

**Monitoring Report**  
**EL-05: Financial Conditions and Activities**  
**February 13, 2025**

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 10 February 2025

**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 “not allowing 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 FY24 reported no material irregularities.

c) The College will report the following financial ratios to HLC for FY2024. These are submitted in March annually to HLC:

	<u>2024</u>	<u>2023</u>		<u>5yr Average</u>	<u>Threshold Range*</u>
<b>Primary Reserve Ratio</b>	1.240	1.347		1.292	.4 – 1.33
<b>Net Operating Revenue Ratio</b>	.057	0.027		0.045	.04 - .13
<b>Return on Net Assets Ratio</b>	.062	0.044		0.087	.06 - .20
<b>Viability Ratio</b>	4.381	4.227		3.865	1.25 – 4.17
<b>Composite Financial Indicator Score (link to HLC website page)</b>	7.822	7.653		7.809	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 2024 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, as verified by the Director of Payroll on January 31, 2025, provided reasonable assurance that payroll has been processed consistently within all applicable Human Resources procedures.
- b) Review of accounts payable on January 31, 2025, by the Sr. Director of Accounting confirmed zero amount outstanding beyond 30 days.

**...the President shall not:**

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

#### INTERPRETATION

Compliance will be shown when the ratio of cumulative number of credit students with an unpaid balance at the end of the fiscal year, to the unduplicated student headcount for the academic year is under the benchmark for comparable institutions with a Carnegie Classification of Associate's Colleges and enrollment size of 4,000 to 7,999, according to the National Association of College and University Business Officers (NACUBO) annual Student Financial Services Benchmarking Report. The NACUBO Benchmarking Report is reasonable because this report is a standard report used by the higher education industry to track important trends in the student financial services area. A ratio under the benchmark is reasonable because the report compares data against national averages of peer institutions of similar size and mission.

#### EVIDENCE

Five-year historical data from the National Association of College and University Business Officers (NACUBO) 2024 Student Financial Services Benchmarking Report, which provides data through FY23. (See Attachment B)

**...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 IRS by the Director of Payroll on January 31, 2025, 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 by the Director of Payroll on January 31, 2025, 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 by the Director of Payroll on January 31, 2025, confirms that all workers' compensation insurance premiums were received on or before the due date.
- d) Review of the annual audit by the Director of Payroll on January 31, 2025, verified that 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
1107 E. Benjamin Avenue	July 13, 2023	August 14, 2023
Ag Property	January 11, 2024	March 1, 2024

**...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.

Auxiliary Fund	Board End
College Bookstore	1, 4
Print Services	2
Transportation Center	1, 1.3, 3
Residence Life	3, 4
College Farm Operations	1, 1.3, 2

**...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](#) confirms the College continuing, awarded and pending grants all directly contribute to one or more of 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 be 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 or items of nominal amounts.



**ATTACHMENT A**  
**Evidence for Section 1**

**EL-05 - Financial Conditions and Activities**  
**Monitoring Report**  
**February 10, 2025**

	<u>2023 Actual</u>	<u>2024 Actual</u>	<u>YTD 2025 Actual</u>	<u>2025 Budget</u>	<u>% Thru Budget</u>	<u>Projected Year-End</u>
<b><u>Revenue</u></b>						
Tuition	8,579,680	7,405,435	6,498,534	7,519,057	86.4%	7,300,000
Fees	488,626	439,847	406,400	483,985	84.0%	425,000
Government Appropriations						
State Aid			7,793,521	15,587,042	50.0%	15,587,042
State Aid - Dual Enrollment			168,521	337,042	50.0%	337,042
Future Fund			14,791,689	29,583,377	50.0%	29,583,377
Nameplate Capacity			278,574	545,705	51.0%	278,574
In Lieu of Tax			1,370	4,404	31.1%	4,404
Motor Vehicle Pro-rate			28,595	54,724	52.3%	54,724
Property Taxes (prior years)			252,892	0		252,892
<b>Total Government Appropriations</b>	<b>40,601,914</b>	<b>42,673,818</b>	<b>23,315,161</b>	<b>46,112,294</b>	<b>50.6%</b>	<b>46,098,055</b>
Grants Contracts and Gifts	320,335	351,160	57,500	405,000	14.2%	405,000
Other Income	1,488,751	1,198,050	518,753	1,737,325	29.9%	1,737,325
Appropriated Reserves				5,005,984	0.0%	
<b>Total Revenue</b>	<b>51,479,306</b>	<b>52,068,310</b>	<b>30,796,348</b>	<b>61,263,645</b>	<b>50.3%</b>	<b>55,965,380</b>
<b><u>Salaries and Wages</u></b>						
<b>Total Salaries and Wages</b>	<b>36,588,357</b>	<b>40,975,024</b>	<b>24,157,250</b>	<b>44,324,199</b>	<b>54.5%</b>	<b>41,412,428</b>
<b><u>Operating Expenses</u></b>						
Operating Expense	10,447,229	11,283,457	7,585,910	12,880,176	58.9%	13,004,418
Supplies and Materials Expense	1,964,175	2,463,505	1,472,455	2,511,705	58.6%	2,524,208
Travel Expense	574,765	642,716	260,613	724,501	36.0%	700,000
Capital Outlay Expense	601,965	1,357,464	461,044	599,092	77.0%	599,092
Student Aid Expense	72,054	71,595	62,541	90,000	69.5%	90,000
<b>Total Operating Expenses</b>	<b>13,340,381</b>	<b>14,505,994</b>	<b>9,751,120</b>	<b>16,805,474</b>	<b>58.0%</b>	<b>16,917,718</b>
<b>Total Expenses</b>	<b>49,928,737</b>	<b>55,481,018</b>	<b>33,908,370</b>	<b>61,129,673</b>	<b>55.5%</b>	<b>58,330,146</b>
<b>Net Operating Result</b>	<b>1,550,569</b>	<b>(3,412,708)</b>	<b>(3,112,021)</b>	<b>133,972</b>		<b>(2,364,766)</b>

## ATTACHMENT B

Questions from NACUBO Benchmarking Study	Fall 2018		Fall 2019		Fall 2020		Fall 2021		Fall 2022	
	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark
Total number of full-time equivalent (FTE) students enrolled at your institution in:	1474.55		1506.93		1447.18		1478.08		1549.52	
	FY19		FY20		FY21		FY22		FY23	
12-month unduplicated student headcount in academic year:	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:	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)	15.1%	49.3%	11.5%	45.2%	7.1%	47.8%	10.6%	53.3%	9.0%	59.1%
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 enrollment size 4,000 to 7,999)	15.1%	30.9%	11.5%	37.1%	7.1%	38.7%	10.6%	37.8%	9.0%	29.2%
Total dollar amount of unpaid balances (cumulative) at the end of:	\$847,222.46		\$661,411.80		\$462,664.10		\$498,812.98		\$564,179.44	