

BARNSTABLE HORACE MANN
CHARTER SCHOOL

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

Claude Boudwin LLC
CERTIFIED PUBLIC ACCOUNTANT



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BARNSTABLE HORACE MANN CHARTER SCHOOL

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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, 2007, 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, 2007, and their 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 December 17, 2007 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 of the School's 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 financial statements of the 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 Beedwin LLC

December 17, 2007

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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, 2007, and have issued my report thereon dated December 17, 2007. 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 Education and is not intended to be and should not be used by anyone other than these specified parties.

Claude Bourdin LLC

December 17, 2007

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

MANAGEMENT'S DISCUSSION & ANALYSIS

**BARNSTABLE HORACE MANN CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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, 2007. 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 2007 with comparative information from fiscal year 2006:

The School held total assets of \$1,724,545 and \$1,773,815 at June 30, 2007 and 2006, respectively, of which \$148,037 and \$220,005 were capital assets, net of related debt respectively and the majority of the remaining assets consisted of cash, accounts receivable.

The School held total liabilities of \$612,322 and \$595,311 at June 30, 2007 and 2006, respectively. Substantially all School liabilities are current liabilities.

Total net assets for the School were \$1,112,223 and \$1,178,504 at June 30, 2007 and 2006, respectively, of which \$964,186 and \$958,499 was unrestricted and \$148,037 and \$220,005 was for investments in capital assets, respectively.

The School earned total revenues of \$7,446,553 and \$8,114,305 for the year ended June 30, 2007 and 2006, of which 96.5% and 97.7% respectively, were operating revenues and 3.5% and 2.3%, respectively, was from non-operating revenues (investment income).

The School had total expenses of \$7,512,834 and \$8,216,132 for the year ended June 30, 2007 and 2006, respectively.

**BARNSTABLE HORACE MANN CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The School's change in net assets was a loss of \$66,281 and loss of \$71,827 for the year ending June 30, 2007 and 2006, respectively. In fiscal year 2007 the change in net assets was comprised of an operating loss of \$329,636 and non operating income of \$263,355. In fiscal year 2006 change in net assets was comprised of an operating loss of \$258,853 and non operating income of \$187,026.

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 to determine if the School's financial health is improving or deteriorating.

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, 2007**

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

The School's annual budget was amended as the year progressed because of the state projection for tuition funding. For the fiscal year ended June 30, 2007 the school incurred \$7,438,025 in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of \$7,590,467. Grant expenditures of \$518,437 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 \$6,578,536 in per pupil funding in fiscal year 2007, versus \$6,484,963 in per pupil funding in fiscal year 2006. This represents 91.6% and 91.8% of the School's revenue for 2007 and 2006 respectively. In addition, the School received various grants, which totaled \$518,437 and \$492,333 for fiscal years 2007 and 2006, 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, 2007**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,000
Accounts receivable, Town	1,570,474
Total current assets	<u>1,575,474</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>149,071</u>
Total noncurrent assets:	<u>149,071</u>
Total Assets	<u><u>\$ 1,724,545</u></u>
LIABILITIES	
Current liabilities:	
Warrants payable	\$ 38,907
Accrued payroll and taxes	567,506
Capital lease obligations	1,034
Deferred revenues	<u>4,875</u>
Total current liabilities	612,322
NET ASSETS	
Invested in capital assets, net of related debt	148,037
Unrestricted	<u>964,186</u>
Total net assets	<u>1,112,223</u>
Total Liabilities and Net Assets	<u><u>\$ 1,724,545</u></u>

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, 2007**

OPERATING REVENUES	
Intergovernmental state	\$ 6,578,536
Intergovernmental federal	518,437
Private grants	10,000
Student fees	76,225
Total Operating Revenues	<u>7,183,198</u>
OPERATING EXPENSES	
Accounting	11,763
Field trips	1,026
Benefits and taxes	583,352
Computer	33,420
Consulting	67,092
Depreciation	98,141
Electricity	131,351
Faculty	6,271,754
Furniture and fixtures	8,080
Gas	48,367
Insurance	2,447
Library	5,057
Maintenance	31,704
Equipment expense	4,275
Board expense	3,000
Principal's expense	4,398
Office supplies	30,813
Classroom supplies	96,772
Summer	151
Postage	5,124
Professional development	21,449
Dues and memberships	8,185
Travel	3,995
Telephone	11,043
Textbooks and software	1,935
Equipment lease	120
Transportation	12,600
Water and sewerage	15,420
Total Operating Expenses	<u>7,512,834</u>
Operating loss	(329,636)
NON OPERATING REVENUES (EXPENSES)	
Earnings on investments	263,355
Total Non Operating Revenues (Expenses)	<u>263,355</u>
Change in Net Assets	(66,281)
Net Assets, beginning	1,178,504
Net Assets, ending	<u>\$ 1,112,223</u>

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, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors	\$ (10,219)
Net Cash Provided by Operating Activities	(10,219)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Advances to Town	7,995
Net Cash Used in Capital and Related Financing Activities	7,995
 Net decrease in cash and cash equivalents	 (2,224)
 Cash and cash equivalents, beginning	 7,224
Cash and cash equivalents, ending	\$ 5,000
 Reconciliation of operating income to net cash provided by (used by) operating activities:	
Operating loss	\$ (329,636)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	98,141
Changes in assets and liabilities:	
Accounts receivable	201,424
Warrant payable	7,756
Accrued expenses	12,309
Deferred revenues	(213)
Total adjustments	319,417
Net Cash Provided by Operating Activities	\$ (10,219)

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

BARNSTABLE HORACE MANN CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

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 2009.

The School's primary source of revenue is from the Department of Education and was credited to the account of the School by the Town on July 1, 2006. 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, 2007

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. 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.

BARNSTABLE HORACE MANN CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. 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

The School maintains its cash account at a financial institution. As required by Governmental Accounting Standards Board Statement No. 40, Deposits and Investment Risk Disclosures the following represents a summary of deposits as of June 30, 2007:

**BARNSTABLE HORACE MANN CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

Category 1, Fully insured deposits	\$5,000
Category 2, Collateralized in the School's name	-
Category 3, Collateralized not in the School's name	-
Uncollateralized	<u>-</u>
Total	<u>\$5,000</u>

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, 2007 consist of the following:

<u>Source</u>	<u>Amount</u>
Grants	\$ 192,585
Town of Barnstable	<u>1,377,889</u>
Total	<u>\$1,570,474</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the School for the year ended June 30, 2007, 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	573,692	\$ 23,332	-	597,024
Equipment	<u>89,267</u>	<u>-</u>	<u>-</u>	<u>89,267</u>
Total Capital Assets	768,657	23,332	-	791,989
Less Accumulated Depreciation for:				
Leasehold improvements	10,860	4,639	-	15,499
Furniture and fixtures	11,994	923	-	12,917
Computers	447,270	85,061	-	532,331
Equipment	<u>74,653</u>	<u>7,518</u>	<u>-</u>	<u>82,171</u>
Total Accumulated Depreciation	<u>544,777</u>	<u>98,141</u>	<u>-</u>	<u>642,918</u>
Total Capital Assets, Net	<u>\$223,880</u>	(<u>\$ 74,809</u>)	<u>\$ -</u>	<u>\$149,071</u>

BARNSTABLE HORACE MANN CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 - CAPITAL LEASE

The School leases copy equipment (recorded cost of \$11,593 and accumulated amortization of \$8,115) under the terms of capital leases which expire at various dates ending in 2008. Minimum future rental payments under non-cancelable leases having remaining terms of one year or less are:

<u>Year Ending June 30:</u>	<u>Amount</u>
2008	<u>\$1,033</u>
Total	<u>\$1,033</u>

Lease payments for 2007 were \$2,841

NOTE 7 - 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. 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 \$1,013,183, for the fiscal year ended June 30, 2007, 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.

**BARNSTABLE HORACE MANN CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - PENSION PLAN - Continued

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 8 - 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.

**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, 2007. 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, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items; 2007.1 and 2007.2.



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.

Barnstable Horace Mann Charter School's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Barnstable Horace Mann Charter School's response and, accordingly, I express no opinion on it.

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.

Claude Boudwin LLC

December 17, 2007

**BARNSTABLE HORACE MANN CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Massachusetts Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	30519560423G	\$ 1,014
Title I Grants to Local Educational Agencies	84.010	30530470423H	181,341
Special Education - Grants to States	84.027	27425760423G	3,434
Special Education - Grants to States	84.027	24023170423H	271,542
Special Education - Grants to States	84.027	27423170423H	7,904
State Grants for Innovative Programs	84.298	30203160423G	549
State Grants for Innovative Programs	84.298	30227570423H	1,841
Safe and Drug-Free Schools and Communities - State Grants	84.186	33122070423H	3,448
Education Technology State Grants	84.318	17003460423G	10,599
Education Technology State Grants	84.318	16026170423H	2,263
Improving Teacher Quality State Grants	84.367	14001060423G	7,430
Improving Teacher Quality State Grants	84.367	14028570423H	27,072
Total U.S. Department of Education			<u>\$ 518,437</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, 2007**

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, 2007**

I. SUMMARY OF THE AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Barnstable Horace Mann Charter School.
2. No reportable conditions relating to the audit of the general-purpose financial statements are reported.
3. No instances of noncompliance material to the general-purpose financial statements of the Barnstable Horace Mann Charter School were disclosed during the audit.
4. No reportable conditions relating to the audit of the major programs were reported.
5. The auditor's report on compliance for the major programs for the Barnstable Horace Mann Charter School expresses an unqualified opinion.
6. The audit identified findings 2007.1 and 2007.2 relative to the major programs for the Barnstable Horace Mann Charter School.
7. The programs tested as major programs were:

**CFDA#84.027, Special Education Grants to States
CFDA#84.010, Title I Grants to Local Education Agencies**
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Barnstable Horace Mann Charter School was not a low-risk auditee.

II. FINDINGS - GENERAL-PURPOSE FINANCIAL STATEMENT AUDIT

None

III. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

***2007.1 Personnel Costs Documentation
CFDA # 84.027 Special Education-Grants to States***

Questioned
Costs: \$20,940

**BARNSTABLE HORACE MANN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

2007.1 Personnel Costs Documentation - CONTINUED
CFDA # 84.027 Special Education-Grants to States

Criteria: OMB Circular 87, Attachment B8.h.(4) states:

An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87 documenting the portion of time and effort dedicated to:

- (a) The single cost objective, and
- (b) Each program or other cost objective supported by either consolidated Federal administrative funds or other revenue sources.

Condition: During the audit, I noted that documented time sheets did not allocate time spent on Federal grants consistent with the above requirements.

Cause: Supervisory staff were not aware of the above requirements

Recommendation: I recommend that the School develop time keeping and reporting systems consistent with the requirements cited above.

2007.2 Personnel Costs Documentation
CFDA#84.010 Title I Grants to Local Education Agencies

Questioned
Costs: \$8,027

Criteria: OMB Circular 87, Attachment B8.h.(4) states:

An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87 documenting the portion of time and effort dedicated to:

**BARNSTABLE HORACE MANN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

2007.2 Personnel Costs Documentation - CONTINUED
CFDA#84.010 Title I Grants to Local Education Agencies

- (a) The single cost objective, and
- (b) Each program or other cost objective supported by either consolidated Federal administrative funds or other revenue sources.

Condition: During the audit, I noted that documented time sheets did not allocate time spent on Federal grants consistent with the above requirements.

Cause: Supervisory staff were not aware of the above requirements

Recommendation: I recommend that the School develop time keeping and reporting systems consistent with the requirements cited above.