-	1,289,371
Pupil services	178,687	63,182	59,562	43,089	-	344,520
General administration	447,826	96,808	186,935	223,202	-	954,771
Plant services	624,980	161,321	174,319	174,556	-	1,135,176
Capital	44,420	3,608	15,784	106,287	-	170,099
Debt service - principal	-	-	10,044	48,057	-	58,101
Debt service - interest	-	-	570	63,387	-	63,957
Total Expenditures	<u>4,296,457</u>	<u>1,052,543</u>	<u>1,967,288</u>	<u>2,117,357</u>	<u>112,129</u>	<u>9,545,774</u>
Excess (deficiency) of revenues over expenditures	401,858	85,416	127,797	233,327	40,149	888,547
Fund Balances at Beginning of Year	928,994	268,644	970,706	490,243	72,012	2,730,599
Adjustment for Restatement (Note 9)	<u>(56,588)</u>	<u>(12,550)</u>	<u>(43,108)</u>	<u>(27,339)</u>	<u>(18,415)</u>	<u>(158,000)</u>
Fund Balances at Beginning of Year	<u>872,406</u>	<u>256,094</u>	<u>927,598</u>	<u>462,904</u>	<u>53,597</u>	<u>2,572,599</u>
Fund Balances at End of Year	<u>\$ 1,274,264</u>	<u>\$ 341,510</u>	<u>\$ 1,055,395</u>	<u>\$ 696,231</u>	<u>\$ 93,746</u>	<u>\$ 3,461,146</u>

See the accompanying notes to the supplementary information

CALIFORNIA MONTESSORI PROJECT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUNDS
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	\$ 5,043,836	\$ 4,732,611	\$ 4,732,611	\$ -
Property Taxes	<u>2,023,007</u>	<u>2,314,959</u>	<u>2,314,959</u>	<u>-</u>
Total Revenue from State Aid and Property Taxes	<u>7,066,843</u>	<u>7,047,570</u>	<u>7,047,570</u>	<u>-</u>
Revenue from Other State Sources				
Class Size Reduction K-3	780,759	786,114	786,114	-
Charter Schools Categorical Block Grant	626,050	600,956	600,956	-
State Lottery	343,075	349,997	349,997	-
Other State Revenues	<u>51,739</u>	<u>215,451</u>	<u>215,451</u>	<u>-</u>
Total Revenue from Other State Sources	<u>1,801,623</u>	<u>1,952,518</u>	<u>1,952,518</u>	<u>-</u>
Revenue from Federal Sources				
Other Federal Revenues	<u>-</u>	<u>132,743</u>	<u>132,743</u>	<u>-</u>
Total Revenue from Other Federal Sources	<u>-</u>	<u>132,743</u>	<u>132,743</u>	<u>-</u>
Revenue from Local Sources				
Fees and Contracts	480,000	540,105	540,105	-
Interest Revenue	59,400	118,079	118,079	-
Other Local Revenue	<u>476,322</u>	<u>1,598,077</u>	<u>1,598,077</u>	<u>-</u>
Total Revenue from Local Sources	<u>1,015,722</u>	<u>2,256,261</u>	<u>2,256,261</u>	<u>-</u>
TOTAL REVENUES	<u>9,884,188</u>	<u>11,389,092</u>	<u>11,389,092</u>	<u>-</u>
EXPENDITURES				
Certificated Salaries	3,227,325	3,738,746	3,738,746	-
Classified Salaries	1,345,974	1,911,917	1,911,917	-
Employee Benefits	782,966	928,311	928,311	-
Books and Supplies	454,202	588,093	588,093	-
Services and Other Operating Expenses	2,721,503	3,037,206	3,037,206	-
Capital outlay	75,000	174,214	174,214	-
Debt service				
Principal	35,000	58,101	58,101	-
Interest	<u>76,445</u>	<u>63,957</u>	<u>63,957</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,718,415</u>	<u>10,500,545</u>	<u>10,500,545</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,165,773</u>	<u>\$ 888,547</u>	888,547	<u>\$ -</u>
Fund Balance at Beginning of Year			2,730,599	
Adjustment for Restatement (Note 9)			<u>(158,000)</u>	
Fund Balances at Beginning of Year, Restated			<u>2,572,599</u>	
Fund Balance at End of Year			<u>\$ 3,461,146</u>	

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

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

<u>Charter</u>	<u>Grades</u>	<u>Second Period Report</u>		<u>Annual Report</u>	
		<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
San Juan	Kindergarten	91.57	91.57	91.56	91.56
	First through third	243.48	243.48	242.99	242.99
	Fourth through sixth	189.24	189.24	189.01	189.01
	Seventh through eighth	61.49	61.49	61.17	61.17
	Totals	<u>585.78</u>	<u>585.78</u>	<u>584.73</u>	<u>584.73</u>
Capitol	Kindergarten	19.67	19.67	19.54	19.54
	First through third	63.72	63.72	63.47	63.47
	Fourth through sixth	43.24	43.24	43.10	43.10
	Totals	<u>126.63</u>	<u>126.63</u>	<u>126.11</u>	<u>126.11</u>
Elk Grove	Kindergarten	28.42	28.42	28.77	28.77
	First through third	110.07	110.07	108.49	108.49
	Fourth through sixth	84.68	84.68	83.79	83.79
	Seventh through eighth	21.35	21.35	20.81	20.81
	Totals	<u>244.52</u>	<u>244.52</u>	<u>241.86</u>	<u>241.86</u>
Shingle Springs	Kindergarten	33.84	33.84	33.64	33.64
	First through third	104.73	104.73	104.45	104.45
	Fourth through sixth	108.32	108.32	107.74	107.74
	Seventh through eighth	45.07	45.07	45.17	45.17
	Totals	<u>291.96</u>	<u>291.96</u>	<u>291.00</u>	<u>291.00</u>
Grand Total		<u>1,248.89</u>	<u>1,248.89</u>	<u>1,243.70</u>	<u>1,243.70</u>

Supplementary Hours:

	<u>Charter</u>			
	<u>San Juan</u>	<u>Capitol</u>	<u>Elk Grove</u>	<u>Shingle Springs</u>
Grades K-12 Core Instruction	1,801	382	283	1,861
Grades 7-12 Remedial Instruction	-	-	84	1,371
Grades 2-9 Pupils at risk of Retention	1,195	46	751	149
Grades 2-6 Low Star Score	1,649	329	760	191
Totals	<u>4,645</u>	<u>757</u>	<u>1,878</u>	<u>3,572</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

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

	<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
San Juan	Kindergarten	36,000	47,760	180	In Compliance
	Grade 1	50,400	58,200	180	In Compliance
	Grade 2	50,400	58,200	180	In Compliance
	Grade 3	50,400	58,200	180	In Compliance
	Grade 4	54,000	58,320	180	In Compliance
	Grade 5	54,000	58,320	180	In Compliance
	Grade 6	54,000	58,320	180	In Compliance
	Grade 7	54,000	58,320	180	In Compliance
	Grade 8	54,000	58,320	180	In Compliance
Capitol	Kindergarten	36,000	48,120	180	In Compliance
	Grade 1	50,400	58,440	180	In Compliance
	Grade 2	50,400	58,440	180	In Compliance
	Grade 3	50,400	58,440	180	In Compliance
	Grade 4	54,000	58,440	180	In Compliance
	Grade 5	54,000	58,440	180	In Compliance
	Grade 6	54,000	58,440	180	In Compliance
Elk Grove	Kindergarten	36,000	58,440	180	In Compliance
	Grade 1	50,400	58,440	180	In Compliance
	Grade 2	50,400	58,440	180	In Compliance
	Grade 3	50,400	58,440	180	In Compliance
	Grade 4	54,000	58,440	180	In Compliance
	Grade 5	54,000	58,440	180	In Compliance
	Grade 6	54,000	58,440	180	In Compliance
	Grade 7	54,000	58,440	180	In Compliance
Shingle Springs	Kindergarten	36,000	48,000	180	In Compliance
	Grade 1	50,400	58,320	180	In Compliance
	Grade 2	50,400	58,320	180	In Compliance
	Grade 3	50,400	58,320	180	In Compliance
	Grade 4	54,000	60,900	180	In Compliance
	Grade 5	54,000	60,900	180	In Compliance
	Grade 6	54,000	60,900	180	In Compliance
	Grade 7	54,000	63,600	180	In Compliance
	Grade 8	54,000	63,600	180	In Compliance

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

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

For the Fiscal Year Ended June 30, 2008

	General Funds				
	San Juan	Capitol	Elk Grove	Shingle Springs	Total
June 30, 2008, annual financial and budget report fund balance	\$ 1,281,409	\$ 343,359	\$ 1,053,982	\$ 682,722	\$ 3,361,472
Adjustments and reclassifications:					
Increasing (decreasing) the fund balance:					
Understatement (Overstatement) of cash	<u>(7,145)</u>	<u>(1,849)</u>	<u>1,413</u>	<u>13,509</u>	<u>5,928</u>
June 30, 2008, audited financial statement fund balance	<u>\$ 1,274,264</u>	<u>\$ 341,510</u>	<u>\$ 1,055,395</u>	<u>\$ 696,231</u>	<u>\$ 3,367,400</u>

See the accompanying notes to the supplementary information.

CALIFORNIA MONTESSORI PROJECT

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

	(Budget) 2009		2008		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>Revenue</u>								
Revenue Limit Sources	\$ 7,434,484	77.7	\$ 7,047,570	67.1	\$ 6,791,725	83.7	\$ 5,843,550	77.8
Federal	66,373	0.7	132,743	1.3	129,876	1.6	1,121	0.0
State	1,603,861	16.8	1,952,518	18.6	1,871,432	23.1	1,215,527	16.2
County, Local and Other Sources	985,763	10.3	1,301,490	12.4	1,056,558	13.0	914,246	12.2
Total Revenue	10,090,481	105.5	10,434,321	99.4	\$ 9,849,591	121.4	7,974,444	106.1
<u>Expenditures</u>								
Certificated Salaries	3,863,599	40.4	3,738,746	35.6	3,067,304	37.7	2,897,558	38.5
Classified Salaries	1,640,861	17.1	1,911,917	18.2	1,345,548	16.6	1,305,531	17.4
Employee Benefits	967,449	10.1	928,311	8.8	730,323	9.0	712,291	9.5
Books and Supplies	286,481	3.0	588,093	5.6	394,420	4.9	412,865	5.5
Services and Other Operating Expenses	2,641,767	27.6	3,037,206	28.9	2,373,144	29.3	1,928,210	25.7
Capital Outlay	60,000	0.6	174,214	1.7	94,644	1.2	115,181	1.5
Debt Service	111,445	1.2	122,058	1.2	106,085	1.3	141,162	1.9
Total Expenditures	9,571,602	100.0	10,500,545	100.0	8,111,468	100.0	7,512,798	100.0
Change in Fund Balance	518,879	5.4	(66,224)	(0.6)	1,738,123	21.4	461,646	6.1
Adjustment for Restatement (Note 9)	-	-	(158,000)	(1.5)	-	-	-	-
Ending Fund Balance	\$ 3,025,254	31.6	\$ 2,506,375	23.9	\$ 2,730,599	33.7	\$ 992,476	13.2
Average Daily Attendance	1,322		1,249		1,226		1,165	
Total Long-Term Debt	\$ 908,932		\$ 933,932		\$ 992,033		\$ 1,022,219	

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

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison - General Funds

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 Average Daily Attendance (ADA)

Average daily attendance is a measurement of the number of pupils attending classes of the Schools. 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.

C. Schedule of Instructional Time Offered

This schedule presents information on the amount of instructional time offered by the Schools and whether the Schools complied with the provisions of Education Code Sections 46200 through 46206.

D. 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.

E. Schedule of Financial Trends and Analysis

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

**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
4718 Engle Road
Carmichael, CA 95608

We have audited the financial statements of California Montessori Project (the Organization) as of and for the year ended June 30, 2008, 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 Organization'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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 Organization's internal control.

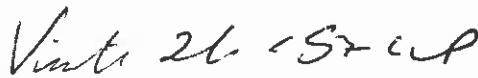
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 Organization'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, management, the Sacramento and El Dorado County Office of Education, the California Department of Education, Sacramento Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District, 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



REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of California Montessori Project (the Organization) 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.

California Montessori Project's management is responsible for California Montessori Project's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine California Montessori Project'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 (including charter schools):		
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	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 of 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 instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	3	Yes

REPORT ON STATE COMPLIANCE

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

This report is intended solely for the information and use of the Board, management, the Sacramento and El Dorado Office of Education, the California Department of Education, Sacramento Unified School District, Elk Grove Unified School District, San Juan Unified School District, Buckeye Unified School District 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
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 or questioned costs for the year ended June 30, 2008.

CALIFORNIA MONTESSORI PROJECT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2008

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