

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

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

June 30, 2012



**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**ANNUAL FINANCIAL REPORT
June 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Governing Board
California Montessori Project
Elk Grove Campus
5330-A Gibbons Drive, Suite 700
Carmichael, CA 95608

We have audited the accompanying statement of financial position of California Montessori Project - Elk Grove Campus (the School), a California public charter school operated by California Montessori Project, a California non-profit corporation, as of and for the year ended June 30, 2012, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2012, and the changes in its net assets and cash flows 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 December 10, 2012 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.

Governing Board
California Montessori Project
Elk Grove Campus

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 15-19 is presented for the purposes of additional analysis. These schedules are not a required part of the basic financial statements. The supplementary section is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Vicenti, Lloyd + Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP

December 10, 2012

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF FINANCIAL POSITION
June 30, 2012**

ASSETS

Current assets

Cash in County Treasury	\$ 7,112,120
Cash on hand and in banks	21,890
Accounts receivable:	
Federal and state governments	671,046
Deposits and prepaid assets	<u>32,493</u>
Total current assets	7,837,549

Noncurrent assets

Property, plant and equipment, net	<u>399,999</u>
Total assets	<u><u>\$ 8,237,548</u></u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 112,995
Compensated absences	79,339
Amounts held for others	20,905
Deferred revenue	<u>1,970</u>
Total current liabilities	<u>215,209</u>

Non-current liabilities

Notes payable, less current portion	<u>3,493,027</u>
Total non-current liabilities	<u>3,493,027</u>

Net assets

Unrestricted - capital assets, net of related debt	399,999
Unrestricted	1,223,179
Temporarily Restricted	<u>2,906,134</u>
Total net assets	<u>4,529,312</u>
Total liabilities and net assets	<u><u>\$ 8,237,548</u></u>

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Revenue from state sources:			
State aid portion of			
general purpose block grant	\$ 1,152,066	\$ -	\$1,152,066
Class size reduction	181,564		181,564
Lottery	50,672		50,672
Other state revenue	245,819		245,819
Total revenue from state sources	1,630,121	-	1,630,121
Revenue from federal sources	54,478		54,478
Revenue from local sources:			
In-lieu property tax	351,481		351,481
Interest	22,576		22,576
Other local revenue	289,034		289,034
Total revenue from local sources	663,091	-	663,091
Total revenues	2,347,690	-	2,347,690
Net assets released from restriction	187,078	(187,078)	-
Total revenues and net assets released from restriction	2,534,768	(187,078)	2,347,690
EXPENSES			
Program services:			
Instruction	1,335,666		1,335,666
Instruction-related services	289,114		289,114
Pupil services	5,402		5,402
Support services:			
General administration	345,277		345,277
Plant services	210,902		210,902
Depreciation	19,084		19,084
Total expenses	2,205,445		2,205,445
Change in net assets	329,323	(187,078)	142,245
Net assets - beginning of year	1,189,805	3,197,262	4,387,067
Reclassification adjustment (Note 6)	104,050	(104,050)	-
Net assets - beginning of year, adjusted	1,293,855	3,093,212	4,387,067
Net assets - end of year	\$ 1,623,178	\$ 2,906,134	\$4,529,312

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 142,245
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	19,084
(Increase) decrease in operating assets:	
Accounts receivable - Federal and state governments	3,066,164
Deposits and prepaid expenses	(397)
Increase (decrease) in operating liabilities:	
Accounts payable	19,554
Compensated absences	(3,247)
Amounts held for others	1,321
Deferred revenue	<u>(18,496)</u>
Net cash provided by operating activities	<u>3,226,228</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant, and equipment	<u>(187,078)</u>
Net cash used by investing activities	<u>(187,078)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of long-term debt	<u>3,223,681</u>
Net cash provided by financing activities	<u>3,223,681</u>

Net increase in cash and cash equivalents 6,262,831

Cash and cash equivalents at the beginning of the year 871,179

Cash and cash equivalents at the end of the year \$ 7,134,010

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

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The California Montessori Project, A California Charter School, Inc. (the Schools) was formed to provide a Montessori based educational program to every child in the state of California. The California Montessori Project – Elk Grove Campus (the School) was approved in 2006 by Elk Grove Unified School District (the District) to operate as a separate Charter. The School site is currently located in Elk Grove. The School is an operating segment of California Montessori Project, Inc., a non-profit corporation. The School is funded principally through the California Department of Education and the District. The School is governed by a Governing 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, 2016, 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.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the School consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School's temporarily restricted net assets consist of Proposition 55 Funding for facilities.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other liabilities.

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.

Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor as required by financial accounting standards. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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

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.

Property, Plant and Equipment

Property, plant, and equipment are capitalized at cost (or estimated historical cost) if purchased or at estimated fair market value as of the date received if donated. The school capitalizes expenditures for property, plant, and equipment in excess of \$10,000. Plant and equipment is depreciated 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

Compensated Absences

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 statement of financial position.

Employees of the School 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.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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

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.

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.

Subsequent Events

All events subsequent to the balance sheet date of June 30, 2012, through December 10, 2012, which is the date these financial statements were available to be issued, have been evaluated in accordance with financial accounting standards.

Income Taxes

California Montessori Project is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes.

Management has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Schools' continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Schools file informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - DEPOSITS:

Concentration of Credit Risk

The School maintains bank accounts with a single institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2012 there were no deposits in excess of the FDIC limit.

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, 2012, as provided by the pool sponsor, was \$7,112,120.

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 - EMPLOYEE RETIREMENT PLAN:

Qualified employees are covered under multiple-employer defined benefit pension plan maintained by 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.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3 - EMPLOYEE RETIREMENT PLAN: (Continued)

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 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS

The School's contributions to STRS for 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>
2010	\$67,252	100%
2011	\$67,692	100%
2012	\$71,165	100%

NOTE 4 - OPERATING LEASES:

The School has entered into various operating leases for facilities and equipment, none 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 \$159,854.

NOTE 5 - 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 6 - RECLASSIFICATION ADJUSTMENT:

During the year ended June 30, 2012, it was noted that an additional \$104,050 of temporarily restricted net assets relating to the Charter School Facilities Program should have been released in the prior fiscal year to unrestricted net assets. An adjustment was made to reclassify beginning net assets accordingly.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT:

As of June 30, 2012 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
Building	\$ 201,108	\$ -	\$ -	\$ 201,108
Building improvements	148,428	-	-	148,428
Work in progress	-	187,078	-	187,078
Totals at historical cost	<u>349,536</u>	<u>187,078</u>	<u>-</u>	<u>536,614</u>
Less accumulated depreciation for:				
Building	59,272	7,824	-	67,096
Building improvements	<u>58,259</u>	<u>11,260</u>	<u>-</u>	<u>69,519</u>
Total accumulated depreciation	<u>117,531</u>	<u>19,084</u>	<u>-</u>	<u>136,615</u>
Property, plant and equipment, net	<u>\$ 232,005</u>	<u>\$ 167,994</u>	<u>\$ -</u>	<u>\$ 399,999</u>

NOTE 8 - LONG-TERM DEBT:

The Elk Grove Campus entered into an agreement under the Charter School Facilities Program of the California School Finance Authority. Under this agreement, the School was awarded funding for facilities of which 50% is in the form of a 30 year loan. The loan carries an interest rate of 3% and requires principal and interest payments to commence upon the completion of the project (currently estimated to be the 2013-2014 fiscal year). The total amount of the award for the Elk Grove Campus was \$11,834,282.

A summary of the project activity through June 30, 2012 is as follows:

Award Summary

State Apportionment	\$ 5,917,141
CSFP Lease Amount	<u>5,917,141</u>
Total OPSC Estimated Project Cost	<u>\$ 11,834,282</u>

Summary of Funding Received

Funding received prior to July 1, 2011	\$ 538,692
Funding received July 1, 2011 to June 30, 2012	<u>6,447,362</u>
Total funding received as of June 30, 2012	<u>\$ 6,986,054</u>

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

NOTE 8 - LONG-TERM DEBT: (Continued)

Summary of Project Costs Incurred

Project costs incurred prior to July 1, 2011

Amounts expensed	\$ 399,815
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Project costs incurred July 1, 2011 to June 30, 2012

Amounts capitalized as property, plant, and equipment	<u>187,078</u>
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Total project costs incurred as of June 30, 2012	<u>\$ 586,893</u>
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Release of funding has been approved in the amount of \$6,986,054 all of which was received by the School as of June 30, 2012. The loan balance (50% of funds received) as of June 30, 2012 was \$3,493,027.

Payments under the agreement do not commence until the project is complete; however, estimated future maturities are as follows:

Year Ended	
<u>June 30</u>	
2013	\$ -
2014	126,098
2015	129,934
2016	133,886
2017	137,958
Thereafter	<u>2,965,151</u>
Total	<u>\$ 3,493,027</u>

NOTE 9 – SUBSEQUENT EVENT:

After the end of the fiscal year, but before the financial statements were available to be issued, the School settled a claim relating to special education services. As a result of the settlement, the School will pay \$84,500. This amount has been accrued in accounts payable as of June 30, 2012 accordingly.

SUPPLEMENTARY INFORMATION SECTION

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**HISTORY AND ORGANIZATION
June 30, 2012**

The California Montessori Project - Elk Grove Campus (the School) is a California Charter School located in the Sacramento County and is sponsored by the Elk Grove Unified School District. The School was approved by the District in 2006 to operate as a separate Charter. The School is governed by a Governing 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, 2016, 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.

Charter School number is: 777

The Governing Board and Administration for the fiscal year ending June 30, 2012 were as follows:

GOVERNING BOARD

<u>MEMBERS</u>	<u>OFFICE</u>	<u>TERM</u>
Patty Hagemeyer	District Representative – Sacramento City USD	2012
Rob Henderson	Business Representative (Chairperson)	2012
Kalyca Green	Teacher Representative – American River	2012
Jonathan Wolff	Montessori Representative	2013
Jenny Savakus	Community Representative (CFO)	2012
Jayna Gaskell	Charter School Representative	2012
Natasha Vidic	Parent Representative – Carmichael	2012
Raquel Leuze	Parent Representative – American River (V.P.)	2012
Nick Dakis	Parent Representative – Elk Grove	2012
Dave Nelson	Parent Representative – Shingle Springs	2014
Patrick Briggs	Parent Representative – Capitol	2014

ADMINISTRATION

Gary Bowman	Executive Director
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**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Year Ended June 30, 2012**

Grades	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Kindergarten	42.58	42.58	42.56	42.56
First through third	124.90	124.90	124.65	124.65
Fourth through sixth	88.00	88.00	87.12	87.12
Seventh through eighth	34.03	34.03	34.00	34.00
Total	<u>289.51</u>	<u>289.51</u>	<u>288.33</u>	<u>288.33</u>

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF INSTRUCTIONAL TIME OFFERED
For the Year Ended June 30, 2012**

Grade Level	Minutes Requirement	2011-12 Reduced Minutes	2011-12 Actual Minutes	Status
Kindergarten	36,000	33,531	46,860	In Compliance
Grade 1	50,400	46,944	56,760	In Compliance
Grade 2	50,400	46,944	56,760	In Compliance
Grade 3	50,400	46,944	56,760	In Compliance
Grade 4	54,000	50,297	56,760	In Compliance
Grade 5	54,000	50,297	56,760	In Compliance
Grade 6	54,000	50,297	56,760	In Compliance
Grade 7	54,000	50,297	61,260	In Compliance
Grade 8	54,000	50,297	61,260	In Compliance

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF ANNUAL AND BUDGET FINANCIAL REPORT
TO AUDITED FINANCIAL STATEMENT NET ASSETS
For the Year Ended June 30, 2012**

June 30, 2012, annual financial and budget report net assets	\$ 4,616,534
Adjustments and reclassifications:	
Increasing (decreasing) net assets:	
Property, plant and equipment, net	(2,722)
Accounts payable	<u>(84,500)</u>
Total adjustments and reclassifications:	<u>(87,222)</u>
June 30, 2012, audited financial statement net assets	<u>\$ 4,529,312</u>

See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION NET ASSETS TO
FUND BALANCE THAT WOULD BE REPORTED UNDER
GOVERNMENTAL ACCOUNTING STANDARDS
June 30, 2012**

Total net assets	\$ 4,529,312
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Amounts reported in the statement of financial position are excluded from fund balance under governmental accounting standards 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:

Property, plant and equipment, net	(399,999)
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Long-term liabilities, including notes 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:

Notes payable	3,493,027
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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:

Compensated absences	<u>79,339</u>
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Total fund balance	<u><u>\$ 7,701,679</u></u>
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See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**RECONCILIATION OF THE STATEMENT OF ACTIVITIES TOTAL CHANGE IN
NET ASSETS TO CHANGE IN FUND BALANCE THAT WOULD BE REPORTED UNDER
GOVERNMENTAL ACCOUNTING STANDARDS
For the Year Ended June 30, 2012**

Total change in net assets	\$	142,245
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Amounts reported as changes in net assets 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	\$ (187,078)	
Depreciation expense	<u>19,084</u>	
Excess of depreciation expense over capital outlay		(167,994)

The governmental funds report long-term debt proceeds as an other financing source. The effect of this difference in the treatment of long-term liabilities is as follows:

Proceeds from notes payable		3,223,681
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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 decrease in compensated absences		<u>3,247</u>
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Change in fund balance	\$	<u><u>3,201,179</u></u>
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See the accompanying notes to the supplementary information.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

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

B. Schedule of Instructional Time 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.

C. Reconciliation of Annual Financial and Budget Report to Audited Financial Statements Net Assets

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

D. Reconciliation of the Statement of Financial Position Net Assets to Fund Balance that would Be Reported Under Governmental Accounting Standards

This schedule reconciles net assets as reported in the Statement of Financial Position to fund balance that would be reported under Governmental Accounting Standards.

E. Reconciliation of the Statement of Activities Total Change in Net Assets to Change in Fund Balance that would Be Reported Under Governmental Accounting Standards

This schedule reconciles the total change in net assets as reported in the Statement of Activities to change in fund balance that would be reported under Governmental Accounting Standards.

**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***

Governing Board
California Montessori Project
Elk Grove Campus
5330-A Gibbons Drive, Suite 700
Carmichael, CA 95608

We have audited the financial statements of the California Montessori Project – Elk Grove Campus (a California public charter school operated by California Montessori Project) (the School) as of and for the year ended June 30, 2012 and have issued our report thereon dated December 10, 2012. 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

Management of the School is responsible for establishing and maintaining effective 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 audit procedures for the purpose of expressing our opinion 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 noncompliance 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 Governing Board, management, of the School, the Elk Grove Unified School District, the Sacramento County Office of Education, the California Department of Education, the State Controller's Office, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

December 10, 2012

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
 California Montessori Project
 Elk Grove Campus
 5330-A Gibbons Drive, Suite 700
 Carmichael, CA 95608

We have audited the compliance of California Montessori Project – Elk Grove Campus (a California public charter school operated by California Montessori Project) (the School) with the types of compliance requirements described in the *2011-2012 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2012. The School's State compliance requirements are identified in the table below. Compliance with the State laws and regulations as identified below is the responsibility of the School's management. Our responsibility is to express an opinion of the School's compliance based on our audit.

We conducted our audit 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 *2011-2012 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 noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determine of the School's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher certification and misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Continuation education	10	Not applicable
Independent study	23	Not applicable

INDEPENDENT AUDITOR'S 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
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
Instructional materials general requirements	8	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 Accountability Report Card	3	Not applicable
Public hearing requirement—receipt of funds	1	Not applicable
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils – Pertussis Immunization	2	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	3	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	4	Yes

In our opinion, we found that, for the items tested, the School complied with the laws and regulations of the state programs referred to above in all material respects.

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

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

December 10, 2012

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

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, 2012.

**CALIFORNIA MONTESSORI PROJECT
ELK GROVE CAMPUS**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2012**

There were no findings or questioned costs for the year ended June 30, 2011.