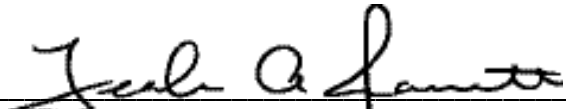




Monitoring Report
EL-05
December 8, 2022

I hereby present my monitoring report on the **Executive Limitations Policy EL-05: Financial Conditions and Activities** according to monitoring report schedule (BPD-04). I certify that the information contained in this report is true and represents compliance with a reasonable interpretation of all aspects of the policy unless specifically stated otherwise.

Signed 
Leah A. Barrett, President

Date 06 December 2022

With respect to the actual, ongoing financial conditions and activities, the President shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the Board's Ends.

INTERPRETATION

I interpret "fiscal jeopardy" to mean a) compliance with policy items #1 to #10 below; b) an audit report that finds no material irregularities, because irregularities in an audit report signal potential fiscal jeopardy, and c) financial ratios within acceptable range as provided by the Higher Learning Commission, because ratios outside the acceptable range are a signal of fiscal jeopardy.

EVIDENCE

- a) Evidence of compliance for items #1 to #10 is provided below.
- b) The [Northeast Community College Area Financial Statement Audit](#) completed for FY22 reported no material irregularities.
- c) The College will report the following financial ratios to HLC for FY2022. These are submitted in March annually to HLC:

	<u>2021</u>	<u>2022</u>	<u>5yr Average</u>	<u>Threshold Range*</u>
Primary Reserve Ratio	1.267	1.283	1.169	.4 – 1.33
Net Operating Revenue Ratio	0.213	(.017)	0.090	.04 - .13
Return on Net Assets Ratio	0.162	.027	0.102	.06 - .20
Viability Ratio	3.626	3.939	3.455	1.25 – 4.17
Composite Financial Indicator Score (link to HLC website page)	9.000	6.827	7.489	1.1 to 10.0

* HLC relies on the financial ratios recommended in the publication *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, 2010, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC (updated summer, 2016)

For in-service in August, 2022, my [presentation](#) to the college community included specific examples of actual expenditures that significantly contributed to achievement of the Board's Ends

Further, without limiting the scope of the above statement by the following list,

... the President shall not:

1. Expend more funds than have been received in the fiscal year to date unless anticipated revenue exceeds anticipated expenditures for the remainder of the current fiscal year in an amount sufficient to cover any deficit.

INTERPRETATION

I interpret "revenue" to mean current, general fund and capital improvement fund revenue in the form of property tax, state aid, tuition and fees and other income such as facility rentals and interest income. I interpret "expenditure" to mean any current, general fund or capital fund expenditure.

Compliance will be demonstrated when:

- a) Quarterly financial statements show revenues exceed expenditures; or

- b) In a quarter where revenues do not exceed expenditures, anticipated revenues through year end show sufficient revenue to cover any current quarter deficit.

This is reasonable because any shortfall in budgeted tax revenue in any quarter is due only to the timing of receipt of funds. Any shortfall in budgeted tuition and fee revenue will result in reduced expenditures.

EVIDENCE:

FY22-23 General Fund	July-Sept	Oct – Dec	Jan -Mar	Apr-June
Revenues	\$ 12,114,487			
Expenditures	(\$ 11,760,836)			
Balance	\$ 370,651			
Cumulative Bal	\$ 370,651			

FY22-23 Capital Fund	July-Sept	Oct – Dec	Jan -Mar	Apr-June
Revenues	\$ 1,872,081			
Expenditures	\$ 110,024			
Balance	\$ 1,762,057			
Cumulative Bal	\$ 1,762,057			

...the President shall not:

2. Use any portion of a restricted fund balance for purposes other than those for which the fund was established.

INTERPRETATION

I interpret “restricted fund balance” to mean the balance of any current restricted fund such as a) grants, contracts, scholarships, and financial aid; b) any agency fund such as student clubs; or c) any plant fund such as capital improvement, restricted plant or debt retirement fund.

Compliance will be demonstrated when the annual audit report provides reasonable assurance that expenditures were made from the

correct funds. This is reasonable because of the College's fund-based accounting rules.

EVIDENCE

The [Northeast Community College Area Financial Statement Audit](#) for fiscal year 2022 showed no irregularities in the payment of expenditures from the appropriate fund.

...the President shall not:

3. Allow untimely payment of payroll or debts.

INTERPRETATION

Compliance will be demonstrated when:

- a) Payroll records verify payment of all employees is consistent with current collective bargaining agreements and all written Human Resources procedures. This is reasonable because it meets commitments made to staff, and Human Resource procedures incorporate all relevant elements of collective bargaining agreements.
- b) Accounts payable show no material amount outstanding beyond 30 days unless there is documentation of vendor's terms longer than 30 days, or unless a payment is under dispute. This interpretation is reasonable because it meets contractual agreements with vendors and minimizes payment of interest.

EVIDENCE

- a) Review of the sample group of payroll records conducted as part of the annual audit provided reasonable assurance that payroll has been processed consistent within all applicable Human Resources procedures.
- b) Review of accounts payable on September 30, 2022 confirmed the following amounts due beyond 30 days.

A/P Aging October 1	Over 30 Days	Over 60 Days	Over 90 Days	Total
2022	\$(2,568)	\$37,181	\$(1,047)	\$33,566

...the President shall not:

4. Write off receivables without having first aggressively pursued payment after a reasonable grace period.

INTERPRETATION

I interpret “aggressively pursued” to mean the established, documented process that is outlined in the [Student Accounts Billing Process](#) and consistently applied for the collection of overdue accounts. This process is reasonable because students make up the majority of overdue accounts and the process is one of the standards used in higher education.

EVIDENCE

Review of accounts receivable aging report on October 1, 2022 confirms process has been consistently applied.

A/R Aging October 1	0-30 Days	31 to 60 Days	61 to 90 Days	91 + Days	Total	# Accts
2022	\$445,760	\$128,627	\$80,546	\$697,357	\$1,352,290	1795
2021	\$178,859	\$637,110	\$99,046	\$804,655	\$1,719,670	2085
2020	\$124,952	\$520,256	\$177,691	\$835,063	\$1,657,962	1656

...the President shall not:

5. Allow tax payments or other government ordered payments or reports to be overdue or inaccurately filed.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Statements of account from the appropriate government agencies verify on-time receipts of deductions for employee income taxes and FICA.
- b) Statements of account from the appropriate government agencies verify on-time receipts of payment of the employer’s portion of FICA, along with payment of all sales tax, occupation tax and unemployment insurance.

On advice from our auditor, this is an exhaustive list of all payments due to government agencies. Government statements of accounts are official documents verifying date of receipt. Receipt by the due date is consistent with government regulations.

- c) The insurance company audit confirms that all workers’ compensation insurance premiums have been paid for all employees.
- d) No deliberately falsified information or information containing errors other than minor miscalculations is uncovered in a random sampling of filings by the auditor. This is reasonable as auditing standards should uncover any material inaccuracies, and not needing to submit revised filings based on auditing standards is a reasonable way to assess accuracy.

EVIDENCE

- a) Review of year-to-date statements of account from the government agency verified that all source deductions and tax installments for employee income tax withholding and FICA, have been received on or before due dates.
- b) Review of year-to-date statements of account from the government agency conducted verified on-time receipts of payment of the employer's portion of FICA, along with payment of all sales tax, occupation tax and unemployment insurance.
- c) Review of year-to-date statements from the insurance company confirms that all workers' compensation insurance premiums were received on or before the due date.
- d) The external auditor was asked to do a random check of filings to guard against falsified information. The auditor's report stated that all payments were accurate for the fiscal year.

...the President shall not:

6. Acquire, encumber, sell or convey land or buildings.

INTERPRETATION:

Compliance will be demonstrated when a comparison of the current audited statement with the previous year's statement confirms that no building or land has been acquired or sold in the fiscal year unless there is a record of decision in Board meeting minutes authorizing the transaction.

EVIDENCE:

Comparison of the 2021 and 2022 audited financial statements verifies that no building or land was purchased or sold in fiscal year 2022.

Note: The Board approved the purchase of buildings located at 707 and 713 Norfolk Avenue at the October, 2022, Board meeting for the Northeast Nebraska Innovation Studio. The closing on the purchase is currently scheduled for January 6, 2023, and will be reflected on next annual EL-05 Monitoring Report.

...the President shall not:

7. Engage in auxiliary enterprise fund activity inconsistent with contribution to the overall Ends of the college in order to generate revenue.

INTERPRETATION

I interpret “auxiliary enterprise funds” to mean the College Bookstore, Print Services, Transportation Center, Residence Life and College Farm operations.

EVIDENCE

All auxiliary enterprise funds are consistent with the overall Ends of the College.

...the President shall not:

8. Enter into any grant arrangement or fundraising initiative that does not emphasize the production of Ends.

INTERPRETATION:

Compliance will be demonstrated when grant activities demonstrate a direct contribution to the achievement of Board Established ENDS.

EVIDENCE:

Review of [FY23 Grant Report](#) confirmed the College was the recipient of 19 grants awarded for FY23, for a total of \$12,603,439. All grant applications are reviewed by the appropriate Vice President and Cabinet to ensure the grant directly contributes to the Ends.

...the President shall not:

9. Use any resources of the College, to contribute to, or pay for fundraising events for, any political party or candidate for public office.

INTERPRETATION

Compliance will be demonstrated when:

- a) All rental agreements comply with administrative procedures that specify that College facilities and resources are not to be used for political fundraising events.
- b) List of paid bills verifies that no contributions were made to either a political party or to any candidate for public office.

This interpretation is reasonable as use of College facilities is not possible without a rental agreement even if a facility is being provided free of charge and rental agreements are legally binding. Further the monthly list of paid bills is comprehensive and any payment to a political party or candidate would be detectable.

EVIDENCE

[AP-3010.0 Use and Scheduling of College Property](#) prohibits the use of College facilities or property “for political rallies, conferences, or meetings of a candidate or partisan group.”

- a) Review of rental agreements for the past year confirms no rental agreements inconsistent with rental procedures.
- b) A review of the monthly paid bills shows that no payments were made contradictory to this policy.

...the President shall not:

10. Use public funds for awards or recognition events for employees, volunteers and/or elected or appointed officials which exceed the Board approved limits in GP-17 items 1, 1.1 and 1.2.

INTERPRETATION

Examples of awards for employees are Years of Service Award.

Examples of recognition events for employees are the mid-year celebration event.

EVIDENCE

Recipients of the Years of Service Award receive gifts that do not exceed \$50.

Recognition events for employees involving meals are catered through Chartwells food service at a cost that does not exceed \$50 per person.

All other engagement activities for employees may include items such as free coffee, free popcorn, or bookstore and food service gift cards of nominal amounts.