

BARNSTABLE HORACE MAN  
CHARTER SCHOOL

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011

*Heald Hoffmeister and Company, Inc.*  
*Certified Public Accountants*



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**BARNSTABLE HORACE MANN CHARTER SCHOOL**

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**JUNE 30, 2011**

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*Heald Hoffmeister and Company, Inc.*  
*Certified Public Accountants*

Kenneth J. Raffol, CPA, MST • Jill B. Treeful, CPA • Richard A. Petrie • Ryan M. Damaso, CPA, MST

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Claude P. Boudwin, CPA - Audit Manager

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of net assets of Barnstable Horace Mann Charter School (a governmental entity), as of June 30, 2011, 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. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our 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, 2011, 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, we have also issued our report dated October 20, 2011 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 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 or on 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 our audit.

To the Board of Trustees  
Barnstable Horace Mann Charter School

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Heald Hoffmeister and Company, Inc.*

October 20, 2011



*Heald Hoffmeister and Company, Inc.*  
*Certified Public Accountants*

Kenneth J. Raffol, CPA, MST • Jill B. Treeful, CPA • Richard A. Petrie • Ryan M. Damaso, CPA, MST

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Claude P. Boudwin, CPA - Audit Manager

**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

We have audited the financial statements of the Barnstable Horace Mann Charter School as of and for the year ended June 30, 2011, and have issued our report thereon dated October 20, 2011. 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 Barnstable Horace Mann Charter School's internal control over financial reporting 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 entity's internal control over financial reporting. Accordingly, We do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 a 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 over financial reporting 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.

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, we 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 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 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.

*Heald Hoffmeister and Company, Inc.*

October 20, 2011

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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, 2011. Please read it in conjunction with the School's financial statements and the related notes to the financial statements, which begin on page 11.

**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 and then again on July 1, 2009. 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. With the most recent Charter renewal the sixth grade was dropped from the Charter and the fourth grade was added.

**Financial Highlights**

The following financial highlights are for the fiscal year 2011 with comparative information from fiscal year 2010:

- The School held total assets of \$1,276,151 and \$1,624,702 at June 30, 2011 and 2010, respectively, of which \$229,594 and \$266,511 were capital assets, net of related debt and the majority of the remaining assets consisted of cash and accounts receivable.
- The School held total liabilities of \$423,196 and \$631,826 at June 30, 2011 and 2010, respectively. All School liabilities are current liabilities.
- Total net assets for the School were \$852,955 and \$992,876 at June 30, 2011 and 2010, respectively, of which \$623,361 and \$726,365 was unrestricted and \$229,594 and \$266,511 was for investments in capital assets, respectively.
- The School earned total revenues of \$8,363,562 and \$8,389,544 for the year ended June 30, 2011 and 2010, of which 99.1% and 99.6% respectively, were operating revenues and 0.9% and 0.4%, respectively, was from non-operating revenues (investment income).
- The School had total expenses of \$8,503,483 and \$8,292,318 for the year ended June 30, 2011 and 2010, respectively.
- The School's change in net assets was a decrease of \$139,921 for the year ending June 30, 2011 and an increase of \$97,226 in 2010. In fiscal year 2011 the change in net assets was comprised of an operating net loss of \$215,135 and non operating net income of \$75,214.

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

In fiscal year 2010 change in net assets was comprised of operating net income of \$67,215 and non operating net income of \$30,011.

**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. The School's Board of Trustees has voted not to spend its unrestricted 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, 2011**

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. It is important to note that the School does not maintain any significant cash accounts. Rather, all of the School's significant cash is received, disbursed, and held by the Town of Barnstable and is reflected in these financial statements as Accounts receivable, Town.

**Budgetary Highlights**

For the fiscal year ended June 30, 2011 the school incurred \$7,014,366 in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of \$7,100,325. Grant expenditures of \$431,226 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 Elementary and Secondary Education and is based on a standard rate per pupil. The School received \$7,803,586 in per pupil funding in fiscal year 2011, versus \$7,460,515 in per pupil funding in fiscal year 2010. These amounts include on-behalf payments by the State to the Massachusetts Teachers Retirement System of \$1,452,200 and \$1,314,250 respectively. This represents 94.2% and 89.3% of the School's operating revenue for 2011 and 2010 respectively. In addition, the School received various grants, which totaled \$431,426 and \$831,083 for fiscal years 2011 and 2010, respectively.

**Other Financial Factors**

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

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**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, 2011**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,000
Accounts receivable, Town	1,041,557
Total current assets	1,046,557
Noncurrent assets:	
Capital assets, net of accumulated depreciation	229,594
Total noncurrent assets:	229,594
Total Assets	\$ 1,276,151
<b>LIABILITIES</b>	
Current liabilities:	
Warrants payable	\$ 18,974
Accrued payroll and taxes	398,773
Deferred revenues	5,449
Total current liabilities	423,196
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	229,594
Unrestricted	623,361
Total net assets	852,955
Total Liabilities and Net Assets	\$ 1,276,151

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

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>OPERATING REVENUES</b>	
Intergovernmental state	\$ 7,803,786
Intergovernmental federal	431,226
Student fees	51,426
Other revenue	1,910
Total Operating Revenues	8,288,348
<b>OPERATING EXPENSES</b>	
Accounting	13,500
Benefits and taxes	1,992,543
Computer and technology hardware	32,666
Consulting	39,576
Depreciation	72,172
Electricity	149,598
Payroll	6,025,572
Gas	35,512
Insurance	3,514
Library	1,222
Maintenance	4,353
Board expense	1,968
Principal's expense	2,932
Office supplies	15,340
Classroom supplies	49,364
Postage	3,482
Professional development	4,900
Dues and memberships	7,000
Travel	63
Telephone	11,795
Textbooks and software	4,156
After school transportation	16,324
Water and sewerage	15,931
Total Operating Expenses	8,503,483
Operating loss	(215,135)
<b>NON OPERATING REVENUES (EXPENSES)</b>	
Earnings on investments	75,214
Total Non Operating Revenues (Expenses)	75,214
Change in Net Assets	(139,921)
Net Assets, beginning	992,876
Net Assets, ending	\$ 852,955

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, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to vendors	\$ (2,112)
Net Cash Used in Operating Activities	<u>(2,112)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments from town	2,112
Net Cash Provided by Capital and Related Financing Activities	<u>2,112</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning	<u>5,000</u>
Cash and cash equivalents, ending	<u><u>\$ 5,000</u></u>
Reconciliation of operating income to net cash provided by (used by) operating activities:	
Operating income (loss)	\$ (215,135)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	72,172
Changes in assets and liabilities:	
Accounts receivable	(78,677)
Warrant payable	2,429
Accrued expenses	211,650
Deferred revenues	5,449
Total adjustments	<u>213,023</u>
Net Cash Used in Operating Activities	<u><u>\$ (2,112)</u></u>
Significant noncash transactions:	
Acquisition of capital assets	<u><u>\$ 35,255</u></u>

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

**BARNSTABLE HORACE MANN CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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 fourth and fifth grades in the Town of Barnstable, Massachusetts under a charter granted to the School by the Commonwealth of Massachusetts which extends through fiscal 2014.

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, 2010. The 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.

**BARNSTABLE HORACE MANN CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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.

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. 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 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.

**BARNSTABLE HORACE MANN CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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.

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
Technology	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 held in 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, 2011 consist of the following:

**BARNSTABLE HORACE MANN CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 - ACCOUNTS RECEIVABLE - Continued**

<u>Source</u>	<u>Amount</u>
Grants	\$ 18,473
Town of Barnstable	<u>1,023,084</u>
Total	<u><u>\$1,041,557</u></u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the School for the year ended June 30, 2011, 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	\$ 0	\$ 0	\$ 92,781
Furniture and fixtures	12,917	0	0	12,917
Computers	575,931	35,255	0	611,186
Equipment	<u>121,330</u>	<u>0</u>	<u>0</u>	<u>121,330</u>
Total Capital Assets	802,959	35,255	0	838,214
Less Accumulated Depreciation for:				
Leasehold improvements	29,416	4,639	0	34,055
Furniture and fixtures	12,917	0	0	12,917
Computers	475,934	44,611	0	520,545
Equipment	<u>18,181</u>	<u>22,922</u>	<u>0</u>	<u>41,103</u>
Total Accumulated Depreciation	<u>536,448</u>	<u>72,172</u>	<u>0</u>	<u>608,620</u>
Total Capital Assets, Net	<u><u>\$ 266,511</u></u>	<u><u>\$ (36,917)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 229,594</u></u>

**NOTE 6 - 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, 2011**

**NOTE 6 - 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 \$1,452,200, for the fiscal year ended June 30, 2011, 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 7 - 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 8 - SUBSEQUENT EVENT**

The School has evaluated all subsequent events through October 20 2011, the date the financial statements were available to be issued.