



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.

CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
BRIAN D. PINNELL, C.P.A. (RETIRED)

JAMES R. LARAWAY, C.P.A.
HILLARY B. DAIGLE, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmc CPA.com

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Smart School, Inc.
Lauderhill, Florida

This letter is written in connection with our audit of the financial statements of Smart School, Inc. (the "School") a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2008. The purpose of this letter is to communicate to you any comments and recommendations and to comply with the requirements of Chapter 10.850, Rules of the Auditor General, Rule 10.854(1)(d).

The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations, fraud and/or violations of laws, rules, regulations or contractual provisions reported for the preceding audit.
2. There were no recommendations made relating to the preceding audit and their status is listed on page 31.
3. There were recommendations to improve the School's financial management and they are listed on the Schedule of Findings on page 31.
4. There were no violations of laws, rules, regulations or contractual provisions discovered during our audit.
5. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
6. There were no other matters requiring correction discovered during our audit relating to improper or inadequate accounting procedures, failures to properly record financial transactions, or other inaccuracies, shortages, defalcations and instances of fraud or other reportable conditions, other than the significant deficiencies denoted as 2008-2 and 2008-4 on page 31.
7. As required by the Rules of the Auditor General (Section 10.854(1)(d)2), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes.
 - In connection with our audit, we determined that the Middle School did meet one of the conditions described in Section 218.503(1), Florida Statutes. The Middle School currently has an unreserved fund deficit of \$ 943,128. This is disclosed in Note 13 to the financial statements of the School. The rules of the Auditor General also require that a statement be made, as to whether or not this condition is a result of deteriorating financial conditions. We believe that the Middle

Smart School, Inc.

School's financial emergency is a result of deteriorating financial conditions, primarily due to the lack of anticipated enrolled students and the corresponding additional revenue. Management's plan to address this situation is discussed in Note 13 to the financial statements.

- In connection with our audit, we determined that the High School did not meet one of the conditions described in Section 218.503(1), Florida Statutes.
8. Pursuant to Sections 10.854(1)(e)7, Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Smart School Inc's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The results of these procedures are disclosed in number 7 above.

Keefe, McCullough & Co., LLP
KEEFE, MCCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 31, 2008