



Jackson College Board of Trustees

MONITORING REPORT FOR EL – 04 FINANCIAL CONDITIONS AND ACTIVITIES DATE: 11/14/2022

Board Policy is indicated in bold typeface throughout.

I hereby present this monitoring report regarding your policy: “Financial Conditions and Activities”, according to the schedule previously defined. I certify that the information contained in herein is true and represents compliance with a reasonable interpretation of the policy, unless specifically stated otherwise. Interpretations are unchanged from the previous report, unless otherwise noted.

11/14/2022

Daniel J. Phelan, Ph.D.
President and CEO

Date

POLICY STATEMENT: With respect to the actual, ongoing financial conditions and activities, the Chief Executive Officer shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the Board’s Ends.

I have interpreted “...financial conditions and activities that would cause the development of fiscal jeopardy...” in policy items 1, 1.1, 2, 3, 3.1, 4, 5, 6 and 7. Compliance with this opening statement will be demonstrated by the evidence collectively provided for the numbered policy statements, as well as the following:

Compliance with the policy statement means that the CEO will not allow expenditures not aligned with the achievement of the Board’s Ends.

The primary means of achieving the Board’s Ends (for students and community) are through; (a) the people who teach, provide student support services, ensure efficient administration, maintain facilities and grounds, keep the campus safe, and by those who manage housing. These people, and their associated work, constitute approximately 2/3 of the College’s expenditures; and (b) practical, operational expenditures including process of creating instructional programs, providing for instructional and operational technology, as well as providing for materials, rent, utilities & insurance, other related operating costs; which represents approximately 21% of the College’s annual budget.

Further, without limiting the scope of the above policy statement by the following list, the Chief Executive Officer shall not:

- 1. Expend more funds than have been received in the current fiscal year unless the debt guideline below is met.**

INTERPRETATION:

I have interpreted that compliance is demonstrated when a review of the College's Monthly financial statements over a 12 month period, indicate that general fund income exceeded annual expenses.

EVIDENCE:

On November 7, 2022, the CFO confirmed that over a 12-month period, October 2021 through September 2022, general fund income exceeded expenses. Fiscal year 2022 ended with general fund income of \$50,812,908 exceeding expenses by \$719.00. In fiscal year 2023 general fund income through September has exceeded expenses by \$3,726,196.00.

- 1.1. Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues, within the current fiscal year, or that can be repaid to accounts previously established by the Board for that purpose.**

INTERPRETATION:

I interpret compliance will be demonstrated when the annual debt service schedule of all obligations is not greater than that which can be repaid within the year. Further,

- a) No expenditures greater than \$100,000 are made that were not included in the annual general fund budget, or in the annual five-year master plan. This is reasonable as an expenditure greater than this amount could not be covered by unencumbered revenues.
- b) Annual expenditures on debt service do not exceed the Board approved budget.

EVIDENCE:

- a) On 11/7/2022 the CFO confirmed that no expenditures over \$100,000 were made without Board approval that were not included in the initial financial plans (budgets or five-year plans) approved by the Board.
- b) On 11/7/2022 the CFO confirmed that debt expenses were within budget during this monitoring period (October 2021 thru September 2022).

2. Use funds from restricted or designated accounts for purposes other than that for which the account was established.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) A review of the monthly financial statements confirm that the month end balance for the designated funds, which the board has set-aside for future operations, has not changed (declined) month to month during this monitoring period (October through September). This is reasonable insofar as the College's financial statements are the vehicle by which all financial transactions are summarized, within a reporting period.
- b) An external review of restricted fund use is conducted and confirms use has been limited to intended use.

EVIDENCE:

- a) On November 7, 2022, the CFO confirmed that through June 30, 2021 the designated funds balance set aside for future operations remained unchanged. The balance declined by \$65,960 from June to July due to unrealized investment activity experienced through negative market value as of June 30, 2021.
- b) The Annual Federal Awards Audit for 2021 listed an Immaterial Noncompliance/Significant Deficiency finding for restricted fund usage was completed and is listed on the transparency website.

3. Allow the College's cash position in any month to be less than is needed to satisfy obligations in that month.

INTERPRETATION:

I have partially interpreted this policy in item #3.0 as compliance being demonstrated when, in addition to the evidence for 3.1, a review of the monthly financial statements for the monitoring period confirms that the cash position of the College is positive. This is reasonable insofar as the College's financial statements are the vehicle by which all financial transactions are summarized, within a reporting period.

EVIDENCE:

On November 7, 2022, the CFO confirmed that during each month in the reporting period the College's cash position was positive and met all obligations.

3.1 Allow a combined operating fund balance reserves to be less than the average of two months' operating expenses.

INTERPRETATION:

Compliance will be demonstrated when, in addition to the above, a review of the College's monthly financial reports, for the monitoring period, confirm that an amount equal to, or greater than 2/12ths or 16.6% of average monthly expenses, is held in reserve.

EVIDENCE:

On November 7, 2022, the CFO confirmed that during each month of the reporting period operating reserves was greater than two months of budget expenses.

4. Allow the untimely payment of payroll and debts.

INTERPRETATION:

I interpret compliance will be demonstrated when:

- a) Employees are paid biweekly, which is consistent with payment schedule required by employment contract /labor agreement and appointment letters received by administrators. This is reasonable insofar as the College's payroll register is a principal vehicle to determine if employee compensation obligations are satisfied. Further, union contracts provide for grievance procedures to the College, should those represented by the union, go unpaid.
- b) Vendors are paid weekly consistent with vendor contracts and bond debt is paid semi-annually according to internal controls and processes reviewed by our external auditor. This is reasonable insofar as the Board-selected auditor is an external, third-party review mechanism for determining if College obligations are satisfied.

EVIDENCE:

- a) The CFO confirmed on 11/7/2022 that all employees have been paid biweekly in the monitoring period. Control Totals are compared to payroll reports to ensure all employees are being paid.
- b) The CFO confirmed on 11/7/2022 that there are no known outstanding payments to vendors or bond debt payments.

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

INTERPRETATION:

I have interpreted that compliance will be demonstrated when there is a process in place, which is annually reviewed by the Comptroller and CFO, which defines the College's process for

past due payments from students which minimally includes in-house communication made to students who have an outstanding balance at the end of the semester allowing students to make payment arrangements or make payment in full up to 45 days. After 45 days, delinquent accounts are turned over to collections.

These steps are reasonable because they align with industry best practices.

EVIDENCE:

On 11/7/2022 the Comptroller and CFO confirmed that the process for past due payments is still in place and stored internally.

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

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) The year-end informational reports, required by the IRS, are submitted timely and with no penalties.
- b) Sales Use and Withholding Tax returns are submitted monthly by required deadline.
- c) Quarterly 941 Reports have been submitted to the IRS.
- d) Payroll withholding taxes are submitted on a biweekly basis that aligns with the payroll schedule.

This interpretation is reasonable as it addresses all required federal and state reporting requirements, timelines, and provides for verification of submissions.

EVIDENCE:

- a) The CFO confirmed on 11/7/22 the year-end informational reports required by the IRS were submitted timely and with no penalties. In response to the 11/9/2020 EL-04 evidence report that referenced an appeal of a civil penalty from the IRS, resulting from us filing the 1095C late in 2017. Jackson College later received a letter from the IRS on January 4, 2021, removing the penalties.
- b) The CFO confirmed on 11/7/22 that the monthly State of Michigan Sales Use and Withholding Tax Returns were completed.
- c) The CFO confirmed on 11/7/22 that the Quarterly 941 Reports have been submitted.
- d) The CFO confirmed on 11/7/22 that the payroll withholding taxes have been submitted on a biweekly basis.

7. Acquire, encumber or dispose of land or buildings.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when the College's Comptroller confirms that there is no acquisition, encumbrance, or disposal of land or buildings outside of the Board-approved five-year master plan.

This is reasonable because it provides validation of compliance by the Comptroller, assuring that no such transactions have occurred.

EVIDENCE:

The Comptroller confirmed on 11/7/2022 there were no acquisition, encumbrance, or disposal of land or buildings outside the five-year master plan approved by the Board.

The Jackson College Board of Trustees accepted this monitoring report as fully compliant at the regular Jackson College Board Meeting on November 14, 2022.