

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.

Financial Statements and
Schedule of Financial Assistance with
Independent Auditors' Report Thereon

JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	1
Independent Auditor's Report on Basic Financial Statements	2
Basic Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7
Reconciliation of the statement of Revenues, Expenditures and Changes in the Fund Balance to the Statement of Activities	8
Reconciliation of Governmental Fund Balances to Governmental Net Assets	9
Notes to the Financial Statements	10 - 14
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	15
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements performed in Accordance with Government Auditing Standards	16 - 17
Management Letter with Response	18 - 20
Audit Report Submittal Checklist	21 - 22



Montessori Elementary Charter School
1127 United Street, Key West, Florida 33040
Telephone: 305.294.4910 Fax: 305.294.1404

Management's Discussion & Analysis

The Management of the Montessori Elementary Charter School, Inc. (a component of the Monroe County School District) have prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the Montessori Elementary Charter School, Inc.'s financial activities, (c) identify changes in the school's financial position, identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Montessori Elementary Charter School, Inc.'s financial statements. These financial statements should be attached to this discussion.

The Montessori Elementary Charter School, Inc.'s total net assets increased by \$112,800. This change was a result of the school receiving financial assistance of \$42,856 more than budgeted for the fiscal year ended June 30, 2007 and actual expenses amounting to \$69,944 less than budgeted.

During the current year, General Fund Revenues exceeded expenditures by \$119,043. This may be compared to last year's results in which General Fund Revenues exceeded expenditures by \$8,944. The current year increase is due to an increase in Gifts & Bequests received.

The Montessori Elementary Charter School, Inc.'s financial status improved from the prior year. Total assets increased by \$151,561.

SMITH, ORTIZ, GOMEZ AND BUZZI, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
132 MINORCA AVENUE
CORAL GABLES, FLORIDA 33134
TEL. (305) 441-1012
FAX (305) 442-1138

JULIO M. BUZZI, C.P.A.
ANTONIO E. GOMEZ, C.P.A.
FERNANDO L. ORTIZ, C.P.A.
SHADI J. SHOMAR, C.P.A.
JOSE E. SMITH, C.P.A.
RODOLFO L. ORTIZ, CONSULTANT.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS

To the Board of Directors
Montessori Elementary Charter School, Inc.
A Charter School of the Monroe County
District School Board:

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Montessori Elementary Charter School, Inc. (the "School") (a component unit of the Monroe County School Board) as of and for the fiscal year ended June 30, 2007, which collectively comprises the School's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 School, as of June 30, 2007, and the respective changes in financial position thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary information on pages 1 and 15 are not required parts 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 required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2007 on our consideration of the School's internal control over financial reporting and on our test of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Barth. Ortiz, Sr. - Bm PA

November 2, 2007

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Statement of Net Assets

June 30, 2007

<u>Assets</u>	
Cash	\$ 221,016
Accounts receivable	43,061
Other assets	174
Capital assets, net of accumulated depreciation	
Furniture and fixtures	3,810
Leasehold improvements	<u>13,197</u>
Total capital assets	<u>17,007</u>
Total Assets	<u>281,258</u>
 <u>Liabilities</u>	
Accounts payable	<u>1,929</u>
Total Liabilities	<u>1,929</u>
 <u>Net Assets</u>	
Unrestricted	262,322
Restricted	<u>17,007</u>
	<u>279,329</u>
Total Net Assets	<u>\$ 281,258</u>

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

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Statement of Activities

For the Fiscal Year Ended June 30, 2007

Expenses:	
Regular Instruction	\$ 388,558
Instruction Support Services	34,642
School Administration	116,269
Central services	3,271
Operating of Plant	<u>68,372</u>
Total Program Expenses	<u>611,112</u>
Program Revenues:	
Florida Education Finance Program	586,322
Public Education Capital Outlay Grant	51,040
Rent - School Facilities	<u>725</u>
Total Program Revenues	<u>638,087</u>
Net Program revenues	<u>26,975</u>
General Revenues:	
Interest Earned on Savings	7,223
After-school and other events	16,574
Gifts and Bequests	<u>62,028</u>
Total General Revenues	<u>85,825</u>
Increase in Net Assets	112,800
Net Assets, restated, July 1 st , 2006	<u>166,529</u>
Net Assets, June 30, 2007	<u>\$ 279,329</u>

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

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Balance Sheet
Governmental Funds

June 30, 2007

	<u>General Funds</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash	\$ 221,016	-	221,016
Accounts Receivable	43,061	-	43,061
Other assets	<u>174</u>	<u>-</u>	<u>174</u>
Total assets	<u>\$ 264,251</u>	<u>-</u>	<u>264,251</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ <u>1,929</u>	<u>-</u>	<u>1,929</u>
Total liabilities	1,929	-	1,929
 <u>Fund Balances:</u>			
Unreserved, reported in General Fund	<u>262,322</u>	<u>-</u>	<u>262,322</u>
Total Fund Balances	<u>262,322</u>	<u>-</u>	<u>262,322</u>
Total Liabilities and Fund Balances	<u>\$ 264,251</u>	<u>-</u>	<u>264,251</u>

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

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Statement of Revenues, Expenditures, and Changes
In Fund Balances
Governmental Funds

For the Year Ended June 30, 2007

	General Funds	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Interest earned on savings	\$ 7,223	-	7,223
After-school and other events	16,574	-	16,574
Gifts and Bequests	62,028	-	62,028
Total Local Sources	85,825	-	85,825
Florida Education Finance Program	586,322	-	586,322
Public Education Capital Outlay Grant	-	51,040	51,040
Rent - School Facilities	725	-	725
Total Revenues	672,872	51,040	723,912
EXPENDITURES			
Current:			
Regular instruction	337,518	51,040	388,558
Instruction Support Services	34,642	-	34,642
School Administration	116,269	-	116,269
Central services	3,271	-	3,271
Operating of Plant	62,129	-	62,129
Total Expenditures	553,829	51,040	604,869
Excess of Revenues over Expenditures	119,043	-	119,043
Fund Balance - restated, July 1, 2006	143,279	-	143,279
Fund Balance - June 30, 2007	\$ 262,322	-	262,322

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

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Reconciliation of the Statement of Revenues Expenditures,
And Changes in Fund Balances
To the Statement of Activities

For the Year Ended June 30, 2007

Total net change in Fund Balances	
- Governmental Funds	\$119,043
Amounts reported for governmental activities	
In the statement of activities because:	
Capital outlays are reported in governmental	
funds 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 depreciation exceeded	
Capital outlays for the period:	
Depreciation expense	(6,243)
Capital outlays	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$112,800</u>

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

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Reconciliation of Governmental Fund Balances to
Governmental Net Assets

June 30, 2007

Total Governmental Fund Balances	\$ 262,322
Add: Capital assets, net of accumulated depreciation:	
Furniture and fixtures	3,810
Leasehold improvements	<u>13,197</u>
Total capital assets	<u>17,007</u>
Total Net Assets of Governmental Activities	<u>\$ 279,329</u>

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

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Reporting Entity

(a) Organization

Montessori Elementary Charter School, Inc. was incorporated under the not-for-profit statutes of the State of Florida and Section 228.056, Florida Statutes. The not-for-profit corporation conducts business as the Montessori Charter School, Inc. (the "School"). The governing body of the School is the not-for-profit corporation's Board of Directors which is composed of not less than four and not more than seven members.

The general operating authority of the school is contained in Section 226.056, Florida Statutes. The school operates under a charter of the sponsoring school district, the Monroe County District School Board. The current charter is effective until June 15, 2016. At the end of the term of the charter, the District may choose not to renew the charter under the reasons specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to section 228.056(10)(e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Monroe County District School Board. During the term of the charter, the District may also terminate the charter if good cause is shown. The Montessori Elementary Charter School, Inc. is considered a component unit of the Monroe County School Board.

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 provide for identification of any entities for which the School is financially accountable an other organizations for which the nature and significance of their relationship with the school are such that exclusion would cause the school's general purpose financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies -(Cont.)

(b) Basis of Presentation

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments including special purpose governments such as school districts and their components. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having self-balancing set of accounts for recording assets, liabilities, 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 individual funds are grouped in financial statements of this report, into Governmental Fund Types as follows:

Governmental Fund Types

- A. *General Fund* - To account for all financial resources not required to be accounted for in another fund.
- B. *Special Revenue Funds* - To account for certain Federal grant program resources.

(c) Basis of Accounting

Basis of accounting refers to revenues and expenditures that 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.

Under Governmental Accounting Standards Board Statement Number 34, all governmental financial statements are presented using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they become measurable and available. Under the accrual basis of accounting, expenditures are generally recognized when the expense is incurred.

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies -(Cont.)

(d) Budgetary Basis Accounting

Budgets are presented on the accrual basis of accounting.

(e) Cash

The School's cash consists of demand deposits with financial institutions which are insured by the Federal Depository Insurance Corporation.

(f) Fixed Assets and Depreciation

Capital outlays for fixed assets acquired for general school purposes are reported in governmental funds as expenditures for the period being reported. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. Donated assets are recorded in the depreciation schedule at fair market value at the date of donation.

Changes in general fixed assets are shown below:

	Balance <u>7/1/06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/07</u>
Furniture, Fixtures & Equipment	\$ <u>50,874</u>	<u>-</u>	<u>-</u>	<u>50,874</u>
Accumulated Depreciation	\$ <u>27,624</u>	<u>6,243</u>	<u>-</u>	<u>33,867</u>

Deletions to the fixed asset schedule, if any, would represent individual assets whose cost was less than \$750 in accordance with the Monroe County School Board. A corresponding adjustment would be made to the opening general fund balance to reflect the deletions to the fixed asset depreciation schedule.

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies -(Cont.)

(g) Revenue Sources

Revenues for current operations are received primarily from Monroe County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and section 228.056(13), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. 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.

(2) Schedule of Revenue Sources

<u>Sources</u>	<u>Amounts</u>
Monroe County District School Board	\$ 586,322
Public Education Capital Outlay Grant	51,040
Rent - School Facilities	725
After-school and other events	16,574
Gifts and Bequests	62,028
Interest Income	<u>7,223</u>
Total	\$ <u>723,912</u>

(3) Risk Management Programs

Workers' compensation, general liability and health and hospitalization coverage 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.

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MONROE COUNTY DISTRICT SCHOOL BOARD

Notes to Financial Statements

June 30, 2007

(4) Commitment

The Montessori Elementary Charter School has entered into three non-cancelable operating lease agreements for the rental of the school administrative and teaching facilities. One lease agreement is for property located at 1127 United Street which commenced July 1st, 2001 and expired June 30, 2007 with the lessee having been provided an optional five-year term at the end of the lease agreement and the second lease is for property located at 1220 White Street, which commenced May 1st, 2000 and expired April 30, 2005 with one optional additional five-year term. The third lease is for property located at 1221 Varela Street, building #2 which commenced July 1st, 2003 and expired June 30, 2004. This property was renewed under a two (2) year lease.

Minimum rentals on an annual basis for the three non-cancelable lease are as follows:

<u>Fiscal year ending June 30</u>	<u>Amount</u>
2008	\$ 44,870
2009	44,870
2010	22,435
2011	-
	<u>\$ 112,175</u>

(5) Restatement of Net Assets

At June 30, 2006, the financial statements excluded \$38,761 in accounts receivables and net assets. This amount pertained to funding from the Florida Education Finance Program. In fiscal 2007 it was determined that this amount should have been recorded as revenue. The revenue was not recorded because the estimated budget for the program was below the actual amounts. In addition, the final amounts were received subsequent to year end. Net assets previously reported were \$127,768 and increase in net assets was previously reported as \$2,700. If the adjustment had been made in 2006 net assets and change in net assets would have been \$166,529 and \$(41,461), respectively for fiscal 2006.

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.
 A CHARTER SCHOOL AND COMPONENT UNIT OF THE
 MONROE COUNTY DISTRICT SCHOOL BOARD

Budgetary Comparison Schedule
 General Fund

For the fiscal year ended June 30, 2007

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources:					
Interest earned on savings \$	2,148	-	2,148	7,223	5,075
After-school and other events	18,480	-	18,480	16,574	(1,906)
Gifts and bequests	<u>62,799</u>	<u>-</u>	<u>62,799</u>	<u>62,028</u>	<u>(771)</u>
Total Local Sources	83,427	-	83,427	85,825	2,398
State Sources	576,915	-	576,915	586,322	9,407
Rent - School facilities	648	-	648	725	77
Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>660,990</u>	<u>-</u>	<u>660,990</u>	<u>672,872</u>	<u>11,822</u>
EXPENDITURES					
Current:					
Regular Instruction	361,183	-	361,183	337,518	23,665
Instruction Support Services	54,677	-	54,677	34,642	20,035
School Administration	125,989	-	125,989	116,269	9,720
Central Services	4,714	-	4,714	3,271	1,443
Operating of Plant	<u>114,427</u>	<u>-</u>	<u>114,427</u>	<u>68,372</u>	<u>46,055</u>
Total Expenditures	<u>\$660,990</u>	<u>-</u>	<u>660,990</u>	<u>560,072</u>	<u>100,918</u>

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

SMITH, ORTIZ, GOMEZ AND BUZZI, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
132 MINORCA AVENUE
CORAL GABLES, FLORIDA 33134
TEL. (305) 441-1012
FAX (305) 442-1138

JULIO M. BUZZI, C.P.A.
ANTONIO E. GOMEZ, C.P.A.
FERNANDO L. ORTIZ, C.P.A.
SHADI J. SHOMAR, C.P.A.
JOSE E. SMITH, C.P.A.
RODOLFO L. ORTIZ, CONSULTANT.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Montessori Elementary Charter School, Inc.:

We have audited the financial statements of Montessori Elementary Charter School, Inc. (the "School") (a component unit of the Monroe County School Board) as of and for the year ended June 30, 2007 and have issued our report thereon dated November 2, 2007. 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.

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 grants, 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.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

The internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control structure and its operations that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements or to administer programs in accordance with applicable laws and regulations.

This report is intended solely for the information and use of the School's audit committee, management, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Arnold Ortiz, Bong - Bpm PA

November 2, 2007

MONTESSORI ELEMENTARY
CHARTER SCHOOL, INC.

MANAGEMENT LETTER

JUNE 30, 2007

SMITH, ORTIZ, GOMEZ AND BUZZI, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
132 MINORCA AVENUE
CORAL GABLES, FLORIDA 33134
TEL. (305) 441-1012
FAX (305) 442-1138

JULIO M. BUZZI, C.P.A.
ANTONIO E. GOMEZ, C.P.A.
FERNANDO L. ORTIZ, C.P.A.
SHADI J. SHOMAR, C.P.A.
JOSE E. SMITH, C.P.A.
RODOLFO L. ORTIZ, CONSULTANT.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

November 2, 2007

Board of Directors
Montessori Elementary Charter School, Inc.

We have audited the financial statements of Montessori Elementary Charter School, Inc. for the year ended June 30, 2007, and have issued our report thereon dated November 2, 2007. In planning and performing our audit of the financial statements of Montessori Elementary Charter School, Inc., we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted no matters involving internal control structure and its operation that we consider to be material weaknesses as defined above.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or results in other operating efficiencies and are summarized in Exhibit I.

Board of Directors
Montessori Elementary Charter School, Inc.
November 2, 2007

The School has met the conditions as set forth in Section 218.503(1) of the Florida Statutes. Additionally, the School has taken sufficient corrective action to address and resolve the findings and recommendations noted herein.

This letter is intended solely for the information and use of the Board of Directors, management, and others within Montessori Elementary Charter School, Inc.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the employees of Montessori Elementary School, Inc. during the course of our audit. We shall be pleased to discuss, at your convenience, the comments presented in this letter and provide any assistance that you may require for the implementation of our recommendations.

Very truly yours,

SMITH, ORTIZ, GOMEZ and BUZZI, P.A.



Julio Buzzi

FINDING

During our audit we noted that certain revenues were understated in the year-end financial statements.

RECOMMENDATION

We recommend that all receivables and collections be posted to the internal financial reporting system. Monthly estimates of revenues should continue to be recorded as recurring entries and subsequently adjusted to actual receipts.

MANAGEMENT RESPONSE

We will re-institute our prior policy of posting monthly an estimate for revenues earned that will be adjusted monthly for any changes.

AUDITOR GENERAL
DISTRICT SCHOOL BOARD AND CHARTER SCHOOL
AUDIT REPORT SUBMITTAL CHECKLIST (SECTION
11.45(3)(a), FLORIDA STATUTES) (To be submitted with the
2006-2007 fiscal year audit report)

DSB/Charter School Entity Name: Montessori Elementary Charter School, Inc.
DSB/Charter School Address: 1127 United Street, Key West, FL 33040

DSB/Charter School E-Mail Address: pam.niles@keyschools.com

DSB/Charter School Contact Person:

Name: Ms. Judith A. Dunlap
Title: Principal
Phone Number: (305)-294-4910

CPA or Other (if applicable):

Name: Smith, Ortiz, Gomez and Buzzi, PA
Address: 132 Minorca Ave., Coral Gables, FL 33134
Phone Number: (305)-441-1012

Fiscal Year Audited: June 30, 2007

Date Auditor Delivered Audit Report to the DSB or Charter School: November 16, 2007.

Does the audit report include the following items required by Sections 10.806(2) and 10.856(2), Rules of the Auditor General:

Yes Financial statements, as described in Sections 10.805(3) and 10.855(3)-(6), Rules of the Auditor General (as applicable), together with related notes to financial statements?

Yes The auditor's report on the financial statements?

Yes The auditor's report on compliance and internal control?

N/A Any other auditor's reports and related financial information required pursuant to the Federal Single Audit Act Amendments of 1996, OMB Circular A-133, or other applicable Federal law?

Yes The management letter defined in Sections 10.804(1)(d) and 10.854(1)(d), Rules of the Auditor General?

Yes The written statement of explanation or rebuttal required by Sections 10.807(1) and 10.857(2), Rules of the Auditor General?

N/A For district school boards that had an impact fee adopted by ordinance on their behalf, an "affidavit" signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public), stating that the ordinance complied with the requirements of section 163.31801, Florida Statutes.

In addition to the above, have the following requirements been complied with:

Yes Are two copies of the audit report being submitted as required by Sections 10.807(3) and 10.857(4), Rules of the Auditor General?

Yes Was the audit report submitted within 45 days after the completion of the audit, but no later than 12 months after the end of the fiscal year? NOTE: There are no provisions in the statutes for any extensions for filing the audit report.