



**Whispering Winds
Charter School**

Financial Statements
And
Independent Auditors' Report

June 30, 2010

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community

**808-B NW 16th Avenue
Gainesville, Florida 32601
(352) 395-6565**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2010
WHISPERING WINDS CHARTER SCHOOL

Contents

INDEPENDENT AUDITORS' REPORT.....	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis (MD&A).....	2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets.....	5
Statement of Activities.....	6
Governmental Fund Financial Statements:	
Balance Sheet.....	7
Reconciliation of the Balance Sheet to the Statement of Net Assets.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	10
Notes to Financial Statements.....	11
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund.....	16
Budgetary Comparison Schedule – Special Revenue Fund.....	17
ADDITIONAL ELEMENTS:	
Communication with Those Charged with Governance.....	18
Management Letter.....	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	20
School's Response.....	21

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue

Gainesville, Florida 32601

TEL: 352-395-6565

FAX: 352-395-6636

www.kattell.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Whispering Winds Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Whispering Winds Charter School (the "School"), a component unit of the Levy County District School Board, as of and for the year ended June 30, 2010, 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 the School as of June 30, 2010, 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 a report dated November 9, 2010 on our consideration of the School's internal control over financial reporting and 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.

Management's discussion and analysis and the budgetary comparison schedules 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Kattell and Company, P.L.

November 9, 2010
Gainesville, Florida

Management's Discussion and Analysis

June 30, 2010

Whispering Winds Charter School

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2010:

- The School's overall net assets increased by approximately \$85,000, which is about 12%.
- Total ending unrestricted net assets were approximately \$326,000.
- The School had total expenses for the year of about \$912,000, compared to revenues of approximately \$997,000.
- The School served 129 students in 2010 and 102 in 2009, serving grades K-5.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

- Governmental funds – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. The General Fund, Special Revenue Fund and Capital Projects Funds are considered to be major funds and, accordingly, they are separately displayed.

Management's Discussion and Analysis
June 30, 2010
Whispering Winds Charter School

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

	2010 Governmental Activities	2009 Governmental Activities
Net Assets		
Assets:		
Non-capital Assets	\$ 431,597	\$ 319,676
Capital Assets, Net	740,507	495,100
Total Assets	<u>1,172,104</u>	<u>814,776</u>
Liabilities:		
Current Liabilities	26,523	3,339
Long-term Liabilities	329,867	81,065
Total Liabilities	<u>356,390</u>	<u>84,404</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	410,640	414,035
Restricted	79,379	86,007
Unrestricted	325,695	230,330
Total Net Assets	<u>\$ 815,714</u>	<u>\$ 730,372</u>
Change in Net Assets		
Program Revenues:		
Charges for Services	\$ 16,971	\$ 6,066
Capital Grants & Contributions	63,778	56,236
General Revenues:		
USAC E-Rate Grant	1,449	--
Title 1 Grant	43,572	26,185
IDEA Grant	10,481	10,962
Florida Education Finance Program	855,350	661,028
Unrestricted Grants & Contributions	5,399	12,647
Unrestricted Investment Earnings	372	1,212
Total Revenues	<u>997,372</u>	<u>774,336</u>
Program Expenses:		
Instruction	592,293	461,473
Instructional Support Services	10,321	870
General Support	299,449	245,176
Community Service	3,582	6,514
Interest on Long-term Debt	6,385	5,452
Total Expenses	<u>912,030</u>	<u>719,485</u>
Change in Net Assets	85,342	54,851
Beginning Net Assets	730,372	675,521
Ending Net Assets	<u>\$ 815,714</u>	<u>\$ 730,372</u>

Management's Discussion and Analysis

June 30, 2010

Whispering Winds Charter School

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$80,749 in program revenues and \$916,623 of general revenues, and incurred \$912,030 of program expenses. This resulted in a \$85,342 increase in net assets. As discussed in the comments below about the School's individual funds, the School had an increase in fund balance. In addition, debt proceeds were essentially equal to the net increase in capital assets. As a result, there is no significant difference between the increase in net asset and increase in fund balance.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund has increased by \$95,365, from \$230,330 to \$325,695. Nearly all of the debt proceeds were expended on the funded project during the year. However, the School was able to accommodate a 26% increase in enrollment without a commensurate increase in expenses.

Special Revenue Fund. The fund balance of the Special Revenue Fund decreased by \$8,810 from \$86,007 to \$77,197. The federal grant funds are cost reimbursement funds and, by their nature, are fully expended by year end. The beginning and ending balance in this fund is the unexpended portion of private grant funding. The School used some of the remaining funds for classroom expenditures as set forth in the guidelines of the grant.

Capital Projects Fund. The fund balance of the Capital Projects Fund has increased by \$2,182 from \$0 to \$2,182. The School had a small amount of Public Education Capital Outlay funding available at the end of the year. This was fully used soon after year end.

BUDGETARY HIGHLIGHTS

General Fund . The School amended the original budget to account for increased revenues received and expenses required by a 26% increase in enrollment. In addition, the School amended the budget to approve debt financing and expenditures to install a new kitchen and cafeteria. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School purchased a modular building and equipment, and paid related installation costs, in order to begin operating a cafeteria available all students, teachers and staff beginning with the 2010 – 2011 school year. The School also made other equipment purchases that are typical of a school its size. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School acquired new debt to finance the purchase and installation of a building and equipment to operate a cafeteria. The School also made scheduled payments on previously existing debt. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Suzann Cornell, Principal, Whispering Winds Charter School at Post Office Box 506; Chiefland, Florida 32644.

Statement of Net Assets
June 30, 2010
Whispering Winds Charter School

Assets	Governmental Activities
Cash	\$393,893
Accounts Receivable	30,768
Prepays	6,106
Deposits	830
Capital Assets:	
Land	69,505
Depreciable Capital Assets, Net	671,002
Total Assets	1,172,004
Liabilities	
Accounts Payable	26,523
Long-Term Note Payable:	
Due Within One Year	16,725
Due In More Than One Year	313,142
Total Liabilities	356,390
Net Assets	
Invested in Capital Assets, Net of Related Debt	410,640
Restricted for:	
Special Revenue - Grants	77,197
Capital Projects	2,182
Unrestricted	325,695
Total Net Assets	\$815,714

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2010
Whispering Winds Charter School

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 314,514	\$ 77,197	\$ 2,182	\$ 393,893
Accounts Receivable	30,768	--	--	30,768
Prepays	6,106	--	--	6,106
Deposits	830	--	--	830
Total Assets	<u>\$ 352,218</u>	<u>\$ 77,197</u>	<u>\$ 2,182</u>	<u>\$ 431,597</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 26,523	\$ --	\$ --	\$ 26,523
Fund Balances:				
Reserved for:				
Prepays	3,106	--	--	3,106
Special Revenue – Grants	--	77,197	--	77,197
Capital Projects	--	--	2,182	2,182
Unreserved	322,589	--	--	322,589
Total Fund Balances	325,695	77,197	2,182	405,074
Total Liabilities and Fund Balances	<u>\$ 352,218</u>	<u>\$ 77,197</u>	<u>\$ 2,182</u>	<u>\$ 431,597</u>

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets-
Governmental Funds
June 30, 2010
Whispering Winds Charter School**

Fund Balances – Total Governmental Funds	\$405,074
Amounts reported for Governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net of Accumulated Depreciation	740,507
Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net assets.	
Long-Term Liabilities	<u>(329,867)</u>
Net Assets of Governmental Activities	<u>\$815,714</u>

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010
Whispering Winds Charter School

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Federal:				
USAC E-Rate Grant	\$ --	\$ 1,449	\$ --	\$ 1,449
Federal through State:				
Title I Grant	--	43,572	--	43,572
IDEA Grant	--	10,481	--	10,481
State Revenue:				
Florida Education Finance Program	855,350	--		855,350
Public Education Capital Outlay	--	--	63,778	63,778
Local Revenue:				
Gifts, Grants and Fundraising	5,399	--	--	5,399
Interest Income	177	195	--	372
Meal Service	6,815	--	--	6,815
Other Local Revenues	10,156	--	--	10,156
Total Revenues	877,897	55,697	63,778	997,372
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	531,705	54,849	--	586,554
Instructional Support Services	4,896	5,425	--	10,321
General Support	497,349	4,233	--	501,582
Community Services	3,582	--	--	3,582
Capital Outlay	--	--	49,013	49,013
Debt Service:				
Principal	--	--	6,198	6,198
Interest	--	--	6,385	6,385
Total Expenditures	1,037,532	64,507	61,596	1,163,635
Excess of Revenues Over(Under)				
Expenditures	(159,635)	(8,810)	2,182	(166,263)
Other Financing Sources (Uses)				
Debt Issuance	255,000	--	--	255,000
Net Changes in Fund Balance	95,365	(8,810)	2,182	88,737
Fund Balances, July 1, 2009	230,330	86,007	--	316,337
Fund Balances, June 30, 2010	\$ 325,695	\$ 77,197	\$ 2,182	\$ 405,074

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2010
Whispering Winds Charter School**

Excess of Revenues over Expenditures – Total Governmental Funds \$ 88,737

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 assets is depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	289,793
Current Year Depreciation Expense	(44,386)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net assets. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net assets.

Current Year Debt Issuance	(255,000)
Current Year Principal Payments	6,198
	6,198

Change in Net Assets of Governmental Activities \$ 85,342

See accompanying notes.

Notes to the Financial Statements
June 30, 2010
Whispering Winds Charter School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Whispering Winds Charter School conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Whispering Winds Charter School, Inc. 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 not-for-profit corporation conducts business as Whispering Winds Charter School (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors.

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 Levy County District School Board (the “District”). The current charter is effective until June 30, 2019, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(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 District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

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 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.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets reports the School’s financial position as of the end of the fiscal year. In this statement, the School’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Notes to the Financial Statements
June 30, 2010
Whispering Winds Charter School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due. Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

The School deposits its temporarily idle resources in financial institutions and purchases non negotiable certificates of deposit in financial institutions. At June 30, 2010, approximately \$95,000 was held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. An offsetting “reserve” is reported in the fund financial statements to indicate that they do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Improvements	20-30
Furniture, Fixtures and Equipment	5-10
Motor Vehicles	5

Notes to the Financial Statements
June 30, 2010
Whispering Winds Charter School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of 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 Educational 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 also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School pays for employees' unused sick time at a rate of 50%. All unused sick time is paid out at the end of the school year and unused time does not accumulate. The School does not pay for employees' unused vacation time and unused time does not accumulate. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Reserved Fund Balance

In the accompanying fund financial statements, the use of the term *reserved* is limited to indicating that a portion of reported fund equity is legally restricted to a specific future use or is not available for appropriation or expenditure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Notes to the Financial Statements
June 30, 2010
Whispering Winds Charter School

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets not Being Depreciated				
Land	\$ 69,505	\$ --	\$ --	\$ 69,505
Capital Assets Being Depreciated				
Buildings	409,925	204,638	--	614,563
Improvements	90,969	17,400	--	108,369
Furniture, Fixtures & Equipment	123,995	53,013	--	177,008
Motor Vehicles	14,430	14,742	--	29,172
Total Capital Assets	<u>708,824</u>	<u>289,793</u>	<u>--</u>	<u>998,617</u>
Accumulated Depreciation:				
Buildings	91,085	20,497	--	111,582
Improvements	25,313	5,084	--	30,397
Furniture, Fixtures & Equipment	90,111	14,067	--	104,178
Motor Vehicles	7,215	4,738	--	11,953
Total Accumulated Depreciation	<u>213,724</u>	<u>44,386</u>	<u>--</u>	<u>258,110</u>
Net Capital Assets	<u>\$ 495,100</u>	<u>\$ 245,407</u>	<u>\$ --</u>	<u>\$ 740,507</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 5,739
General Support	38,647
Total Depreciation Expense	<u>\$ 44,386</u>

NOTE 3 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Note Payable	\$ 81,065	\$ --	\$ 5,331	\$ 75,734	\$ 5,699
Loan Payable	--	255,000	867	254,133	11,026
Total	<u>\$ 81,065</u>	<u>\$ 255,000</u>	<u>\$ 6,198</u>	<u>\$ 329,867</u>	<u>\$ 16,725</u>

During the year ended June 30, 2005, the School executed a note payable in the amount of \$100,000 payable at 6.5% interest for 15 years. The proceeds of the note were used to finance the purchase of real property.

During the year ended June 30, 2010, the School obtained a loan in the amount of \$255,000 payable at 5.75% until 2013, when the rate will be adjusted according to the weekly average yield rate. The monthly payments are \$2,129. Proceeds from the loan were used to purchase a new building.

Debt service payments are due as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 16,725	\$ 19,280	\$ 36,005
2012	17,730	18,275	36,005
2013	18,872	17,133	36,005
2014	20,049	15,956	36,005
2015	21,299	14,706	36,005
2016	22,597	13,408	36,005
2017	24,035	11,970	36,005
2018	25,534	10,471	36,005
2019	27,127	8,878	36,005
2020 - 2025	135,899	23,649	159,548
Total	<u>\$ 329,867</u>	<u>\$ 153,726</u>	<u>\$ 483,593</u>

Notes to the Financial Statements
June 30, 2010
Whispering Winds Charter School

NOTE 4 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the last three years.

NOTE 5 – EMPLOYEE RETIREMENT PLAN

Florida Retirement System.

Plan Description – On January 1, 2008, the School began contributing to the Florida Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability, or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850)488-5706.

Funding Policy – The System is employee non-contributory. The School is required to contribute at an actuarially determined rate. The rate at June 30, 2010 was 9.85%. The contribution requirements of plan members and the School are established and may be amended by the Florida Legislature. The School’s contribution to the System for the years ended June 30, 2010, 2009 and 2008 was \$47,211, \$38,729 and \$19,473, respectively, which was equal to the required contribution for that year.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2010
Whispering Winds Charter School**

BUDGETED AMOUNTS

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
State Revenue:				
Florida Education Finance Program	\$ 661,973	\$ 855,350	\$ 855,350	\$ --
Local Revenue:				
Gifts and Fundraising	--	5,399	5,399	--
Interest Income	1,200	177	177	--
Meal Service	2,400	6,815	6,815	--
Other Local Revenue	4,381	10,156	10,156	--
Total Revenues	669,954	877,897	877,897	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	473,242	531,705	531,705	--
Instructional Support Services	2,400	4,896	4,896	--
General Support	167,248	497,349	497,349	--
Community Services	4,531	3,582	3,582	--
Total Expenditures	647,421	1,037,532	1,037,532	--
Excess of Revenues Over (Under) Expenditures	22,533	(159,635)	(159,635)	--
Other Financing Sources (Uses)				
Debt Issuance	--	255,000	255,000	--
Net Changes in Fund Balance	22,533	95,365	95,365	--
Fund Balances, July 1, 2009	230,330	230,330	230,330	--
Fund Balances, June 30, 2010	\$ 252,863	\$ 325,695	\$ 325,695	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

**Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2010
Whispering Winds Charter School**

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenues:				
Federal:				
USAC E-Rate Grant	\$ --	\$ 1,449	\$ 1,449	\$ --
Federal through State:				
Title I Grant	44,400	43,572	43,572	--
IDEA Grant	6,000	10,481	10,481	--
Non Governmental Grants Interest Income	--	195	195	--
Total Revenues	50,400	55,697	55,697	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	44,400	54,849	54,849	--
Instructional Support Services	3,000	5,425	5,425	--
General Support	3,000	4,233	4,233	--
Total Expenditures	50,400	64,507	64,507	--
Excess of Revenues Over (Under)Expenditures	--	(8,810)	(8,810)	--
Fund Balances, July 1, 2009	86,007	86,007	86,007	--
Fund Balances, June 30, 2010	\$ 86,007	\$ 77,197	\$ 77,197	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.

A Certified Public Accounting Firm Serving the Nonprofit Community

808-B NW 16th Avenue

Gainesville, Florida 32601

TEL: 352-395-6565

FAX: 352-395-6636

www.kattell.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 9, 2010

To the Board of Directors
Whispering Winds Charter School

We have audited the financial statements of Whispering Winds Charter School (the Organization) for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 21, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have communicated all known and likely adjustments to management and all material adjustments have been reflected in the financial statements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the board of Directors of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours, *Kattell and Company, P.L.*

Gainesville, Florida

Kattell and Company, P.L.

Serving the Nonprofit Community

808-B NW 16th Avenue

Gainesville, Florida 326061

TEL: 352-395-6565

FAX: 352-395-6636

www.kattell.com

MANAGEMENT LETTER

To the Board of Directors,
Whispering Winds Charter School

We have audited the financial statements of Whispering Winds Charter School (the "School"), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 9, 2010.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters and our Schedule of Findings. Disclosures in that report and schedule should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which govern 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 schedule:

Prior Audit Findings. The Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the recommendations made in the preceding annual financial audit report. In that regard, we have not repeated the finding that we reported in the prior year.

Recommendations to Improve Financial Management. Rules of the Auditor General require that we address any recommendations to improve financial management. We did not have any such recommendations.

Immaterial Noncompliance. Rules of the Auditor General require that we address violations of laws, regulations, contract or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. We did not have any such findings.

Other Matters. Section 10.854(1)(e)4, Rules of the Auditor General, provides that the auditor may report other matters that are inconsequential to the determination of financial statement amounts. There are no other matters that, based on our professional judgment, will be included in this management letter.

Name. The name or official title of the School is Whispering Winds Charter School, Inc.

Financial Emergency. Rules of the Auditor General require 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. We determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment. Rules of the Auditor General require that we apply financial condition assessment procedures. It is management's responsibility to monitor the School'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 management. We did not identify deteriorating financial conditions.

* * * * *

Pursuant to Chapter 119, Florida Statutes, the management letter is a public record 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 Board of Directors of the School, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

November 9, 2010
Gainesville, Florida

Kattell and Company, P.L.

Serving the Nonprofit Community

808-B NW 16th Avenue,

Gainesville, Florida 32601

TEL: 352-395-6565

FAX: 352-395-6636

www.kattell.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
Whispering Winds Charter School

We have audited the financial statements of the governmental activities and each major fund of Whispering Winds Charter School (the "School") as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 9, 2010. 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 (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

Kattell and Company, P.L.

November 9, 2010
Gainesville, Florida



Whispering Winds Charter School

2480 NW Old Fannin Road ~ Chiefland, FL 32626
(352) 490-5799 ~ Fax (352) 490-7242

November 9, 2010

Mr. Steve Kattel
Kattel and Company
4055 NW 43rd Street
Gainesville, FL 32606

Re: Response to audit findings, 2009-10

Dear Mr. Kattel,

Findings: Kattel and Company found no significant findings for the 2009-10 school year.

Thank you for your friendly and professional services to Whispering Winds Charter School. We appreciate your attention to detail and your willingness to be flexible during a very busy time in our school year.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Suzann Cornell'.

J. Suzann Cornell, Ph.D.
Principal