

MONTESSORI ELEMENTARY CHARTER SCHOOL, INC.

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

JUNE 30, 2010

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
Reconciliation of Governmental Fund Balances to Governmental Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	8
Reconciliation of the statement of Revenues, Expenditures and Changes in the Fund Balance to the Statement of Activities	9
Notes to the Financial Statements	10 - 15
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	16
Special Revenue Fund Budgetary Comparison Schedule	17
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	18 - 19
Management Letter with Response	20 - 23
Audit Report Submittal Checklist	24 - 25
Corrective Action Plan - State Projects	26

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 \$31,684 This change was a result of the school receiving financial assistance of \$17,358 more than budgeted for the fiscal year ended June 30, 2010 and actual expenses amounting to \$26,230 less than budgeted.

During the current year, General Fund revenues exceeded expenditures by \$31,684. This may be compared to last year's results in which General Fund revenues exceeded expenditures by \$40,336. The current year increase is due to an increase in Gifts & Bequests received and an decrease in Operating Costs.

The Montessori Elementary Charter School, Inc.'s financial status improved from the prior year. Total assets increased by \$31,613.

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
2103 CORAL WAY, SUITE 305
MIAMI, FLORIDA 33145
TEL. (305) 285-2300
FAX (305) 285-2309

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

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, 2010, 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, 2010, 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 September 16, 2010 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.

This report is intended solely for the information and use of the management, Board of Directors, regulatory agencies of federal and state governments and the School Board of Monroe County. It is not intended to be and should not be used by anyone other than these specified parties.

Smith, Burgin & Associates, LLC.

September 16, 2010
Miami, Florida

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

Statement of Net Assets

June 30, 2010

Assets

Cash	\$ 311,262
Accounts receivable	3,853
Capital assets, net of accumulated depreciation	-
Furniture and fixtures	
Leasehold improvements	<u>36,262</u>
Total capital assets	<u>36,262</u>
Total Assets	<u>351,377</u>

Liabilities

Accounts payable	<u>5,597</u>
Total Liabilities	<u>5,597</u>

Net Assets

Unrestricted	309,518
Invested in Capital assets	<u>36,262</u>
Total Net Assets	<u>345,780</u>
Total Liabilities and Net Assets	\$ <u>351,377</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, 2010

Expenses:	
Regular Instruction	\$ 625,505
Instruction Support Services	39,557
School Administration	161,220
Central services	7,837
Operating and maintenance of plant	<u>54,914</u>
Total Program Expenses	<u>889,033</u>
Program Revenues:	
Florida Education Finance Program	800,103
Public Education Capital Outlay Grant	46,696
Rent - School Facilities	<u>-</u>
Total Program Revenues	<u>846,799</u>
Net Program revenues	<u>(42,234)</u>
General Revenues:	
Interest Earned on Savings	2,557
After-school and other events	-
Gifts and Bequests	<u>71,361</u>
Total General Revenues	<u>73,918</u>
Increase in Net Assets	31,684
Net Assets, July 1 st , 2009	<u>314,096</u>
Net Assets, June 30, 2010	<u>\$ 345,780</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, 2010

	<u>General Funds</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds -</u>
 <u>Assets</u>			
Cash	\$ 311,262	-	268,114
Accounts Receivable	<u>3,853</u>	<u>-</u>	<u>3,853</u>
 Total assets	 \$ <u><u>315,115</u></u>	 <u><u>-</u></u>	 <u><u>315,115</u></u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ <u>5,597</u>	<u>-</u>	<u>5,597</u>
Total liabilities	5,597	-	5,597
Fund Balances:			
Unreserved, reported in General Fund	<u>309,518</u>	<u>-</u>	<u>309,518</u>
Total Fund Balances	<u>309,518</u>	<u>-</u>	<u>309,518</u>
Total Liabilities and Fund Balances	\$ <u><u>315,115</u></u>	<u><u>-</u></u>	<u><u>315,115</u></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, 2010

Total Governmental Fund Balances	\$ 309,518
Add: Capital assets, net of accumulated depreciation:	
Furniture and fixtures	-
Leasehold improvements	<u>36,262</u>
Total capital assets	<u>36,262</u>
Total Net Assets of Governmental Activities	<u>\$ 345,780</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, 2010

	<u>General Funds</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u> -
REVENUES			
Local Sources:			
Interest earned on savings	\$ 2,557	-	2,557
Gifts, Bequests and other events	<u>71,361</u>	<u>-</u>	<u>71,361</u>
Total Local Sources	73,918	-	73,918
Florida Education Finance Program	800,103	-	800,103
Public Education Capital Outlay Grant	-	46,696	46,696
Rent - School Facilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	874,021	46,696	920,717
EXPENDITURES			
Current:			
Regular instruction	574,850	46,696	621,546
Instruction Support Services	39,557	-	39,557
School Administration	161,221	-	161,221
Central services	7,836	-	7,836
Operating of Plant	52,020	-	52,020
Capital Outlay	<u>3,959</u>	<u>-</u>	<u>3,959</u>
Total Expenditures	<u>839,443</u>	<u>46,696</u>	<u>886,139</u>
Excess of Revenues over Expenditures	34,578	-	34,578
Fund Balance - July 1, 2009	<u>274,940</u>	<u>-</u>	<u>274,940</u>
Fund Balance - June 30, 2010	<u>\$ 309,518</u>	<u>-</u>	<u>309,518</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 the Statement of Revenues Expenditures,
And Changes in Fund Balances
To the Statement of Activities

For the Year Ended June 30, 2010

Total net change in Fund Balances
- Governmental Funds \$ 34,578

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	(2,894)
Capital outlays	<u>-</u>

Change in Net Assets of Governmental Activities \$ 31,684

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, 2010

(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 five and not more than nine 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 "District"). 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. The school is a component unit of the District.

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

Notes to Financial Statements

June 30, 2010

(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) Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the non-fiduciary activities of the school. As part of the consolidation process, all inter-fund activities are eliminated from these statements. Both statements report only governmental activities as the school does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program

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

Notes to Financial Statements

June 30, 2010

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

(c) Government-wide and fund financial statements - (Cont.)

revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the school has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the school's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the school's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

(d) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All government fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

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

Notes to Financial Statements

June 30, 2010

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

(d) Measurement focus, basis of accounting, and financial statement presentation - (Cont.)

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. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

(e) 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.

(f) Budgetary Basis Accounting

Budgets are presented on the accrual basis of accounting.

(g) Cash

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

(h) 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.

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

Notes to Financial Statements

June 30, 2010

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

(h) **Fixed Assets and Depreciation - (Cont.)**

Changes in general fixed assets are shown below:

	Balance <u>7/1/09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/10</u>
Furniture, Fixtures & Equipment	\$ <u>84,859</u>	<u>-</u>	<u>-</u>	<u>84,859</u>
Accumulated Depreciation	\$ <u>45,703</u>	<u>2,894</u>	<u>-</u>	<u>48,597</u>

Deletions to the fixed asset schedule, if any, would represent individual assets whose cost was less than \$1,000 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.

(i) **Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(j) **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.

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

Notes to Financial Statements

June 30, 2010

(2) Schedule of Revenue Sources

<u>Sources</u>	<u>Amounts</u>
Monroe County District School Board	\$ 800,103
Public Education Capital Outlay Grant	46,696
Rent - School Facilities	-
Gifts, bequests and other events	71,361
Interest Income	<u>2,557</u>
Total	<u>\$ 920,717</u>

(3) Risk Management Programs

The school is exposed to various risk of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. 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.

(4) Commitment and contingencies

The Montessori Elementary Charter School has entered into non-cancelable operating lease agreements for the rental of the school administrative and teaching facilities. Leases were entered into on August 6, 2010 and expire on July 30, 2015 for its main school campus. The school also leases equipment. Rental expense for the year ended June 30, 2010 amounted to \$113,177.

Minimum rentals on an annual basis for non-cancelable leases are as follows:

<u>Fiscal year ending June 30</u>	<u>Amount</u>
2011	\$ 34,000

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, 2010

	<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 \$	3,824	-	3,824	2,557	(1,267)
After-school and other events	-	-	-	-	-
Gifts and bequests	<u>77,344</u>	<u>-</u>	<u>77,344</u>	<u>71,361</u>	<u>(5,983)</u>
Total Local Sources	81,168	-	81,168	73,918	(7,250)
State Sources	780,000	-	780,000	800,103	20,103
Rent - School facilities	-	-	-	-	-
Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>861,168</u>	<u>-</u>	<u>861,168</u>	<u>874,021</u>	<u>12,853</u>
EXPENDITURES					
Current:					
Regular Instruction	567,558	-	567,558	574,850	(7,292)
Instruction Support Services	36,718	-	36,718	39,557	(2,839)
School Administration	175,481	-	175,481	161,221	14,260
Central Services	6,056	-	6,056	7,836	(1,780)
Operating of Plant	62,937	-	62,937	52,020	10,917
Capital Outlay	<u>12,418</u>	<u>-</u>	<u>12,418</u>	<u>3,959</u>	<u>8,459</u>
Total Expenditures	<u>\$861,168</u>	<u>-</u>	<u>861,168</u>	<u>839,443</u>	<u>21,725</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

Budgetary Comparison Schedule
 Special Revenue Fund

For the fiscal year ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
State Sources	<u>40,547</u>	<u>-</u>	<u>40,547</u>	<u>46,696</u>	<u>6,149</u>
Total Revenues	<u>40,547</u>	<u>-</u>	<u>40,547</u>	<u>46,696</u>	<u>6,149</u>
EXPENDITURES					
Current:					
School Administration	<u>40,547</u>	<u>-</u>	<u>40,547</u>	<u>46,696</u>	<u>(6,149)</u>
Total Expenditures	<u>\$ 40,547</u>	<u>-</u>	<u>40,547</u>	<u>46,696</u>	<u>(6,149)</u>

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

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
2103 CORAL WAY, SUITE 305
MIAMI, FLORIDA 33145
TEL. (305) 285-2300
FAX (305) 285-2309

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

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, 2010 and have issued our report thereon dated September 16, 2010. 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.

We noted certain immaterial matters that we reported to management in a separate letter dated September 16, 2010.

This report is intended solely for the information and use of the School's audit committee, management, Board of Trustees and the School Board of Monroe County and is not intended to be and should not be used by anyone other than those specified parties.

Smith, Buzzi & Associates, LLC.

September 16, 2010

MONTESSORI ELEMENTARY
CHARTER SCHOOL, INC.

MANAGEMENT LETTER

JUNE 30, 2010

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
2103 CORAL WAY, SUITE 305
MIAMI, FLORIDA 33134
TEL. (305) 285-2300
FAX (305) 285-2309

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

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

September 16, 2010

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, 2010, and have issued our report thereon dated September 16, 2010. 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.

Additionally, our audit was conducted in accordance with Chapter 10.850 Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information which is not included in the aforementioned auditors' reports or schedules.

Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not action have been taken to address findings and recommendations made in the preceding annual financial audit. Corrective actions have been taken to address the findings, if any, and recommendations made in the preceding annual financial audit report.

Section 10.854(1)(e)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. During our audit, we noted a certain matter, which appears to be an isolated instance, involving the internal control structure and other operational matters that is presented for your consideration. This comment and recommendation, all of which were discussed with the appropriate members of management and were resolved to our satisfaction, are intended to improve the internal control structure or result in other operating efficiencies and are summarized in Exhibit 1.

Section 10.854(1)(e)4, Rules of the Auditor General, requires that we address violations of provisions for contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit we did not have any such findings.

Board of Directors
Montessori Elementary Charter School, Inc.
September 16, 2010

Section 10.854(1)(e)5, Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors;(1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) control deficiencies that are not significant deficiencies. During our audit, we noted a certain matter, which appears to be an isolated instance, involving the internal control structure and other operational matters that is presented for your consideration. This comment and recommendation, is summarized in Exhibit 1.

Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Montessori Elementary Charter School, Inc.

Section 10.854(1)(e)2, Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Montessori Elementary Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Montessori Elementary Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and review of the financial information provided by same.

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.

Board of Directors
Montessori Elementary Charter School, Inc.
September 16, 2010

Pursuant to Chapter 119, Florida Statutes, this management letter is public matter and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be used by anyone other than these specified parties.

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, Buzzi & Associates, LLC.

SMITH, BUZZI & ASSOCIATES, LLC

EXHIBIT I

FINDING

During our audit we noted an instance in which a certain asset was depreciated in excess of its acquired cost.

RECOMMENDATION

We recommend that all automatic journal entries be reviewed periodically to ensure that they are/remain appropriate in the circumstances.

MANAGEMENT RESPONSE

We will ensure that the existing policy for capturing and recording depreciation expense is adhered to. The occurrence was an isolated instance.

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

Corrective Action Plan - State Projects

June 30, 2010

Section 10.854(1)(e)2, Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Montessori Elementary Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

For the year ended June 30, 2010, there were no audit findings for State Projects required to be reported. Accordingly, no corrective action plan is required.