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## What You Should Know about the Changes to 1099 Reporting

by Heather Jones, Consulting Manager

When Congress passed the Patient Protection and Affordable Care Act in March 2010, section 9006 of the Act will change 1099 reporting for purchases beginning January 1, 2012. These changes may increase your current reporting requirements from 10% to 90% of your vendor list.

The first reporting change for 1099's will be reporting both **goods** and services for vendors paid over \$600. For example, if your district buys a computer or office equipment from Staples, then you would need to send a 1099 form at the end of the year to Staples. This would be true if either one purchase was over \$600 or multiple purchases made to Staples totaled over \$600. Now, let's say your district buys items from Costco. For convenience, your district makes purchases at two different Costco stores, one on the west side of town and one on

the east side of town. Since Costco branches are not owned by the same organization, you will need to track purchases made from each location separately. At the end of the year, you would then determine if 1099 forms would need to be sent to each location. Each location where you spent more than \$600 should be sent a separate 1099 form. (Also note that the Internal Revenue Service possibly could also enforce the breakout of services and goods, instead of reporting a lump sum amount for each vendor.)

The second reporting change for 1099's is that **corporations** will be among the entities required to be sent 1099's. In the past, the requirement applied only to LLCs, Sole Proprietors, and Partnerships. With the new legislation, you will need to track purchases made to corporations to send them 1099's.

*(Continued on p. 2)*

## How an Award-Winning Budget Can Help Your District

By Donna Peterson, Senior Consultant

In creating their annual budgets, more and more districts are realizing that their budget documents may be difficult to understand. You know that a quality budget document can be a powerful communication tool. A budget document needs to be transparent, logical, and clear. Before the July 15<sup>th</sup> deadline each year, your district's finance management will present the adopted expenditures during a governing board meeting.

*(Continued on p. 3)*

## Save Money by Going Green

by Diane Bradley, Partner

We all have heard about saving energy with solar power and alternative-energy vehicles. However, there are many small ways that your office can reduce waste or energy while saving your district money. Here are a few tips to consider:

**Be Bright About Light** – *Artificial lights account for 44% of the electricity used by office buildings.*

- Reduce light usage by asking everyone to turn off lights when they are leaving a room for 15 minutes or longer.

*(Continued on p. 3)*

## 1099 Reporting Changes (Cont'd from Page 1)

While payments made by cash, check or ACH will be eligible for reporting, purchases made with a payment card (such as a credit card) will probably be reported in the new Merchant Account Reporting requirements that begin 1/1/2011. Therefore, districts may not be responsible for reporting payment card purchases on a 1099 since the merchants who issue the card will be responsible for reporting them on the new form 1099-K.

If your district will file more than 250 1099's in total, then your district will be required to file the forms electronically. Electronic forms will be submitted through the IRS "FIRE" software that has been designed for larger businesses.

Please note that governmental entities are not excluded from these rules. However, since they do not pay Federal income tax, they will not need to receive them.

At this time, guidance does not exist regarding these new changes from the Internal Revenue Service. The IRS has commented that guidance will be provided in 2011. We expect that the 1099 form and the W-9 form will be revised by the IRS to handle the issues placed into effect by this new legislation.

In September 2010, two amendment proposals were submitted to Congress due to the "tremendous paperwork compliance burden" placed upon small organizations. The first one was to eliminate the 1099 requirement all together. The second amendment was to exempt businesses with 25 workers or less and raise the threshold from \$600 to \$5,000. Both amendments were rejected by the Senate on November 29, 2010.

*Why was 1099 reporting a part of the healthcare reform legislation?* 92% of small businesses that file a tax return do not file 1099's. The Government Accountability Office recommended changes to make businesses more accountable. This resulted in this piece of legislation. It is estimated that \$300 billion dollars in gross receipts will be newly reported,

collecting \$17 billion in tax revenue. This new tax revenue will then help fund the new healthcare reform legislation.


We recommend that if you review your current policies or procedures regarding 1099's and revise them where needed to incorporate the new upcoming changes. With the hiring of 16,000 more IRS agents and possibilities of increased penalties, it is imperative for your district to keep processes consistent and maintain compliance.

**Need Help?** Contact Heather Jones at 602-277-9449, x332 or [heatherj@heinfeldmeech.com](mailto:heatherj@heinfeldmeech.com) or CW Payne at 928-774-4201, x204 or [cwp@heinfeldmeech.com](mailto:cwp@heinfeldmeech.com). 

## Tax Rule Change for Employees' Cell Phones

*by Diane Bradley, Partner*

Employer-provided cell phones are no longer defined as listed property under the Federal tax code. This change is included in Section 2043 of the Small Business Jobs and Credit Act of 2010 (Public Law No. 11-240). This change is effective for tax years beginning after December 31, 2009.

Under the previous law, employers were required to maintain extensive records to demonstrate that cell phones were used exclusively for business purposes. Under the new law, employers are no longer required to maintain extensive recordkeeping to demonstrate that all usage of the phones was for business purposes only. 

## Puzzler


Decipher the hidden meaning: (Answer on p. 6)

**a chance n**

## Award-Winning Budgets (Cont'd from page 1)

While this is an important opportunity to communicate with your constituents regarding your district's financial status and goals, the average constituent attending the meeting may not understand the meaning of the budget numbers. To improve communication, some districts are creating budget documents which tell the story behind the numbers.

By preparing and presenting an award-winning budget document, your administrative team will explain the connection between strategic goals and specific expenditures. Budget award programs are offered through the Association of School Business Officials International (ASBOI) and the Government Finance Officers Association (GFOA). These are nationally recognized institutes providing educational professionals with the resources needed to operate a successful district. By developing and submitting a budget for an award program, your district's budget documents to be submitted to a peer review. In doing so, you are also demonstrating to the public that your budget is subject a higher level of accountability and review.

**Questions?** If you are interested in preparing and presenting an award-winning budget document, please contact Donna Peterson at (602) 277-9449, ext 315 or [donna@heinfeldmech.com](mailto:donna@heinfeldmech.com). 

## Welcome to Our New Clients!

H&M welcomes our new clients:

Camp Verde Unified School District  
Oracle Elementary School District

We are excited that you have chosen H&M and look forward to helping you achieve new levels of accounting and managerial success!

## Office Tips for Going Green (Cont'd from page 1)


- Consider installing motion detectors or timers that will ensure that light fixtures turn off when they are not needed.
- Use natural light whenever possible.
- Buy light bulbs and fixtures that are Energy Star rated ([www.energystar.gov](http://www.energystar.gov)). Energy Star-rated fixtures and bulbs use 1/3 of the energy of regular lighting.

**Shut Down Your Computer** – *Office computers waste about \$1 billion in electricity a year.*

- Saving energy can be as simple as remembering to shut down your computer, monitor, and power strips at the end of each day. (Check with your IT department in case they use after-work hours to run virus checks or other procedures.)
- To save electricity during work hours, get rid of your screen saver and change your computer's settings to go to sleep automatically when not being used.

**Use Paper Smartly** – *The average office worker in the U.S. uses about 10,000 sheets of paper a year.*

- Save paper (and supply money) by printing double-sided whenever possible.
- Start a stack of reusable paper for your office to reuse the back side of single-sided pages.
- Avoid reprints by running a grammar and spell check on documents before printing.
- Collect paper to cut down and re-use as notepaper.
- Stop printing emails for filing – instead consider investing in a PDF program which will help you convert emails into a searchable PDF filing system.

**Looking for more green tips?** Visit <http://corporatekindness.org/> for more ideas and a free Green Office Guide. 

## Spotlight on Our Clients – Jim Serbin

*James S. Serbin, CPA, is the Director of Business Services for Wickenburg Unified School District and is a former Governing Board Member at Yarnell Elementary School District.*



### What are your hobbies?

Horseback riding and working on construction projects around the house.

### How long have you been in school finance?

Just started my 6<sup>th</sup> year with Wickenburg Unified

**What was your professional experience prior to working in school finance?** Auditor and tax specialist with a public accounting firm, Chief Financial Officer for a publicly-traded food manufacturing company, Controller for a several family-owned manufacturing companies, and business owner of a CPA practice in Phoenix.

**What do you find most satisfying about working in school finance?** Learning something new every day. The rules and reporting requirements are constantly changing.

**What do you feel are the biggest challenges you face working in school finance?** 1) Lack of funding to hire the best staff. 2) As state and county governments reduce staff, there are fewer support resources to turn to. 3) More compliance reporting requirements without additional funding resources.

**What are your biggest challenges working in a rural District?** 1) Fewer vendor choices that ultimately leads to higher costs. 2) Travel time and distance to attend meetings and conferences, 3) Shortage of a qualified work force, and 4) Affordable housing options for teachers, staff, and administrators.

**What do you recommend to people entering the profession?** Start with a smaller district if you

want to learn and be exposed to all facets of school finance. Consider a large district if you want to specialize in something like Procurement, Payroll, or Human Resources.

**What was most satisfying about being a School Board Member?** You appreciate the amount of work that is required to be a good board member. **H&M**

## H&M University Workshops

Details and links to online registration can be found at [www.heinfeldmeech.com/hmu](http://www.heinfeldmeech.com/hmu). For more help, contact Susan at 520-742-2611, x107 or [hmu@heinfeldmeech.com](mailto:hmu@heinfeldmeech.com).

### ADM Compliance (Live Workshop)

#### Locations/Dates:

Vail (Tucson area) – Tues., Feb. 22<sup>nd</sup>

Mesa (EVIT) – Wed., Feb. 23<sup>rd</sup>

**Cost:** Clients - \$79 per attendee

Non-clients - \$99 per attendee

### Cash Handling Procedures (webinar)

**Date:** Wed., March 2<sup>nd</sup>

**Cost:** Clients - \$25 per site registration

Non-clients - \$119 per site registration

### Fraud and Internal Controls

#### Locations/Dates:

Vail (Tucson area) – Tues., Mar. 22<sup>nd</sup>

Mesa (EVIT) – Wed., Mar. 23<sup>rd</sup>

**Cost:** Clients - \$79 per attendee

Non-clients - \$99 per attendee

## Special 25<sup>th</sup> Anniversary Client Pricing!

*For all 2011 workshops, H&M clients paying for one full registration (\$79) can bring two coworkers to the same HMU workshop for **only \$25 each**.*

*Site registrations for HMU Webinars only **\$25!***

## New SAVE Contract Makes Hiring H&M Consultants Easy


By Diane Bradley, Partner

Our firm was recently awarded a contract for administrative consulting services that is open to members of the Strategic Alliance of Volume Expenditures (SAVE). Members of SAVE can utilize this contract to procure our services in many areas. *(Please note that this contract cannot be used for financial statement auditing services.)*

**Services Offered:** The services covered by this contract include accounting and managerial advisory services offered by our firm, including the following areas:

- Efficiency studies
- Risk assessments
- Internal control reviews
- USFR compliance
- Developing and/or reviewing policies and procedures
- On-site training for your staff in recommended policies and procedures, as well as VISIONS software
- Student Attendance assistance
- Budget reviews and preparation
- Financial reporting
- Financial analysis
- Fraud reviews and investigations
- General accounting services (reconciliations, monthly reports, payroll, accounts receivable, accounts payable, etc.)
- Annual Financial Report preparation and reviews

**Contract Information:** The lead entity was Tolleson Union High School District No. 214 and the contract was issued under RFP #11-002-15.


**Questions?** If you have any questions about using this contract to help your district, please contact CW Payne at (928) 774-4201, ext 304 or [cwp@heinfeldmeech.com](mailto:cwp@heinfeldmeech.com). 

## H&M Announcements

**H&M Promotes New Partner:** Our firm is happy to announce the promotion of Melissa Spangler to partner. Melissa has been with H&M since 2000 and has been an Audit Manager for five years. Melissa is licensed as a Certified Public Accountant in Arizona and New Mexico and is also a Certified Government Finance Manager. She also serves on the Board of Directors for the Arizona Society of Certified Public Accountants.

### Consulting Manager Featured in ACFE

**Interview:** Tracy McLaughlin was recently featured in the November 2010 issue of “The Fraud Examiner”, a newsletter from the Association of Certified Fraud Examiners. In the interview, Tracy discusses her CFE license and the advantage that this credential gives to her in assisting governmental agencies.

**Staff Achievements:** The following staff recently received their CPA certifications: Michael A. Hoerig, Audit Manager, Cynthia N. Montoya, Staff Auditor II, and Christopher A. Goeman, Staff Auditor. 

## Bond Disclosure Reminder

Continuing bond disclosure is **required** by the SEC for any government issuing bonds of \$10,000,000 or more after 7/3/94. This disclosure supplies the secondary market for government bonds with information on which to base their purchases. The deadline for disclosures is *usually* February 1. *However governments do **not** need to submit their **audited** financial statements by their deadline.* Instead, they may file the AFR before the deadline as long as the audited financial statements are submitted to the repositories *no later than 30 days after they are received.*

Instead of filing directly with the NRMSIRs and SIDs, you may utilize an Internet-based electronic filing system to upload documents. Entities should make their secondary market disclosure filings at the MSRB’s Electronic Municipal Market Access website. For details, visit MSRB’s website at:

<http://emma.msrb.org/AboutDataport.aspx>

**Upcoming Deadlines**

<u>Due Date</u>	<u>Item</u>
January 31	Schools and districts must furnish each employee with a completed Form W-2 and certain nonemployee payees a completed Form 1099 for the calendar year ended 12/31/10.  Contribution and Wage Report (Form UC-018) and State Unemployment Compensation Fund contributions/payments must be submitted to AZ Department of Economic Security (A.A.C. R6-3-1704.B)
Feb. 1	Disclosures for any Government issuing bonds of \$10,000,000 or more after July 3, 1994 may be due. (See article on page 5.)
Feb. 15	Special Education Census should be submitted to ADE  English Language Learners (ELL) report due to ADE
Feb. 18	End of cash management period for all Federal projects
Feb. 28	Form 1096, Annual Summary and Transmittal of U.S. Information Returns, along with Copy A of all Forms 1099, must be filed with the IRS.  Form A-1R, Annual Withholding Tax Return, must be filed with the Arizona Department of Revenue. (A.R.S. 43-412)  Form W-3, Transmittal of Wage & Tax Statements, along with Copy A of all Forms W-2, must be filed with the Social Security Administration.

**About Heinfeld, Meech & Co., P.C.**

H&M is a Certified Public Accounting firm with offices in Tucson, Phoenix and Flagstaff. We are the recognized leaders in the State of Arizona in the field of school district accounting and auditing.

Our active involvement with national and state associations keep us up-to-date about emerging issues affecting your school district. We offer this free quarterly newsletter to you as part of our commitment to providing resources and training to Arizona’s school district business personnel.

For more about Heinfeld, Meech & Co., P.C., please visit our web site at [www.heinfeldmeech.com](http://www.heinfeldmeech.com).



Answer to Puzzler (Page 2):  
“An outside chance”

