



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

---

**RECEIVED**

AUG 30 2007

AUDITOR GENERAL

**MARCO ISLAND CHARTER  
MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF  
COLLIER COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2007**

## CONTENTS

	<u>Page</u>
<b>Management’s Discussion and Analysis</b>	1-8
<b>Report of Independent Auditors on Basic Financial Statements and Supplementary Information</b>	9-10
<b>Basic Financial Statements:</b>	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18-28
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	29
<b>Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	30-31
<b>Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:</b>	
Management Letter	32-34
Written Statement of Explanation or Rebuttal	35

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Marco Island Charter Middle School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's total net assets increased compared to the prior year.
- For the fiscal year ended June 30, 2007, the School's revenues exceeded expenses by \$95,884. This is an improvement from the prior year, when expenses exceeded revenues by \$427,527. This improvement is primarily due to the costs of the new School building in the prior year which did not recur.
- Overall, revenues increased by approximately \$556,000, which was a 22% increase from the prior year. This increase was primarily due to an increase in student enrollment during fiscal 2007.
- Total expenses increased by approximately \$33,000, primarily due to additional instruction and administrative costs as a result of the increase in student enrollment, offset by a decrease in facilities acquisition and construction due to prior year construction costs which did not recur.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.
  - *Fiduciary fund* financial statements provide information about the financial relationships – like the student activities fund – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

This document also includes the independent auditor’s report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School’s financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary	Instances in which the School is the trustee or agent for someone else’s resources, such as the student activities fund
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets (except for agency funds)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the School’s funds do not currently contain capital assets, although they may in the future
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **Government-wide Financial Statements**

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

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall financial condition of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has two kinds of funds:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

- *Fiduciary funds* – the School is the trustee, or fiduciary, for the student activities fund, which is an agency fund. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Assets

The School’s total net assets increased from fiscal years 2006 to 2007 (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2006</b>	<b>2007</b>	<b>(Decrease)</b>
Current and other assets	\$1,338,838	\$1,745,848	30%
Capital assets, net	296,526	73,836	-75%
Total assets	1,635,364	1,819,684	11%
Current and other liabilities	57,246	145,682	154%
Total liabilities	57,246	145,682	154%
Net assets:			
Invested in capital assets	296,526	73,836	-75%
Restricted	352,822	376,995	7%
Unrestricted	928,770	1,223,171	32%
Total net assets	\$1,578,118	\$1,674,002	6%

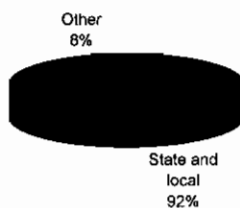
Current and other assets increased due to an increase in cash. The increase in cash was primarily a result of the current year operating surplus, as well as the current year increase in accounts payable and accrued expenses due to the timing of payments at year-end. Net capital assets decreased due to depreciation expense in excess of capital asset purchases and significant disposals during the year as a result of the move to the new school building. Current and other liabilities increased as a result of an increase in accounts payable as described above. The fluctuation in total net assets from the prior fiscal year was due to the current year operating surplus.

## Change in Net Assets

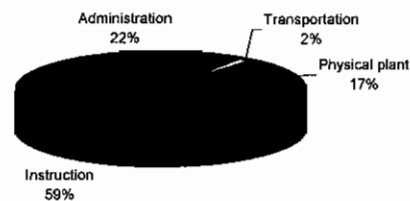
The School's total revenues increased by 22% to \$3,095,505, and the total cost of all programs and services increased by 1% to \$2,999,621 (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2006</b>	<b>2007</b>	
<b>Revenues:</b>			
State and local sources	\$2,340,418	\$2,861,836	22%
Contributions and other revenue	199,034	233,669	17%
<b>Total revenues</b>	<b>2,539,452</b>	<b>3,095,505</b>	<b>22%</b>
<b>Expenses:</b>			
Instruction and instruction-related services	1,449,865	1,678,379	16%
School administration	506,459	633,453	25%
Facilities acquisition and construction	720,580	-	-100%
Pupil transportation services	33,853	51,793	53%
Operation and maintenance of plant	256,223	472,054	84%
Loss on disposal of assets	-	163,942	100%
<b>Total expenses</b>	<b>2,966,980</b>	<b>2,999,621</b>	<b>1%</b>
<b>Change in net assets</b>	<b>\$ (427,528)</b>	<b>\$ 95,884</b>	<b>122%</b>

**2007 Revenues**



**2007 Expenses**



Revenues from state and local sources constitute 92% of total revenues. The increase in state and local revenues was due to an increase in FEFP funds. FEFP funding revenue increased from the prior year amount due to the increase in student enrollment from 365 students in fiscal 2006 to 385 students in fiscal 2007. Contributions and other revenue increased due to more successful fund raising efforts and additional interest earned on cash balances.

Instruction and instruction-related services and school administration expenses increased from fiscal 2006 to fiscal 2007, primarily as a result of pay raises given to staff and additional personnel to accommodate the increase in student enrollment. Facilities acquisition and construction expenses decreased as a result of prior year construction costs related to the School's new facility that did not recur. Transportation expenses increased due to a larger number of students requiring transportation

services. Operation and maintenance of plant expenses increased due to the addition of portable classrooms to accommodate the additional students. In addition, the School recorded a loss on disposal for capital assets abandoned during the move to the new facility.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$1,600,166, which was above the prior year. Both revenues and expenditures increased overall for the same reasons described above.

### General Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times. These budget amendments fall into two primary categories:

- Changes made during the year to account for changes in student enrollment and related instructional and administrative costs.
- Increases in appropriations to prevent budget overruns.

Actual revenues were approximately \$43,000 above final budget amounts, primarily due to increased FEFP funding for class size reduction that was not precisely budgeted. Actual expenditures were approximately \$65,000 above final budget amounts, primarily due to higher than expected expenditures associated with the move to the new facility. The School always makes a conscious effort to control expenses and remain within its operating budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2007, the School had invested \$156,681 in a broad range of capital assets, including furniture, fixtures and equipment (see table below). This represents a net decrease of \$843,729, or 84%, over last year. This decrease is due to the disposal of capital assets during fiscal 2007 in connection with the move to the new facility.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2006</b>	<b>2007</b>	<b>(Decrease)</b>
Buildings and improvements	\$ 487,983	\$ -	-100%
Furniture, fixtures and equipment	512,427	156,681	-69%
Total capital assets	<u>\$1,000,410</u>	<u>\$ 156,681</u>	<u>-84%</u>

This year's major capital asset additions included the following:

- 3 copiers - \$19,701
- Hewlett Packard computer - \$3,387
- Dell Precision computer - \$2,589

This year's major capital asset disposals included the following:

- Boness development contract - \$125,367
- Modular building - \$60,000
- Computers - \$45,649
- Awning - \$49,220

### **Short-Term Debt**

The School has an unsecured line of credit with a financial institution, under which it may borrow up to \$250,000. As of June 30, 2007, there were no borrowings outstanding, and there was no short-term debt activity during the current year.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic factors were taken into account when adopting the general fund budget for fiscal year 2008:

- No significant changes in student population.
- Projected salary increases.
- Increases in the cost of insurance.
- Increases in operating costs of the new facility.

Amounts available for appropriation in the general fund are \$3,056,576, an increase of 12% over the final 2007 budget of \$2,728,926. FEFP revenue (benefiting from an increase in the base student allocation and class size reduction funds) is expected to lead this increase. The School will use this increase in revenue to finance programs currently offered and to offset the expected impact of inflation on program costs.

Budget expenditures are expected to rise to \$3,056,576, an increase of 27% over the final 2007 budget of \$2,412,045. The largest increments are increased wages and cost-of-living adjustments, based on agreements reached with teaching and other School personnel in fiscal 2007, as well as increased operating costs related to the new facility. The School has added no major new programs to the fiscal 2008 general fund budget.

If these estimates are realized, the School's budgetary general fund balance is expected to remain unchanged by the close of fiscal 2008.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1401 Trinidad Avenue, Marco Island, Florida 34145.



**Report of Independent Auditors on Basic Financial Statements  
and Supplementary Information**

To the Board of Directors of Marco Island Charter Middle School, Inc., a Charter School  
and Component Unit of the District School Board of Collier County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Marco Island Charter Middle School, Inc. (the "School"), a charter school and component unit of the District School Board of Collier County, Florida, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School'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 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 Marco Island Charter Middle School, Inc. at June 30, 2007, and the respective changes in financial position 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 August 28, 2007 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.

The management's discussion and analysis on pages 1-8 and the budgetary comparison schedule on page 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*BKHM, P.A.*

Winter Park, Florida  
August 28, 2007

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2007**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,730,813
Other assets	15,035
Capital assets:	
Furniture, fixtures and equipment	156,681
Less accumulated depreciation	(82,845)
Total capital assets, net	73,836
Total assets	\$ 1,819,684
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 145,682
Total liabilities	145,682
<b>NET ASSETS</b>	
Invested in capital assets	73,836
Restricted for:	
Capital projects	376,995
Unrestricted	1,223,171
Total net assets	1,674,002
Total liabilities and net assets	\$ 1,819,684

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2007**

Governmental activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Instruction and instruction-related services	\$ 1,678,379	\$ -	\$ -	\$ 7,573	\$ (1,670,806)	\$ (1,670,806)
School administration	633,453	-	-	1,931	(631,522)	(631,522)
Pupil transportation services	51,793	-	-	-	(51,793)	(51,793)
Operation and maintenance of plant	472,054	-	-	283,869	(188,185)	(188,185)
Loss on disposal of capital assets	163,942	-	-	-	(163,942)	(163,942)
Total primary government	\$ 2,999,621	\$ -	\$ -	\$ 293,373	(2,706,248)	(2,706,248)
General revenues:						
State and local sources					2,568,463	2,568,463
Contributions and other revenue					233,669	233,669
Total general revenues					2,802,132	2,802,132
Change in net assets					95,884	95,884
Net assets at beginning of year					1,578,118	1,578,118
Net assets at end of year					\$ 1,674,002	\$ 1,674,002

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2007**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,258,377	\$ 472,436	\$ 1,730,813
Other assets	<u>15,035</u>	<u>-</u>	<u>15,035</u>
Total assets	<u>\$ 1,273,412</u>	<u>\$ 472,436</u>	<u>\$ 1,745,848</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued expenses	<u>\$ 50,241</u>	<u>\$ 95,441</u>	<u>\$ 145,682</u>
Total liabilities	<u>50,241</u>	<u>95,441</u>	<u>145,682</u>
 Fund balances:			
Reserved for:			
Capital projects	-	376,995	376,995
Unreserved:			
Undesignated	<u>1,223,171</u>	<u>-</u>	<u>1,223,171</u>
Total fund balances	<u>1,223,171</u>	<u>376,995</u>	<u>1,600,166</u>
Total liabilities and fund balances	<u>\$ 1,273,412</u>	<u>\$ 472,436</u>	<u>\$ 1,745,848</u>

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

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

**JUNE 30, 2007**

**Total fund balances - governmental funds** \$ 1,600,166

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 as assets in the  
governmental funds. The cost of the assets is \$156,681,  
and the accumulated depreciation is \$82,845.

73,836

**Total net assets - governmental activities**

\$ 1,674,002

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
State and local sources	\$ 2,568,463	\$ 293,373	\$ 2,861,836
Contributions and other revenue	203,297	30,372	233,669
Total revenues	2,771,760	323,745	3,095,505
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction-related services	1,606,643	7,573	1,614,216
School administration	611,260	1,931	613,191
Pupil transportation services	51,793	-	51,793
Operation and maintenance of plant	207,663	264,391	472,054
Capital outlay	-	25,677	25,677
Total expenditures	2,477,359	299,572	2,776,931
Net changes in fund balances	294,401	24,173	318,574
Fund balances at beginning of year	928,770	352,822	1,281,592
Fund balances at end of year	\$ 1,223,171	\$ 376,995	\$ 1,600,166

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

**Net changes in fund balances - total governmental funds** **\$ 318,574**

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

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those capital assets is allocated  
over their estimated useful lives and reported as depreciation expense.  
This is the amount by which depreciation expense (\$84,425) exceeds  
capital outlays (\$25,677) in the current period. (58,748)

The loss on disposal of capital assets is reported in the statement of  
activities, whereas nothing is reported in the governmental funds as there  
were no proceeds. (163,942)

**Change in net assets of governmental activities** **\$ 95,884**

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2007**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Restricted cash	\$ 29,848
Total assets	<u>\$ 29,848</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 29,848
Total liabilities	<u>\$ 29,848</u>

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Marco Island Charter Middle School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of ten members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Collier County, Florida (the "School Board"). The current charter is effective until June 30, 2011 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Basis of presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

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

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

**Governmental Funds:**

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund - to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and capital projects funds constitute major funds. There are no other governmental funds.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Fiduciary Fund:**

- **Agency Fund** - an agency fund accounts for the receipt and disbursement of monies related to student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the School. This accounting reflects the School's agency relationship with the student activity organizations.

**Basis of accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**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).

**Deposits and investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits and certificates of deposit with financial institutions.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Cash in the capital projects fund at June 30, 2007 includes \$472,436 in restricted cash. This represents capital outlay funds which have not been expended. Funds received under this program may only be used for lawful capital outlay expenditures.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	10 - 20
Furniture, fixtures and equipment	3 - 5

Information relative to changes in capital assets is described in Note 2.

**Long-term debt**

Long-term debt that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. There was no long-term debt activity during the current fiscal year.

**Reserved fund balance**

Reserved fund balance in the capital projects fund at June 30, 2007 represents the unspent portion of capital outlay funds. Capital outlay funds may only be used for lawful capital outlay expenditures.

**Revenue sources**

Revenues for current operations are received primarily from the District School Board of Collier County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Under the provisions of Section 1011.62, Florida Statutes, the School Board 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 School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 2% administrative fee from the School, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, are reflected as restricted net assets and reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds, respectively.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings and improvements	\$ 487,983	\$ -	\$ (487,983)	\$ -
Furniture, fixtures and equipment	<u>512,427</u>	<u>25,677</u>	<u>(381,423)</u>	<u>156,681</u>
Total capital assets at historical cost	<u>1,000,410</u>	<u>25,677</u>	<u>(869,406)</u>	<u>156,681</u>
Less accumulated depreciation for:				
Buildings and improvements	(296,717)	(49,078)	345,795	-
Furniture, fixtures and equipment	<u>(407,167)</u>	<u>(35,347)</u>	<u>359,669</u>	<u>(82,845)</u>
Total accumulated depreciation	<u>(703,884)</u>	<u>(84,425)</u>	<u>705,464</u>	<u>(82,845)</u>
Governmental activities capital assets, net	<u>\$ 296,526</u>	<u>\$ (58,748)</u>	<u>\$ (163,942)</u>	<u>\$ 73,836</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction and instruction-related services	\$ 64,163
School administration	<u>20,262</u>
Total governmental activities depreciation expense	<u>\$ 84,425</u>

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 SHORT-TERM DEBT**

The School has an unsecured line of credit with a financial institution. Terms of the note include monthly interest only payments based on the average monthly balance at the Wall Street Journal prime rate. As of June 30, 2007, the maximum amount available under the line of credit totaled \$250,000, and there were no borrowings outstanding. There was no short-term debt activity during the current fiscal year.

**4 SCHOOL FACILITY**

The School Board has completed the construction of a permanent School facility as of June 30, 2007. The School received its certificate of occupancy on June 12, 2007 for the main building and on July 3, 2007 for the gymnasium. Along with the construction of the new facility, the School Board purchased the related capital assets, including but not limited to student desks, workstations, audio visual equipment and lockers, which will remain the property of the School Board. The School will have exclusive use of the new facility and the related equipment beginning in fiscal 2008.

In connection with the move into the new facility, the School disposed of significant capital assets from its old facility which were no longer in use. These disposals resulted in a loss of \$163,942, which is included as a governmental activities expense in the statement of activities.

Title to the school building and facilities remains with the School Board. No rental or leasing fee is being charged by the School Board to the School. Administrators of the School and School Board believe that considerable uncertainty exists regarding the valuation of facilities utilized by the School. Consequently, the financial statements reflect no such charges of expense.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in this arrangement with the School Board could have a material effect on the School's operations.

**5 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**6 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources and amounts:

District School Board of Collier County, Florida:	
Florida Education Finance Program	\$ 1,616,134
Discretionary millage funds	344,864
Class size reduction	294,359
Capital outlay	293,373
ESE guaranteed allocation	114,688
Supplemental academic instruction	82,986
Instructional materials	37,242
"A" school recognition	36,550
Discretionary lottery funds	14,890
Safe schools	12,457
Summer reading programs	8,000
Public school technology	<u>6,293</u>
Total	<u><u>\$ 2,861,836</u></u>

The administration fee paid to the School Board during the year ended June 30, 2007 totaled approximately \$51,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

**7 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**8 RETIREMENT PROGRAM**

**Defined benefit plan**

All regular employees of the School are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest. The School had no DROP participants during fiscal 2007.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Funding policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2007 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0%	7.38%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.15% for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The School's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the Plan for the year ended June 30, 2007 totaled \$144,151, which was equal to the required contributions for the fiscal year.

**Defined contribution plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2007.

**Pension reporting**

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**9 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**

Following is a summary of changes in assets and liabilities for the School's agency fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Student Activity Fund:				
Assets - restricted cash	<u>\$ 36,128</u>	<u>\$ 28,160</u>	<u>\$ (34,440)</u>	<u>\$ 29,848</u>
Liabilities - due to student groups	<u>\$ 36,128</u>	<u>\$ 28,160</u>	<u>\$ (34,440)</u>	<u>\$ 29,848</u>

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State and local sources	\$ 2,281,904	\$ 2,525,314	\$ 2,568,463	\$ 43,149
Contributions and other revenue	171,193	203,612	203,297	(315)
Total revenues	<u>2,453,097</u>	<u>2,728,926</u>	<u>2,771,760</u>	<u>42,834</u>
<b>EXPENDITURES</b>				
Current:				
Instruction and instruction-related service	1,708,203	1,646,947	1,606,643	40,304
School administration	558,140	585,694	611,260	(25,566)
Pupil transportation services	40,000	34,614	51,793	(17,179)
Operation and maintenance of plant	146,754	144,790	207,663	(62,873)
Total expenditures	<u>2,453,097</u>	<u>2,412,045</u>	<u>2,477,359</u>	<u>(65,314)</u>
Net changes in fund balance	-	316,881	294,401	(22,480)
Fund balance at beginning of year	<u>928,770</u>	<u>928,770</u>	<u>928,770</u>	<u>-</u>
Fund balance at end of year	<u>\$ 928,770</u>	<u>\$ 1,245,651</u>	<u>\$ 1,223,171</u>	<u>\$ (22,480)</u>

See report of independent auditors.



**Report of Independent Auditors 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***

To the Board of Directors of Marco Island Charter Middle School, Inc., a Charter School  
and Component Unit of the District School Board of Collier County, Florida

We have audited the financial statements of the governmental activities and each major fund of Marco Island Charter Middle School, Inc. (the "School"), a charter school and component unit of the District School Board of Collier County, Florida, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Segregation of Duties: Our evaluation of the internal control disclosed that one person has the primary responsibility for most of the accounting duties. As a result, most of those aspects of the internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the School. We recognize that the School is not large enough for employment of additional persons or volunteers for the purpose of segregating duties; however, management and the Board of Directors should be aware of this condition and realize that additional personnel, as well as strict board review and supervision, are the most practical methods to minimize this deficiency.

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 School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### 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*.

The School's response to the significant deficiency identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 35. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the School, the District School Board of Collier County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
August 28, 2007

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE FLORIDA AUDITOR GENERAL,  
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS  
AND SIMILAR ENTITIES***



To the Board of Directors of Marco Island Charter Middle School, Inc., a Charter School  
and Component Unit of the District School Board of Collier County, Florida

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Marco Island Charter Middle School, Inc. (the "School"), a charter school and component unit of the District School Board of Collier County, Florida, as of and for the year ended June 30, 2007, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (the "conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions 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 as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.

This communication is intended solely for the information and use of the Board of Directors, management and others within Marco Island Charter Middle School, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
August 28, 2007

**MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**RECOMMENDATIONS TO IMPROVE COMPLIANCE, INTERNAL CONTROL  
AND THE FINANCIAL REPORTING PROCESS**

**JUNE 30, 2007**

There are no findings or recommendations in the current year.

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

There were no findings or recommendations in the prior year.



# MARCO ISLAND CHARTER MIDDLE SCHOOL

1401 TRINIDAD AVENUE, MARCO ISLAND, FLORIDA 34145

PHONE (239) 377-3200

*WHERE CHILDREN LEARN TO SUCCEED*

OFFICE OF THE PRINCIPAL

**August 28, 2007**

**Ms. Tarsha Jacobs, CPA**

**BKHM**

**1560 Orange Avenue, Suite 600**

**Winter Park, Florida 32789**

**Dear Ms. Jacobs:**

**During your audit of Marco Island Charter Middle School for the year ended June 30, 2007, you noted a significant deficiency in internal control. This concern was noted in the paragraph titled *Segregation of Duties*. While we acknowledge that there is limited segregation of duties, there is significant oversight of the accounting operations by the School Board.**

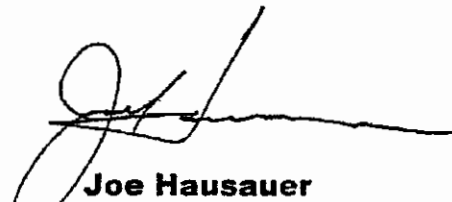
**The current accounting procedure requires a Purchase Order Form as well as two signatures on checks, of which one must be a board member. Since the person preparing the checks has no signing authority, we feel we are not exposed. In addition, the Treasurer reviews the bank statements and deposit slips to insure that deposits are being made correctly.**

**We will form an audit committee to address the concern cited in your letter and explore alternatives that could further mitigate the issue, within our budgetary constraints. Thank you for bringing this deficiency to our attention.**

**Sincerely,**

*George R. Abounader*

**George Abounader, M.Ed.  
Principal/CEO**

  
**Joe Hausauer  
School Board Treasurer**