

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**BASIC FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION AND REGULATORY REPORTS**

JUNE 30, 2008

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report on Basic Financial Statements and Supplementary Information	1 – 2
Management's Discussion and Analysis	3 – 7
Basic Financial Statements	
Statement of Net Assets	8
Statements of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Types	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Basic Financial Statements	14 – 22
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes Budget and Actual – Governmental Funds	23
Other Supplementary Information	
Schedule of Revenues, Expenditures and Changes Budget and Actual – Governmental Funds – Capital Outlay	24

Regulatory Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards* 25 – 26

"Management Letter" Based on Rule 10.854(1)(d) of the Auditor General of the State of Florida 27 – 32

ValienteHernandez

P. A.


CERTIFIED PUBLIC
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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Board of Directors
The Richardson Montessori Academy, Inc.,
a Charter School and Component Unit of
the School District of Hillsborough County
Tampa, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of The Richardson Montessori Academy, Inc. ("the Academy"), a Charter School and Component Unit of the School District of Hillsborough County, as of and for the year ended June 30, 2008 which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions 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 basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Academy as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the 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 September 23, 2008 on our consideration of the Academy'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.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The accompanying Schedule of Revenues, Expenditures and Changes Budget and Actual – Governmental Funds – Capital Outlay (page 24) is presented for purposes of additional analysis and is not a required part of the basic financial statements and 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.

Valiente Hernandez P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
September 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Richardson Montessori Academy, Inc.'s ("the Academy") management has prepared this Management's Discussion and Analysis (MD&A) to provide readers with highlights of various financial and non-financial events of the past year. In addition, the analysis will also provide the reader with the following information:

- A brief discussion of the basic financial statements, including how they relate to each other and the significant differences in information they provide.
- Condensed current and prior year financial information and a comparative analysis to discuss the reasons for significant changes and factors that significantly affected current year operations.
- A review and analysis of individual fund financial information, including the reasons for significant changes in fund balances or net assets.
- An analysis of significant variations between original and final budget amounts and the actual budgets results.
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

Because the information contained in the MD&A is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Academy's basic financial statements as described in the table of contents.

BASIC FINANCIAL STATEMENTS – AN OVERVIEW:

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to basic financial statements

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the Academy's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the Academy presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its net assets and liabilities, using an economic resources

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS – AN OVERVIEW (continued):

measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the Academy. The statement of activities presents information about the change in the Academy's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the Academy's financial health is improving or deteriorating.

The government-wide statements present the Academy's activities in one category:

Government activities - This represents most of the Academy's services including its educational programs: basic education. The State's education finance program provides most of the resources that support these activities.

Over a period of time, changes in the Academy's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the Academy's student enrollment, and the condition of the Academy's capital assets including its school building and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by grant agreements, such as federal grants. Fund financial statements provide more detailed information about the Academy's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the Academy's funds may be classified in one broad category:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the government funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS – AN OVERVIEW (continued):

This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statement provides a detailed short-term view that may be used to evaluate the Academy's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation of governmental funds to governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year.

	Net Assets	
	2008	2007
Current and other assets	\$ 295,551	\$ 208,761
Capital assets	239,645	249,051
School building project	40,800	6,800
Total assets	575,996	464,612
Current liabilities	17,796	(27,477)
Net assets:		
Invested in capital assets, net of related debt	280,445	249,051
Restricted	4,935	11,309
Unrestricted	272,820	176,775
Total net assets	\$ 558,200	\$ 437,135

The Academy's net assets have increased due to sufficient student enrollment to provide an excess of revenue over expenses.

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**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued):

Both revenues and expenditures increased during the year. Revenue and expenditure increases were related to an increase in the program cost factor and additional office support staff.

	Changes in Net Assets	
	2008	2007
Revenues:		
Program revenues:		
Federal grants	\$ -	\$ 12,647
Capital grants	52,756	60,039
General revenues:		
Other	561,916	506,240
Total revenues	614,672	578,926
Program expenses:		
Instruction	178,529	160,960
School administration	119,648	83,366
Other expenses	195,430	194,244
Total expenses	493,607	438,570
Increase in net assets	\$ 121,065	\$ 140,356

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS:

This section provides an analysis of the balances and transactions of individual funds, the reasons for significant changes in fund balances or fund net assets and whether there are any restrictions, commitments, or other limitations that could significantly affect the availability of fund resources for future use.

- State and federal sources of revenue declined by approximately \$20,000, from approximately \$73,000 in 2007 to approximately \$53,000 in 2008. This is due to a decline of capital outlay receipts and the exclusion of Title I funds in 2008.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND LONG-TERM DEBT:

- Capital assets' net book value decreased by approximately \$9,400 during the year due to depreciation of equipment. There were no fixed asset additions or deletions during 2008.
- School building project costs are capitalized and increased approximately \$34,000 during 2008, primarily for architectural and design efforts associated with the proposed school project located on land owned by the Academy.
- There were no borrowings during the year ending June 30, 2008.

BUDGET VARIANCE IN THE GENERAL FUND:

The significant variation between the final budget and actual amounts were as follows:

- Instruction expenditures were under budget by approximately \$88,000 because of teacher aide vacancies.
- Operation and maintenance of plant expenditures was under budget by approximately \$27,600. The decrease in planned expenses was primarily due to the delay of building improvements.
- School administration expenses were over budget by approximately \$24,700 due to the hiring of an additional administration support staff person.

SIGNIFICANT ECONOMIC FACTORS OR OTHER CONDITIONS:

As indicated by the current year Statement of Activities, the Academy has benefited from a considerable increase in net assets of approximately \$121,000 this year. The increase was primarily the result of an increase in the program cost factor this year compared to the prior year. Management believes that the child census will stabilize at approximately 86 students through the fiscal year ending June 30, 2009, and has prepared a budget for fiscal year 2009 showing a student population at 86 FTE while at the same time controlling costs in order to achieve a projected excess of revenues over expenditures.

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BASIC FINANCIAL STATEMENTS

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	Primary Government		Memorandum
	Governmental Activities	Totals	Only 2007 Total
<u>ASSETS</u>			
Cash and cash equivalents (Note 1)	\$ 273,239	\$ 273,239	\$ 186,222
Amounts due from primary government	4,237	4,237	8,021
Due from related party (Note 4)	2,322	2,322	3,018
Due from employee	158	158	-
Prepaid expenses	4,095	4,095	-
Capital assets (Note 2)	239,645	239,645	249,051
School building project	40,800	40,800	6,800
Deposits	11,500	11,500	11,500
Total assets	<u>\$ 575,996</u>	<u>\$ 575,996</u>	<u>\$ 464,612</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	\$ 15,433	\$ 15,433	\$ 20,564
Accrued expenses	2,363	2,363	6,913
Total current liabilities	<u>17,796</u>	<u>17,796</u>	<u>27,477</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt, if any	280,445	280,445	249,051
Restricted for capital projects	4,935	4,935	11,309
Unrestricted	272,820	272,820	176,775
Total net assets	<u>558,200</u>	<u>558,200</u>	<u>437,135</u>
Total liabilities and net assets	<u>\$ 575,996</u>	<u>\$ 575,996</u>	<u>\$ 464,612</u>

The notes to basic financial statements are an integral part of this statement.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

FUNCTIONS	Program Revenues			Net (Expense) Revenue And Changes in Net Assets		Memorandum Only
	Expenses	Operating	Capital	Governmental	Total	
		Grants and Contributions	Grants and Contributions			
Governmental activities:						
Instruction	\$ 178,529	\$ -	\$ -	\$ (178,529)	\$ (178,529)	\$ (148,313)
Instructional staff training services	-	-	-	-	-	-
General support services	11,649	-	-	(11,649)	(11,649)	(9,007)
School administration	119,648	-	-	(119,648)	(119,648)	(83,366)
Administrative fee	27,882	-	-	(27,882)	(27,882)	(25,088)
Fiscal services	10,180	-	-	(10,180)	(10,180)	(9,900)
Operation of facility	51,897	-	-	(51,897)	(51,897)	(59,178)
Maintenance of facility	25,286	-	-	(25,286)	(25,286)	(23,674)
Rent of facility	59,130	-	52,756	(6,374)	(6,374)	2,067
Depreciation/amortization expense	9,406	-	-	(9,406)	(9,406)	(9,425)
Total governmental activities	493,607	-	52,756	(440,851)	(440,851)	(365,884)
Business-type activities:						
Total primary government	\$ 493,607	\$ -	\$ 52,756	(440,851)	(440,851)	(365,884)
General revenues:						
Grants and contributions not restricted to specific programs				561,916	561,916	506,240
Change in net assets				121,065	121,065	140,356
Net assets - July 1, 2007				437,135	437,135	296,779
Net assets - June 30, 2008				\$ 558,200	\$ 558,200	\$ 437,135

The notes to basic financial statements are an integral part of this statement.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

	General Fund	Public Education Capital Outlay (PECO)	Totals Governmental Funds
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 268,304	\$ 4,935	\$ 273,239
Amounts due from primary government	4,237	-	4,237
Due from related party	2,322	-	2,322
Due from employee	158	-	158
Prepaid expenses	4,095	-	4,095
Deposits	11,500	-	11,500
Total assets	\$ 290,616	\$ 4,935	\$ 295,551
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 15,433	\$ -	\$ 15,433
Accrued expenses	2,363	-	2,363
Total current liabilities	17,796	-	17,796
 <u>FUND BALANCES</u>			
Fund balances:			
Unreserved	272,820	-	272,820
Reserved	-	4,935	4,935
Total fund balances	272,820	4,935	277,755
Total liabilities and fund balances	\$ 290,616	\$ 4,935	\$ 295,551

The notes to basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

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

Total fund balances - Governmental funds \$ 277,755

Amounts reported for *governmental activities* in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 239,645

School building project used in governmental activities is not
a financial resource and therefore is not reported in the funds. 40,800

Total net assets - Governmental activities \$ 558,200

The notes to basic financial statements are an integral part of this statement.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Public Education Capital Outlay (PECO)</u>	<u>Total Governmental Funds</u>
Revenues:			
State sources	\$ 558,373	\$ 52,756	\$ 611,129
Other	3,543	-	3,543
Total revenues	<u>561,916</u>	<u>52,756</u>	<u>614,672</u>
Expenditures:			
Current:			
Instruction	178,529	-	178,529
General support services	11,649	-	11,649
School administration	119,648	-	119,648
Administrative fee	27,882	-	27,882
Fiscal services	10,180	-	10,180
Operation of plant	51,897	-	51,897
Maintenance of plant	25,286	-	25,286
Capital outlay:			
Facilities	-	59,130	59,130
Other capital outlay	40,800	-	40,800
Total expenditures	<u>465,871</u>	<u>59,130</u>	<u>525,001</u>
(Excess) of expenditures over revenues	96,045	(6,374)	89,671
Fund balance, beginning of the year	<u>176,775</u>	<u>11,309</u>	<u>188,084</u>
Fund balance, end of the year	<u>\$ 272,820</u>	<u>\$ 4,935</u>	<u>\$ 277,755</u>

The notes to basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
JUNE 30, 2008

Net change in fund balances - Total governmental funds \$ 89,671

Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation expense.
This is the amount by which capital outlays exceed depreciation
expense in the current period.

31,394

Change in net assets of governmental activities \$ 121,065

The notes to basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements presented in this report constitute a complete presentation of The Richardson Montessori Academy, Inc. (“the Academy”), previously called The Richardson Academy, Inc., the organization that operates the Charter School. The following is a summary of significant accounting policies:

Reporting Entity

The Richardson Montessori Academy, Inc. (a Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes (FS), the Florida Not For Profit Corporation Act, and Section 1002.33, FS. The Academy operates within Hillsborough County in Tampa, Florida. The activities are conducted by the professional staff and teachers employed by the Academy. The governing body of the Academy is the Academy’s Board of Directors.

The general operating authority of Florida Charter Schools is contained in Section 1002.33, FS. The Academy operates under a charter of the sponsoring school district, the School District of Hillsborough County, Florida (“the District”). The current charter is effective for a term of ten years, beginning July 1, 2000, by mutual agreement between the Academy and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the Charter School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), FS, the Academy contract provides that in the event the Academy is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The Academy is considered a component unit of the District.

Criteria for determining if other entities are potential component units which should be reported within the Academy’s basic financial statements are identified and described in the Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Academy is financially accountable and other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Academy.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the Academy's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the Academy presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the Academy. The statement of activities presents information about the change in the Academy's net assets and the results of its operations during the fiscal year. An increase or decrease in net assets is an indication of whether the Academy's financial health is improving or deteriorating.

The government-wide statements present the Academy's activities in one category:

- Governmental activities – This represents the Academy's core services that fulfill its general mission and objective of offering basic education. The state's education finance program provides most of the resources that support these activities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law, while others are created by grant agreements such as federal grants. Fund financial statements provide more detailed information about the Academy's financial activities, focusing on its most significant or "major" funds rather than fund types. The Academy considers all of its funds to be major funds. This is in contrast to the entity-wide perspective contained in the government-wide statements.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

All of the Academy's funds may be classified in one broad category:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported at governmental activities in the government-wide financial statements. However, the government funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statement provides a detailed short-term view that may be used to evaluate the Academy's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation of governmental funds to governmental activities. The Academy considers revenues collected within 60 days from year-end to be available for revenue recognition in the governmental fund financial statements.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

Revenue Sources

Revenues for current operations are received primarily from the School District of Hillsborough County (the District) pursuant to the funding provisions included in the Academy's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), FS, the Academy reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, FS, the district reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Academy is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the Academy during the designated student survey periods.

The basic amount of funding through the FEFP under Section 1011.62, FS, is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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

who do not have a matrix of services are provided through a guaranteed allocation designated in Section 1011.62(1)(e)(2), FS. For the 2007-2008 school year the school reported 89.50 unweighted FTE. Weighted funding represented approximately 74% of the total funding.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, FS, and Rule 6A- 1.0453, Florida Administrative Code (FAC). Charter Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS and Rule 6A-6.03411, FAC).

The Academy also receives federal grant awards for the enhancement of various educational programs. Federal awards are generally received based on application submitted to and approved by various granting agencies. For Federal awards in which a claim to these grants proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. This activity is recorded in the Other Federal Programs Fund. In 2008, there were no eligible expenditures and revenues.

The Academy also received state awards for capital outlay expenditures. The state grant awards are based on an application submitted and approved by the state. The amount received under this program is based on the Academy's actual and projected student enrollment during the year. Funds received under this program may only be used for lawful capital outlay expenditures and are accounted for in the Public Education Capital Outlay (PECO) fund.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks and all highly liquid investments with maturities of three months or less. At June 30, 2008 there were no cash equivalents. Deposits are maintained with a commercial bank, which is organized under the laws of the United States of America and insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$100,000. At June 30, 2008 the Academy's remaining bank balances were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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

General Capital Assets and Depreciation

Expenditures for general capital assets acquired for general Academy purposes are reported in the Governmental Funds that financed the acquisition; whereas, the capital assets so acquired are capitalized (recorded) at cost in the Statement of Net Assets. Donated assets, if any, are recorded at fair market value at the date of donation. The depreciation of general capital assets is not recorded in the Academy's Governmental Funds. Depreciation is recorded as an expense in the Statement of Activities.

Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

	<u>Years</u>
Improvements	40
Furniture, fixtures and equipment	10
Software	3
Library	10
Motor vehicles	5

Current year information relative to changes in capital assets is described in Note 2.

Income taxes

The Academy is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code ("the Code"); therefore, no provision for income taxes has been made in these basic financial statements. In addition, the Academy has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Use of Estimates

The preparation of basic 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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

Concentration of Revenue Sources

Approximately 99.4% of the School's revenue is derived from grants from the federal government passed through the State of Florida Department of Education (which is renewed annually) and state and local funds passed through the District (which is periodically renewable). The current level of the Academy's operation and program services may be impacted or segments discontinued if funding is not renewed.

NOTE 2 – CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

Cost	Balance			Balance
	July 1, 2007	Additions	Disposals	June 30, 2008
Land	\$ 208,146	\$ -	\$ -	\$ 208,146
Improvements	11,504	-	-	11,504
Furniture, fixtures and equipment	76,800	-	-	76,800
Software	10,370	-	-	10,370
Library	23,000	-	-	23,000
Vehicle	9,375	-	-	9,375
Total	339,195	-	-	339,195
Accumulated Depreciation				
Improvements	(1,522)	(315)	-	(1,837)
Furniture, fixtures and equipment	(58,427)	(6,791)	-	(65,218)
Software	(10,370)	-	-	(10,370)
Library	(10,450)	(2,300)	-	(12,750)
Vehicle	(9,375)	-	-	(9,375)
Total	(90,144)	(9,406)	-	(99,550)
Net Fixed Assets	\$ 249,051	\$ (9,406)	\$ -	\$ 239,645

Contractually, the Academy is required to transfer property and equipment to the District if its charter is terminated.

Depreciation expense was \$9,406 for the year ended June 30, 2008.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 – RISK MANAGEMENT:

Worker's compensation, commercial general liability, commercial property, commercial auto, educators' legal liability, and errors and omissions coverage are being provided through purchased commercial insurance.

NOTE 4 – RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2008, there were various transactions between the Academy and a related entity, a private school owned by the Chief Administrator and her spouse, which operates on the site of the Academy. This private school shares in the personnel, leased space, utilities, and all insurance policies of the Academy.

The amount charged to the private school for common expenses for the years ended June 30, 2008 and 2007 were \$47,439 and \$58,765, respectively. Amounts due from this related party at June 30, 2008 and 2007 were \$2,322 and \$3,018, respectively.

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**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – SCHEDULE OF FEDERAL, STATE AND LOCAL REVENUE:

The following is a schedule of intergovernmental revenue sources and amounts:

<u>SOURCES</u>	<u>General Fund</u>	<u>Federal Programs and Capital Outlay</u>	<u>Total</u>	<u>2007 Total</u>
Federal sources passed through School District of Hillsborough County:				
Title I	\$ -	\$ -	\$ -	\$ 12,647
State and local sources passed through School District of Hillsborough County:				
Florida Education Finance Program (FEFP)	\$ 414,988	\$ -	\$ 414,988	\$ 404,659
Instruction materials	8,004	-	8,004	8,520
Technology	-	-	-	-
SAI categorical	19,681	-	19,681	19,745
Staff development	-	-	-	-
Class size reduction	87,086	-	87,086	68,830
Summer reading	-	-	-	-
Teacher lead	1,185	-	1,185	-
Capital outlay	-	52,756	52,756	60,039
Total state and local sources	<u>530,944</u>	<u>52,756</u>	<u>583,700</u>	<u>561,793</u>
Total governmental revenue sources	<u>\$ 530,944</u>	<u>\$ 52,756</u>	<u>\$ 583,700</u>	<u>\$ 574,440</u>

An administrative fee, equivalent to 5% of the total eligible funding mentioned above, was withheld by the District totaling \$27,882 and \$25,088 for the years ended June 30, 2008 and 2007, respectively.

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THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – COMMITMENTS AND CONTINGENCIES:

Rental of property and modules

The Academy leases property annually from a church; rent is paid in advance, in monthly installments of \$1,700. The Academy has the right and option to extend this lease for one successive additional term of one year.

The Academy rents modules in which all of the Academy's classroom, administrative, and library activities are conducted. The monthly rent currently is \$4,081.

Total rent expense for the property and modules for the school years ended June 30, 2008 and 2007 were \$59,130 and \$57,972, respectively.

The Academy has been cited by the Code Enforcement Division of the City of Tampa for certain violations of the City code during 2007 on a vacant parcel of land it owns. The management of the Academy has rectified the violations and is proceeding in negotiations with City of Tampa officials to rescind the citation. As of June 30, 2008, it is uncertain as to the outcome of relief from the citation. Should the outcome be unfavorable, management is assured that the financial position of the Academy will not be materially affected.

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SUPPLEMENTARY INFORMATION

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
BUDGET AND ACTUAL – GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2008**

	Governmental Fund Types		
	General Fund		
	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental			
State through local	\$ 556,072	\$ 558,373	\$ 2,301
Other local sources	-	3,543	3,543
Total revenues	556,072	561,916	5,844
Expenditures:			
Current:			
Instruction	266,708	178,529	88,179
Instructional media services	-	-	-
Instructional staff training services	12,000	-	12,000
General support services	13,600	11,649	1,951
School administration	94,900	119,648	(24,748)
Administrative fee	27,804	27,882	(78)
Fiscal services	10,000	10,180	(180)
Operation of facility	92,800	51,897	40,903
Maintenance of facility	12,000	25,286	(13,286)
Other capital outlay	-	40,800	(40,800)
Total current - education expenditures	529,812	465,871	63,941
(Excess) deficiency of expenditures over (under) revenues	\$ 26,260	96,045	\$ 69,785
Fund balance, beginning of the year		176,775	
Fund balance, end of the year		\$ 272,820	

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
BUDGET AND ACTUAL – GOVERNMENTAL FUNDS – CAPITAL OUTLAY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental			
State through local	\$ 60,000	\$ 52,756	\$ (7,244)
Expenditures:			
Current:			
Facilities-rent	<u>67,000</u>	<u>59,130</u>	<u>7,870</u>
(Excess) deficiency of expenditures over (under) revenues	<u>\$ (7,000)</u>	<u>\$ (6,374)</u>	<u>\$ 626</u>
Fund balance, beginning of the year		<u>11,309</u>	
Fund balance, end of the year		<u>\$ 4,935</u>	

REGULATORY REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON THE AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Richardson Montessori Academy, Inc.,
a Charter School and Component Unit of the
School District of Hillsborough County, Florida

We have audited the basic financial statements of The Richardson Montessori Academy, Inc. ("the Academy"), a Charter School and Component Unit of the School District of Hillsborough County, Florida, as of and for the year ended June 30, 2008 and have issued our report thereon dated September 23, 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 Academy's internal control over financial reporting as a basis for designing our auditing 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 Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or 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 entity'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's basic financial statements are free of material misstatements, 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*.

We noted certain matters that we reported to management of the Academy in a separate letter dated September 23, 2008.

This report is intended solely for the information and use of the Board of Directors of The Richardson Montessori Academy, Inc., management, federal awarding agencies, state funding agencies and the School District of Hillsborough County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Valiente Hernandez P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
September 23, 2008



CERTIFIED PUBLIC
ACCOUNTANTS

AUDITORS AND
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“MANAGEMENT LETTER”
BASED ON RULE 10.854(1)(d) OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
The Richardson Montessori Academy, Inc.,
a Charter School and Component Unit of the
School District of Hillsborough County, Florida

We have audited the basic financial statements of The Richardson Montessori Academy, Inc. (the Academy), a Charter School and Component Unit of the School District of Hillsborough County, Florida, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 23, 2008.

We have also issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards* dated September 23, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General (the Rules), which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

Management cooperated fully with our audit team and we had no disagreements concerning accounting or auditing procedures. We were provided access to all records, documents and other supporting data that we requested, and no restrictions were imposed on the method or extent of our work.

This letter must be prepared and included as a part of each financial audit report pursuant to Section 218.39(4), Florida Statutes, and Rule 10.856(2). The Management Letter shall include, but not be limited to:

The Rules of the Auditor General (Section 10.854(1)(e)1.) require a statement as to whether corrective actions have been taken to address significant findings and recommendations made in

the preceding annual financial audit report. There was a significant finding reported in the preceding annual financial report, and corrective actions have been taken by the Academy to address this significant finding.

The Rules of the Auditor General (Section 10.854(1)(e)2.) require a statement as to whether or not the Academy has met one or more of the conditions described in Section 218.503(1), FS, and identification of the specific condition(s) met. Section 218.503(2), FS, states that a local governmental entity, including charter schools, shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1), FS, have occurred or will occur if action is not taken to assist the local governmental entity.

Management of the Academy has determined that the Academy is not in a state of financial emergency under Section 218.503(1), FS. The budget for the fiscal year ending June 30, 2009 forecasts attendance at 86 FTE students; in such case the Academy is expected to have an excess of revenues over expenditures. However, such forecast is dependent on not only meeting student population, but also controlling expenses as budgeted. However, our audit does not provide a legal determination on the Academy's compliance with this requirement.

The Rules of the Auditor General (Section 10.854(1)(e)3.) require recommendations to improve the Academy's financial management, which includes its present financial accounting procedures and internal controls. Refer to such current year recommendations at Exhibit A within this letter.

The Rules of the Auditor General (Section 10.854(1)(e)4.,5.) require matters that are not clearly inconsequential considering both quantitative and qualitative factors, including the following:

- a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred, were discovered within the scope of the financial audit and may or may not have materially affected the financial statements.
- b. Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- c. Deficiencies in internal control that are not significant deficiencies, including, but not limited to the following:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failure to properly record financial transactions
 - Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of , the auditor

Our consideration of the internal control structure would not necessarily disclose all matters that might be deficiencies in internal control following *Government Auditing Standards*. We did not discover any violations laws, rules, regulations, contracts, and grant agreements or abuse or improper expenditures, as identified above. We did identify deficiencies in internal control and made recommendations to management, as noted in the attached Exhibit A.

The Rules of the Auditor General (Section 10.854(1)(e)6.) also require that the name or official title for the charter school be disclosed in the management letter, unless disclosed in the notes to basic financial statements. The name of the Academy is disclosed in the report and in the notes to basic financial statements. The Academy did not include any component units. The Academy's basic financial statements are included in the financial statements of the School District of Hillsborough County as a component unit.

The Rules of the Auditor General (Section 10.854(1)(e)7.) require a statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.855(10). We applied such procedures and determined that no deteriorating financial conditions existed pursuant to Section 218.39(5), FS.

Our comments and/or recommendations have been discussed with the appropriate members of management and we would be pleased to review these matters in further detail at your convenience.

This "Management Letter" is intended solely for the information and use of the Board of Directors, management, the School District of Hillsborough County and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to thank the staff and management for their support and assistance during our engagement and we look forward to continuing our working relationship in the future.

Valiente Hernandez P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
September 23, 2008

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

“MANAGEMENT LETTER”
EXHIBIT A

RECOMMENDATIONS TO MANAGEMENT
(ASSOCIATED WITH THE JUNE 30, 2008 FINANCIAL AUDIT)

CURRENT YEAR RECOMMENDATIONS:

OBSERVATION 2008-01:

Criteria or Specific Requirement

Personnel files are to include a completed W-4, a completed and signed I-9, an employee approved voluntary deduction statement, and documentation of current pay rate signed by the Academy’s authorized supervisor.

Condition and Context

Based on the auditor’s sample selection, personnel files were determined to be incomplete. I-9’s were not consistently completed and signed by the Academy supervisor responsible for verifying employee identification, W-4’s were not always complete or current, authorized pay rates were not recorded in the personnel file, and employee approved voluntary payroll deductions were not in the personnel file.

Effect

Compliance with employment laws is not easily verified; correct pay rates and withholding amounts are not easily verified for accuracy.

Cause

Inadequate documentation of employees’ wage rates and other pertinent payroll information may lead to paying employees incorrect amounts each pay period.

Recommendation

We recommend the Academy administrator direct the appropriate staff to use the personnel file checklist to ensure the completeness of each personnel file. We further recommend the review of each personnel file for completeness of all required information on each form and that required signatures of employees and Academy staff are appropriately placed.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

“MANAGEMENT LETTER”
EXHIBIT A

Views of responsible officials and planned corrective actions

The Academy administrator will direct the appropriate staff to use the personnel file checklist to ensure the completeness of each personnel file. A review of each personnel file will be done to confirm completeness of all required information on each form and required signatures of employees and Academy staff should be appropriately placed

OBSERVATION 2008-02:

Criteria or Specific Requirement

Each employee required to prepare a time card must fill out and sign the time card certifying that the information inputted on the card is accurate. Then, a responsible member of the Academy’s administration is required to review and approve the time card via signature prior to submission of the payroll data for processing.

Condition and Context

None of the time cards in the sample selected by the auditor were signed by the employee and there was no signature to document that the time cards were reviewed and approved by an authorized staff member of the Academy prior to submission of payroll data for processing.

Effect

In order to obtain sufficient support for amounts recorded on the general ledger and subsidiary payroll records, the Academy should have time cards signed by employees as accurate and verified by an appropriate supervisory authority prior to submission of payroll data for processing and recorded in the general ledger.

Cause

Lack of supervisory verification of time cards may lead to improper recording of employee payroll earnings, especially when pay rate changes have been enacted.

Recommendation

We recommend that employees sign their own time card to certify the accuracy of their time card entries and reinforce ownership of time worked. We also recommend an

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**“MANAGEMENT LETTER”
EXHIBIT A**

administrative staff person be required to verify time cards to ensure the accuracy of payroll data and the accuracy of entries into the general ledger.

Views of responsible officials and planned corrective actions

Each employee who is required to prepare a time card will fill out and sign the timecard certifying that the information inputted on the card is accurate. A responsible member of the Academy's administration is required to review and approve the time card and confirm with his/her signature prior to submission of the payroll data for processing. This will prevent improper recording of employee payroll earnings, especially when pay rate changes have been enacted.

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