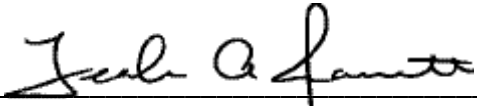




Monitoring Report
EL-05
February 15, 2024

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 12 February 2024

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 FY23 reported no material irregularities.
- c) The College will report the following financial ratios to HLC for FY2023. These are submitted in March annually to HLC:

	<u>2023</u>	<u>2022</u>	<u>5yr Average</u>	<u>Threshold Range*</u>
Primary Reserve Ratio	1.347	1.283	1.248	.4 – 1.33
Net Operating Revenue Ratio	0.027	(.017)	0.084	.04 - .13
Return on Net Assets Ratio	0.044	.027	0.096	.06 - .20
Viability Ratio	4.227	3.939	3.694	1.25 – 4.17
Composite Financial Indicator Score (link to HLC website page)	7.653	6.827	7.770	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)

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: See Attachment A

...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 2023 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 January 31, 2024, confirmed the following amounts due beyond 30 days.

A/P Aging February 1	Over 30 Days	Over 60 Days	Over 90 Days	Total
2024	\$2,996.86	\$(283.74)	\$(19,003.49)	\$(16,290.37)

...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

Data from the National Association of College and University Business Officers (NACUBO) 2023 Student Financial Services Benchmarking Report is attached, which provides further context surrounding the collection of student accounts and how Northeast compares to the industry benchmark of other similar sized institutions who contributed data to the NACUBO report.

...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) **NOTE: There have been two instances of non-compliance in the area of payment of tax installments to the IRS for employee income tax withholding. Please see attached narrative for explanation.** Review of year-to-date statements of account from the IRS verified that all other 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:

Land Acquired	Board Approval	Acquisition Date
707 and 713 Norfolk Ave - (i-Hub) Building	August 11, 2022	January 6, 2023
Ag Property	January 11, 2024	February 29, 2024* (expected)

...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 [FY24 Grant Report](#) confirmed the College is the recipient of 13 grant awards pending agreement for FY24, for a total of \$7,559,587 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 campaign activities, political rallies, conferences, or meetings of a candidate or partisan group.” (Note that forums on candidates or issues are permissible when all sides are invited, and forums held by elected officials for purposes of informing the public and not held as a campaign event are also permissible.)

- 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.

Evidence for item #5(a):

In April 2023 and June 2023, a federal tax deposit for the deposit of federal income tax withholdings of Northeast employees was made one (1) day beyond the due date. This resulted in a penalty being charged to the College in the amount of \$20,208.93. Upon investigation, it was discovered that federal tax deposits were being made under the IRS rule which allows depositors on a semi-weekly schedule (which Northeast is) to make deposits at least 3 business days following the close of the semiweekly period. The two applicable deposits were made within the allowable number of days under this rule. However, another IRS rule requires depositors who accumulate \$100,000 or more in taxes on any day during a deposit period (which Northeast is), must deposit the tax by the next business day. Once it was discovered that Northeast must operate under the next business day rule, rather than the 3-business day rule, systems were put in place within the Payroll department to ensure that all federal tax deposits are made by the next business day, and to properly train new employees on compliance with this rule.

ATTACHMENT A

**EL-05 - Financial Conditions and Activities
Monitoring Report
February 15, 2024**

Evidence for Section 1:

Northeast Community College Budget and Actual Projections 2023-24						
	Budget FY24	Actuals 2/1/2024	Budget Thru %	Forecast Amount	Forecast Total	
Revenue:						
Tuition & Fees	8,496,030	7,113,260	83.72%	820,000	7,933,260	est. \$400K summer I; \$350K non-credit; \$70K UL
State Aid	15,680,987	7,841,197	50.00%	7,839,790	15,680,987	est to receive 100%
Local Property Taxes	26,878,890	12,612,389	46.92%	14,266,501	26,878,890	est to receive 100%
Other	3,070,735	549,363	17.89%	2,521,372	3,070,735	est to receive 100%
Total Revenue	54,126,642	28,116,209	51.95%	25,447,663	53,563,872	
Unexpended Payroll	2,131,512					
Cash Reserves	2,889,343	-	0.00%			
Total Appropriated Reserves	5,020,855					
Total Revenue Budget	59,147,497	28,116,209	47.54%			
Expenditures:						
Personnel Services	42,630,239	23,397,150	54.88%	16,712,250	40,109,400	monthly exp to date annualized (Note - current actual rate of unexpended payroll is 6% of personnel budget; the rate used to budget the amount of unexpended payroll was 5%
Operating Expenses	13,086,568	7,617,837	58.21%	5,441,312	13,059,149	monthly exp to date annualized
Supplies & Materials	2,211,415	1,258,827	56.92%	899,162	2,157,989	monthly exp to date annualized
Travel	649,900	281,723	43.35%	201,231	482,954	monthly exp to date annualized
Capital Outlay	481,874	688,822	142.95%	411,178	1,100,000	approved amount was \$1,285,558 - deficit budget intended to utilize reserves; \$1,100,000 is high estimate based on status update from Purchasing
Student Aid	87,500	53,992	61.71%	33,508	87,500	est to spend 100%
Total Expenditure Budget	59,147,497	33,298,351	56.30%	23,698,641	56,996,992	
Revenue over/(under) Expenditure Budget	0	(5,161,656)			(3,433,120)	

EL-05 - Financial Conditions and Activities
Monitoring Report
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Evidence for Section 4:

Questions from NACUBO Benchmarking Study	Fall 2017		Fall 2018		Fall 2019		Fall 2020		Fall 2021		Fall 2022
	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast
Total number of full-time equivalent (FTE) students enrolled at your institution in:	1482.55		1474.55		1506.93		1447.18		1478.08		1549.52
	FY18		FY19		FY20		FY21		FY22		FY23
12-month unduplicated student headcount in academic year:	6541		6294		6450		6421		6636		6610
Total number of students with an unpaid balance (cumulative) at the end of the fiscal year. This includes currently enrolled students and prior students no longer enrolled with an unpaid balance. Do not include students whose unpaid balance has been written off:	1030		950		744		458		703		595
Ratio of cumulative # of students with unpaid balance at end of fiscal year, to unduplicated student headcount for the academic year (compared to institutions with Carnegie Classification of Associate's Colleges)	15.7%	48.3%	15.1%	49.3%	11.5%	45.2%	7.1%	47.8%	10.6%	53.3%	9.0%
Total dollar amount of unpaid balances (cumulative) at the end of:	\$844,842.76		\$847,222.46		\$661,411.80		\$462,664.10		\$498,812.98		\$564,179.44
Total number of students whose account was placed in collections during:	243		261		109		-		-		108
Total dollar amount placed in collections during:	\$253,838.16		\$266,602.06		\$126,258.93		-		-		\$113,928.96
Total dollar amount received from student payments (including outside scholarships; do NOT include loans and financial aid disbursed by your institution or tuition waivers/exemptions from your institution) for:	\$7,381,149.65		\$7,556,452.53		\$7,728,306.32		\$8,288,560.67		\$10,497,788.09		\$9,429,337.74
Ratio of student accounts placed in collections and current student headcount	3.7%	7.6%	4.1%	9.2%	1.7%	10.2%	-	5.8%	-	4.2%	1.6%
Of the total dollars charged/invoiced to student accounts, provide the dollar amount that was outstanding at the end of the fiscal year:	\$378,171.09		\$354,060.05		\$212,827.33		\$174,303.01		\$473,376.54		\$377,984.56
Outstanding Accounts Receivable as % of total dollar amount invoiced at end of fiscal year (compared to institutions with Carnegie Classification of Associate's Colleges)	2.5%	7.9%	2.3%	9.3%	1.4%	10.1%	1.4%	9.0%	3.0%	5.4%	2.3%