

Cottonwood Valley Charter School
Budget Committee Report
January 10, 2011

The Budget Committee met on January 10th to review the December financial reports.

<u>Present</u>	<u>Absent</u>
Mary Cox	Karin Williams
Ruth Milner	Dennis Walsh
Patty Frisch	

December Receipts:

- 0- State Equalization Guarantee (transfer from the District was delayed due to the Christmas Break)
- 1,202.18 SEG – Federal Stimulus (October)
- 17.27 First State Bank Interest
- 208.00 Yearbook Orders
- 130.00 6th grade: card sales – send books to Namibia
- 15.30 4th/5th grade: donation for St . Jude Children’s Hospital
- 148.00 Box Tops for Education
- 53.20 Sparrow Hawk Farm - Donation
- 4,471.57 Title 1
- 4,118.80 IDEA
- 4,940.80 Title 2
- 58,131.28 Building Blocks Grant
- 1,819.48 Education Jobs Fund (October)
- 23,075.75 PSFA lease reimbursement: Oct-Dec

January Receipts (to date):

- 96,244.82 State Equalization Guarantee (December)
- 2,460.12 Title 1
- 1,819.48 Education Jobs Fund (November)

Title Funds: We are finally receiving reimbursements for the various title programs, including the Building Blocks grant. Because of the long delay in receiving reimbursements, we are attempting to expend the various title funds as quickly as possible.

Monthly Expenses: The monthly charge for substitute teachers remains high because of having long-term subs during November & December for Nancy Engler & the 4th/5th grade language arts & social studies classes. The salary expense for classroom teachers reflects the final contractual pay-out to a departing teacher. The additional compensation line items include staff stipends for unused sick leave bonuses, mentoring beginning teachers, and organizing the SAT meetings. Books have been ordered that will be paid for with library bond funds (\$3,262.00). Additional leveled books totaling \$3,459 have also been ordered with funds included in the Title 1 budget. Books to support the various classroom curricula were ordered last week that will be paid for with the remaining instructional materials funds. The lease expense for the copier was higher than usual in December as we are charged quarterly for excess copies over and above the amount included in the maintenance contract (15,000 copies per month).

Building Blocks Grant: A budget adjustment for the additional award of \$61,384.00 for technology enhancements was submitted to PED in December thru the District. This BAR was disapproved by PED because of confusion about the appropriate revenue line item code for the Building Blocks grant. This is something that will have to be resolved by the District & PED, as I do not have access to the revenue portion of BAR’s that are submitted by the District.

There will be only one BAR for approval tomorrow night for miscellaneous receipts that have been received in the last month.

I have a call in to the auditors for an update on when the 6-30-10 audit will be completed, particularly since any findings for the charter school have not been finalized.

Ruth Milner & Patty Frisch reviewed and approved the December bank reconciliations, journal entries, and general ledger. This provides another level of financial oversight as required by the auditors.

Social Security Coverage: When the Social Security program began years ago, States and other local governmental entities had to opt in to the program by executing a “218 modification agreement” that gave entities the authority to pay into Social Security on behalf of their employees. About a year ago, IRS audited a NM charter school and asked to see their 218 agreement. The school in question was clueless and this opened a Pandora’s box in that it has now been determined that NM charter schools (including CVCS) are not in compliance with IRS and Social Security regulations and are paying in illegally. When this first came up a year ago, Charter Schools were advised to continue to pay Social Security taxes while this was being resolved, as it would be very difficult to stop paying Social Security benefits and then have to catch up at some point in the future when there was no budget available. Social Security has been working on how to remedy this situation for the past year; PED has also been aware of this issue since it first came to light last year. This has been discussed at several meetings I have attended in the past year, but I have never heard an explanation for how this situation was allowed to happen. Options to resolve this will be presented at a January 21st meeting in

Albuquerque. Part of the resolution process will include an employee referendum (not sure if this includes only current employees, or all past employees) and governing council concurrence. In the event that the employees vote to not participate in Social Security, the school would have to file for a refund from IRS, return funds to employees and issue amended W-2's. I think that any IRS refund would be limited to the past 3 tax years, similar to filing other amended tax returns. I am forwarding correspondence received this week from both IRS and Social Security that better explains the regulations governing this situation. I will keep the governing council apprised on what develops, as it could potentially be very messy.

Please let me know if there are any questions.

Mary Cox, Business Manager

Prepared: January 11, 2011