

BARNSTABLE HORACE MANN  
CHARTER SCHOOL

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009

**Claude Boudwin LLC**  
CERTIFIED PUBLIC ACCOUNTANT



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**BARNSTABLE HORACE MANN CHARTER SCHOOL**

**TABLE OF CONTENTS**

**JUNE 30, 2009**

	<u>Page</u>
Independent Auditor's Report	1
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
<b>MANAGEMENT'S DISCUSSION &amp; ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS:</b>	
Proprietary Fund - Statement of Net Assets ( <i>Exhibit 1</i> )	10
Proprietary Fund - Statement of Revenues Expenses and Changes in Net Assets ( <i>Exhibit 2</i> )	11
Proprietary Fund - Statement of Cash Flows ( <i>Exhibit 3</i> )	12
Notes to Basic Financial Statements	13
<b>SINGLE AUDIT:</b>	
Report on Compliance with Requirements Applicable To Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	19
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Barnstable Horace Mann Charter School  
Marstons Mills, Massachusetts

I have audited the accompanying statement of net assets of Barnstable Horace Mann Charter School (a governmental entity), as of June 30, 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These basic financial statements are the responsibility of the Barnstable Horace Mann Charter School's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic 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 financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barnstable Horace Mann Charter School, as of June 30, 2009, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated October 29, 2009 on my consideration of the School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our audit testing of the internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting and compliance. 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 my audit.



To the Board of Trustees  
Barnstable Horace Mann Charter School

The accompanying management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the basic financial statements of the Barnstable Horace Mann Charter School. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Claude Bowdoin LLC*

October 29, 2009

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Barnstable Horace Mann Charter School  
Marstons Mills, Massachusetts

I have audited the financial statements of the Barnstable Horace Mann Charter School as of and for the year ended June 30, 2009, and have issued my report thereon dated October 29, 2009. I conducted my 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 my audit, I considered Barnstable Horace Mann Charter School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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



To the Board of Trustees  
Barnstable Horace Mann Charter School

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Barnstable Horace Mann Charter School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 Board of Trustees, management, and the Massachusetts Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

*Claude Bourbon LLC*

October 29, 2009

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MARSTONS MILLS, MASSACHUSETTS**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

Our discussion and analysis of the Barnstable Horace Mann Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the School's financial statements and the related notes to the financial statements, which begin on page 13.

**The School as a Whole**

Barnstable Horace Mann Charter School (BHMCS) received their charter in February 1998 to operate as a public charter school in the Commonwealth of Massachusetts. They used the first year as a planning year, and began in July 2000 as a Horace Mann Charter School. The initial charter was awarded for a five-year period ending June 30, 2004. The Charter was renewed by the Commonwealth of Massachusetts Board of Education for an additional five year period beginning July 1, 2004. During the first four years BHMCS encompassed all Barnstable students in grade five. The enrollment was comprised of approximately 600 students. In 2003 BHMCS amended its Charter to add all grade six students in the Town of Barnstable, doubling the enrollment and relocating our school to a new facility.

**Financial Highlights**

The following financial highlights are for the fiscal year 2009 with comparative information from fiscal year 2008:

The School held total assets of \$1,486,010 and \$1,690,252 at June 30, 2009 and 2008, respectively, of which \$77,329 and \$104,470 were capital assets, net of related debt respectively and the majority of the remaining assets consisted of cash and accounts receivable.

The School held total liabilities of \$590,360 and \$676,897 at June 30, 2009 and 2008, respectively. All School liabilities are current liabilities.

Total net assets for the School were \$895,650 and \$1,013,355 at June 30, 2009 and 2008, respectively, of which \$818,321 and \$908,885 was unrestricted and \$77,329 and \$104,470 was for investments in capital assets, respectively.

The School earned total revenues of \$8,577,522 and \$8,526,663 for the year ended June 30, 2009 and 2008, of which 98.7% and 97.4% respectively, were operating revenues and 1.3% and 2.6%, respectively, was from non-operating revenues (investment income).

The School had total expenses of \$8,695,227 and \$8,625,531 for the year ended June 30, 2009 and 2008, respectively including deficit contributions to the Barnstable School District of \$100,000 and \$12,500 respectively.

The School's change in net assets was a loss of \$117,705 and loss of \$98,868 for the year ending June 30, 2009 and 2008, respectively. These losses include deficit contributions to the Barnstable

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

School District of \$100,000 and \$12,500 respectively. In fiscal year 2009 the change in net assets was comprised of an operating loss of \$128,498 and non operating net income of \$10,793. In fiscal year 2008 change in net assets was comprised of an operating loss of \$308,476 and non operating income of \$209,608.

**Using This Annual Report**

This annual report consists of a series of financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments (GASB No. 34), the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 the School issues a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

**Financial Statements**

The Statement of Net Assets presents the assets, liabilities and net assets of the School as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets. Net assets represent the difference between assets and liabilities. Net assets are displayed in three components, invested in capital assets net of related debt, restricted net assets and unrestricted net assets. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of restricted or invested in capital assets net of related debt. Over time, readers of the financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets. Further, the School is under a non binding agreement with the School Committee of the Town of Barnstable to utilize a portion of the School's net assets to supplement available operating revenues thereby resulting in losses (\$117,705 and \$98,868 for 2009 and 2008 respectively). The School's Board of Trustees has voted not to spend its net assets down to a level below \$300,000.

The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

The Statement of Revenues, Expenses and Changes in Net Assets reports the financial (revenue and expenses) activities of the School and divides it into two categories: Operating activities and Non-operating activities. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in this statement. This statement helps to determine whether the School had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The Statement of Cash Flows provides information about the School's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

**Budgetary Highlights**

For the fiscal year ended June 30, 2009 the school incurred \$7,409,336 in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of \$7,663,332. Grant expenditures of \$518,970 were offset by matching revenues.

**School's Financial Activities**

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Education and is based on a standard rate per pupil. The School received \$7,864,143 in per pupil funding in fiscal year 2009, versus \$7,727,187 in per pupil funding in fiscal year 2008. These amounts include on-behalf payments by the State to the Massachusetts Teachers Retirement System of \$1,158,750 and 1,137,000 respectively. This represents 92.9% and 93.1% of the School's operating revenue for 2009 and 2008 respectively. In addition, the School received various grants, which totaled \$518,970 and \$495,943 for fiscal years 2009 and 2008, respectively.

**Other Financial Factors**

Under our Memorandum of Understanding with the Barnstable School District the capital improvement responsibility remains with the District.

**Contacting the School's Financial Management**

This financial report is designed to provide the reader with a general overview of the School's finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the Business Office at 730 Osterville-West Barnstable Road, Marstons Mills, MA 02648 telephone (508) 420-2272.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MARSTONS MILLS, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS**

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
 PROPRIETARY FUND  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2009**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,000
Accounts receivable, Town	1,403,681
Total current assets	1,408,681
Noncurrent assets:	
Capital assets, net of accumulated depreciation	77,329
Total noncurrent assets:	77,329
Total Assets	\$ 1,486,010
<b>LIABILITIES</b>	
Current liabilities:	
Warrants payable	\$ 33,531
Accrued payroll and taxes	552,533
Deferred revenues	4,296
Total current liabilities	590,360
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	77,329
Unrestricted	818,321
Total net assets	895,650
Total Liabilities and Net Assets	\$ 1,486,010

The accompanying notes are an integral part of these financial statements.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2009**

<b>OPERATING REVENUES</b>	
Intergovernmental state	\$ 7,864,143
Intergovernmental federal	518,970
Student fees	82,063
Other revenue	1,553
Total Operating Revenues	8,466,729
<b>OPERATING EXPENSES</b>	
Accounting	12,575
Field trips	369
Benefits and taxes	1,755,219
Computer and technology hardware	50,000
Consulting	24,896
Depreciation	27,141
Electricity	150,855
Faculty	6,349,390
Gas	43,787
Insurance	7,750
Library	4,355
Maintenance	3,087
Equipment expense	2,233
Board expense	2,000
Principal's expense	2,044
Office supplies	34,021
Classroom supplies	70,179
Postage	5,676
Professional development	1,145
Dues and memberships	7,930
Travel	1,377
Telephone	11,081
Textbooks and software	2,797
Equipment lease	3,099
After school transportation	14,584
Water and sewerage	7,637
Total Operating Expenses	8,595,227
Operating loss	(128,498)
<b>NON OPERATING REVENUES (EXPENSES)</b>	
Earnings on investments	110,793
Deficit contribution	(100,000)
Total Non Operating Revenues (Expenses)	10,793
Change in Net Assets	(117,705)
Net Assets, beginning	1,013,355
Net Assets, ending	\$ 895,650

The accompanying notes are an integral part of these financial statements.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to vendors	\$ (5,011)
Net Cash Provided by (Used in) Operating Activities	<u>(5,011)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments from town	5,011
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>5,011</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning	5,000
Cash and cash equivalents, ending	<u>\$ 5,000</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:	
Operating loss	\$ (128,498)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	27,141
Changes in assets and liabilities:	
Accounts receivable	170,383
Warrant payable	(32,868)
Accrued expenses	(45,465)
Deferred revenues	4,296
Total adjustments	<u>123,487</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (5,011)</u>

The accompanying notes are an integral part of these financial statements.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - NATURE OF ORGANIZATION**

Barnstable Horace Mann Charter School (the School) is a special-purpose governmental entity established under Massachusetts General Laws. As defined in the charter school statute (Massachusetts General Laws Chapter 71 §89), the School is a public school managed by a Board of Trustees and operates independently of the local school committee. The Board of Trustees is deemed to be the public agent authorized by the Commonwealth of Massachusetts to supervise and control the School. As a public school, the School is considered a governmental entity for all purposes, including taxation, and by virtue of its charter, it is exempt from taxation under Section 115 of the Internal Revenue Code. The School operates the fifth and sixth grades in the Town of Barnstable, Massachusetts under a charter granted to the School by the Commonwealth of Massachusetts which extends through fiscal 2009.

The School's primary source of revenue is from the Department of Elementary and Secondary Education and was credited to the account of the School by the Town on July 1, 2008. Funding mechanism to the School is the same as that provided to all other public schools in the Commonwealth under M.G.L. Chapter 70. The amount funded to the School is deducted from the Town of Barnstable Chapter 70 funds and are therefore not charges for services but a reallocation of Commonwealth Chapter 70 funds.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the School conform to accounting principles generally accepted in the United States as applicable to governmental units. The following is a summary of the School's significant accounting policies:

**Financial Statement Presentation**

The School, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments, is considered a special purpose governmental entity that engages in only business type activities and is a component unit of the Town of Barnstable. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

**Basis of Accounting**

The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the School has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

**BARNSTABLE HORACE MANN CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Deferred Revenue

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as a liability under deferred revenue.

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets and the Statement of Cash Flows, the School considers all short-term investments with an initial maturity of three months or less to be cash equivalents. During the year, the School has transferred all of its operating cash with the exception of one small account, to the Town of Barnstable (the Town). Substantially all income and all expense was deposited to and paid from the Town treasury. The balance of cash transferred to the Town and held for the School is reflected in these financial statements as accounts receivable.

Accounts Receivable

Represents amounts due from the Town and from grantor agencies for specific grant programs. Revenues and the related receivables are recorded when the reimbursable costs are incurred. No allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

Compensated Absences

Teaching staff is not granted vacation. Compensated absences for non-teaching staff are not material and are not reflected in these financial statements.

Operating Revenue and Expenses

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include Federal and State grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets, if any, are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$5,000.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Net Assets - Continued

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had no restricted net assets at year-end. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Useful Life Range</u>
Leasehold improvements	20 years
Furniture and equipment	3-7 years

Use of Estimates

The preparation of the general purpose financial statements in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School has adopted a deposit policy for custodial credit risk. The School's cash balance of \$5,000 is fully insured by Federal Deposit Insurance Corporation (FDIC) insurance.

**NOTE 4 - ACCOUNTS RECEIVABLE**

As noted above, substantially all of the School's cash was transferred to the Town treasury. All receipts and expenditures are likewise processed through the Town treasury with School authorization. As a result, the School has recorded a receivable balance from the Town instead of a cash balance. Accounts receivable at June 30, 2009 consist of the following:

<u>Source</u>	<u>Amount</u>
Grants	\$ 52,976
Town of Barnstable	<u>1,350,705</u>
Total	<u>\$1,403,681</u>

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the School for the year ended June 30, 2009, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciated capital assets:				
Leasehold improvements	\$ 92,781	-	-	\$ 92,781
Furniture and fixtures	12,917	-	-	12,917
Computers	607,896	-	-	607,896
Equipment	<u>89,267</u>	<u>-</u>	<u>-</u>	<u>89,267</u>
Total Capital Assets	802,861	-	-	802,861
Less Accumulated Depreciation for:				
Leasehold improvements	20,138	\$ 4,639	-	24,777
Furniture and fixtures	12,917	-	-	12,917
Computers	577,228	21,343	-	598,571
Equipment	<u>88,108</u>	<u>1,159</u>	<u>-</u>	<u>89,267</u>
Total Accumulated Depreciation	<u>698,391</u>	<u>27,141</u>	<u>-</u>	<u>725,532</u>
 Total Capital Assets, Net	 <u>\$104,470</u>	 <u>(\$ 27,141)</u>	 <u>\$ -</u>	 <u>\$ 77,329</u>

**NOTE 6 - DEFICIT CONTRIBUTION**

For the fiscal year ended June 30, 2009 the Barnstable Horace Mann Charter School Board of Trustees voted to make a contribution in the amount of \$100,000 to the Barnstable School District to aid in making up a budget shortfall in the District.

**NOTE 7 - CAPITAL LEASE**

The School leases copy equipment (recorded cost of \$11,593 and accumulated amortization of \$11,593) under the terms of capital leases which expired during the fiscal year. As of June 30, 2009 the School is on a month to month payment plan until such time as the School determines whether to purchase the equipment or return it to the leasing company. Lease payments for 2009 were \$3,100.

**NOTE 8 - PENSION PLAN**

All staff of the Barnstable Horace Mann Charter School are legal employees of the Town of Barnstable. The Town contributes to the Barnstable County Retirement Association (the Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board.

**BARNSTABLE HORACE MANN CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 8 - PENSION PLAN - Continued**

Substantially all employees are members of the Association, except for public school teachers and certain administrators (including those of the Barnstable Horace Mann Charter School) who are members of the Massachusetts Teachers Retirement System, to which neither the Town nor the School contributes. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments applicable to the School totaled approximately \$1,158,750, for the fiscal year ended June 30, 2009, and, accordingly, are reported as intergovernmental revenues and benefits expenditures.

The Association provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Association and are borne by the Association. The Association issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission (PERAC).

That report may be obtained by contacting the Association located at 99 Willow Street, Yarmouthport, Massachusetts 02675. Funding Policy - Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the system-wide actuarially determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The School does not contribute to the Association. Each fiscal year the Town contributes its required contribution to the Association.

**NOTE 9 - TRANSPORTATION**

In accordance with the Memorandum of Understanding with the Town, all transportation is provided by the Town's School Department. No costs are included in these financial statements for transportation.

**NOTE 10 - SUBSEQUENT EVENT**

As of July 1, 2009, the School's Charter was renewed and amended to change the grades served from grades 5 and 6 to grades 4 and 5.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MARSTONS MILLS, MASSACHUSETTS**

**SINGLE AUDIT**

# Claude Boudwin LLC

CERTIFIED PUBLIC ACCOUNTANT

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
Barnstable Horace Mann Charter School  
Marstons Mills, Massachusetts

### **Compliance**

I have audited the compliance of Barnstable Horace Mann Charter School with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Barnstable Horace Mann Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. My responsibility is to express an opinion on Barnstable Horace Mann Charter School's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barnstable Horace Mann Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the School's compliance with those requirements.

In my opinion, Barnstable Horace Mann Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.



To the Board of Trustees  
Barnstable Horace Mann Charter School

**Internal Control Over Compliance**

The management of Barnstable Horace Mann Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Barnstable Horace Mann Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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



October 29, 2009

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Massachusetts Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	30517780423I	\$ 2,641
Title I Grants to Local Educational Agencies	84.010	30512190423J	203,677
Special Education - Grants to States	84.027	24023880423I	10,117
Special Education - Grants to States	84.027	24019890423J	200,801
Special Education - Grants to States	84.027	27413690423J	2,700
Safe and Drug-Free Schools and Communities - State Grants	84.186	33102390423J	1,345
Education Technology State Grants	84.318	16002390423J	1,307
Education Technology State Grants	84.318	16400290423J	66,824
Improving Teacher Quality State Grants	84.367	14013680423I	5,197
Improving Teacher Quality State Grants	84.367	14025290423J	24,361
Total U.S. Department of Education			<u>\$ 518,970</u>

The accompanying schedule of findings and questioned costs is an integral part of this report.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2009**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Barnstable Horace Mann Charter School and is presented on the accrual basis of accounting. The significant accounting policies used in the preparation of this schedule of expenditures of federal awards are the same as those used to prepare the basic financial statements as described in Note 1. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**NOTE 2 - SUBRECIPIENTS**

Barnstable Horace Mann Charter School passed no federal awards to subrecipients during the current year.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

<i>Financial Statements</i>	<u>Yes</u>	<u>No</u>
Type of auditor’s report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be a material weakness?		X
Noncompliance material to financial statements noted?		X
<i>Federal Awards</i>		
Internal control over major programs:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be a material weakness?		X
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		X
Identification of major programs:		
CFDA		
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.010	Title I Grants to Local Education Agencies	
84.027	Special Education: Grants to States	
Dollar threshold used to distinguish between type A and type B programs:		\$300,000
Auditee qualified as low-risk auditee?		X

**SECTION II—FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.