



Frederick Community College Board of Trustees

Monitoring Report: EL 4 – Financial Conditions and Activities

[Full Compliance]

Report Date: 11/19/2025

Reporting Period: 7/1/2024 – 6/30/2025

This is the annual report on compliance with the Board's Executive Limitation Policy: "EL-4 Financial Conditions and Activities." I certify that the information contained herein is true and represents compliance, within a reasonable interpretation of the established policy, unless specifically stated otherwise below. Please note that all of my interpretations of the policy remain unchanged from the previous report, unless otherwise noted.

A handwritten signature in cursive script, reading "Annesa Cheek".

11/19/2025

Annesa Cheek, Ed.D.
President

Date

Note: Board Policy is indicated in bold typeface throughout the report.

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.

Accordingly, the President shall not:

- 1. Expend more funds than have been approved by the Board in the fiscal year unless there has been Board approval to do otherwise.**

Interpretation

Compliance will be demonstrated when:

- a. A review of the College's quarterly financial statements over the previous fiscal year and the audited annual financial statement do not indicate that annual expenses exceeded annual revenues.*

Evidence

The Chief Financial Officer and Vice President for Administration (CFO/VPA) confirmed on 10/6/2025 the FY 2025 quarterly financial statements were presented to the Board of Trustees and that annual expenses did not exceed annual revenues as follows according to the following:

- The 1st quarter financial statements ending 9/30/2024 were presented to the Board on 11/20/2024.
- The 2nd quarter financial statements ending 12/31/2024, were presented to the Board on 2/19/2025.
- The 3rd quarter financial statements ending 3/31/2025, were presented to the Board on 6/11/2025.
- The 4th quarter financial statements ending 6/30/2025, were presented to the Board on 9/17/2025.
- The FY 2025 Audited Annual Financial Report was presented to the Board on 10/15/2025.

Status

In compliance.

This interpretation is reasonable because quarterly statements provide a clear view of expenditure patterns of the institution on a regular basis and ultimately conclude with the year-end financial status report which occurs following June 30th of each year wherein the Board can compare revenues to expenditures directly. Furthermore, these quarterly statements are eventually subject to audit by the Board's selected auditor for review and ultimate audit report, which would further indicate if there was an excess of expenditures over revenues.

- 2. 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

Compliance will be demonstrated when:

- a. The previous fiscal year's debt service schedule of all annual obligations is not greater than that which can be repaid within the year.*

Evidence

The CFO/VPA confirmed on 10/16/2025 that annual obligations did not exceed that which can be repaid each year according to the following:

- The FY 2025 Audited Annual Financial Report was presented to the Board of Trustees on 10/15/2025 and includes the long-term liabilities schedule for FY 2024 and FY 2025.
- Debt obligations were paid in accordance with the debt service schedule for FY 2025.
- The Board of Trustees approved the FY 2025 budget on 6/4/2024, which included the debt service obligations for the fiscal year.

Status

In compliance.

This interpretation is reasonable because the Board reviews the long-term liabilities schedule as part of the annual financial audit, and reviews and approves each fiscal year's budget.

- 3. Jeopardize fiscal integrity by expending College funds in a manner that will result in a negative fund balance at the close of the fiscal year unless approved by the Board.**

Interpretation

Compliance will be demonstrated when:

- a. The College's annual operating expenditures do not exceed annual operating revenues unless the Board of Trustees has approved the use of the Strategic Reserve fund balance as part of the annual budget approval process.*

Evidence

The CFO/VPA confirmed on 10/16/2025 that the Fiscal Year 2025 Audited Annual Financial Report was presented to the Board of Trustees on 10/15/2025. Revenues exceeded expenses for the fiscal year. The CFO/VPA also confirmed on that date that the Board of Trustees approved the FY 2025 operating budget on 6/4/2024 that included \$2,442,000 to fund one-time initiatives from Strategic Reserves.

Status

In compliance.

Interpretation

- b. The College received Board approval for using the Strategic Reserve fund to cover unforeseen expenses not included in the annual budget.*

Evidence

The CFO/VPA confirmed on 10/6/2025 that the Board of Trustees approved the FY 2025 operating budget on 6/4/2024 that included an operating expense contingency of \$869,668 for unforeseen expenses.

Status

In compliance.

This interpretation is reasonable because the Board reviews and approves the annual budget, which would include any planned use of fund balances as part of the adopted budget. In addition, the Board reviews and approves any requests for emergency funding.

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

Interpretation

Compliance will be demonstrated when:

- a. A review of the quarterly financial statements and the annual audited financial statements confirm that balances for the designated funds do not indicate allocations for purposes other than that for which the funds had been designated.*

Evidence

The CFO/VPA confirmed on 10/16/2025 the FY 2025 quarterly financial statements were presented to the Board of Trustees and that no funds were used for purposes other than that for which they were designated.

Status

In compliance.

Interpretation

- b. An external review of restricted fund use as part of the annual financial audit is conducted and confirms use has been limited to intended use.*

Evidence

The CFO/VPA confirmed on 10/16/2025 that the FY 2025 Audited Annual Financial Report was presented to the Board of Trustees on 10/15/2025. The audit report indicated no findings related to the misuse or misallocation of restricted funds.

Status

In compliance.

This interpretation is reasonable because the College's financial statements are the vehicle by which all financial transactions are summarized, within a reporting period.

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

- 5.1. Allow a combined operating fund balance reserve to be less than the Government Finance Officers Association recommended minimum of 16.6% (two months) of annual operating expenses.**

Interpretation

Compliance will be demonstrated when:

- a. *A review of the College's quarterly financial reports confirms that an amount equal to, or greater than 2/12ths or 16.6% of average annual expenses, is held in reserve.*

Evidence

The CFO/VPA confirmed on 10/16/2025 the FY 2025 quarterly financial statements were presented to the Board of Trustees and that the amount held in reserve was in compliance with the 16.6% requirement.

Status

In compliance.

This interpretation is reasonable because a Board review of quarterly financial statements will demonstrate the College's current fund balances.

6. Allow the untimely payment of payroll and debts.

Interpretation

Compliance will be demonstrated when:

- a. *Audited payroll records verify payment of employees is consistent with written Human Resources employment and collective bargaining agreements.*

Evidence

The CFO/VPA confirmed on 10/16/2025 that the FY 2025 Audited Annual Financial Report (presented to the Board on 10/15/2025) and verified with the VP for Talent and Culture that the payment of employees is consistent with written Human Resources agreements. The FY 2025 Annual Audited Financial Report was presented to the Board of Trustees on 10/15/2025. The collective bargaining agreement was approved by the Board on 6/11/2025.

Status

In compliance.

Interpretation

- b. Accounts payable show no material amounts outstanding beyond the agreed terms with the vendor unless a payment obligation is in dispute. Additionally, the College is not in collections with vendors regarding the lack of payment for goods and services provided.*

Evidence

The CFO/VPA confirmed on 6/30/2025 that system records indicate suppliers have been paid according to contract terms. The Accounts Payable Reconciliation Report confirmed that all payables are current, and FCC maintains a healthy and efficient payment process. The College was not in collections with any vendors regarding the lack of payment for goods or services provided.

Status

In compliance.

This interpretation is reasonable because it meets contractual agreements and commitments to employees and vendors and minimizes payment of interest.

7. Allow tax payments or other government-ordered payments or filings to be overdue.

Interpretation

Compliance will be demonstrated when:

- a. The year-end informational reports required by the IRS and the states where employees live (e.g. MD, PA, VA, WV, and DC), are submitted by the required due dates and with no penalties;*

Evidence

The CFO/VPA confirmed on 10/6/2025 that all state (MD, PA, VA, WV, and DC) 2024 W-2 information was submitted and confirmed as accurate to the IRS on 1/27/2025, prior to the required due date of 1/31/2025.

Status

In compliance.

Interpretation

- b. Sales Use taxes are submitted monthly by the required deadline;*

Evidence

The CFO/VPA confirmed on 10/6/2025 that the monthly FY2025 Sales and Use Tax returns were submitted timely as follows:

- July 2024 submitted 8/13/2024
- August 2024 submitted 9/17/2024
- September 2024 submitted 10/15/2024
- October 2024 submitted 11/18/2024
- November 2024 submitted 12/11/2024
- December 2024 submitted 1/15/2025
- January 2025 submitted 2/18/2025
- February 2025 submitted 3/18/2025
- March 2025 submitted 4/15/2025

- April 2025 submitted 5/15/2025
- May 2025 submitted 6/10/2025
- June 2025 submitted 7/15/2025

Status

In compliance.

Interpretation

- c. *Federal 941 Reports have been submitted to the IRS by the required deadline;*

Evidence

The CFO/VPA confirmed 10/6/2025 that the quarterly Federal 941 reports for FY25 were submitted to the IRS by the required deadlines. 3rd Qtr. 941 submitted on 10/22/2024 before 10/31/2024 due date. 4th Qtr. 941 submitted on 1/27/2025 before 1/31/2025 due date. 1st Qtr. 941 on 4/28/2025 before 4/30/2025 due date. 2nd Qtr. 941 submitted on 7/23/2025 before 7/31/2025 due date.

Status

In compliance.

Interpretation

- d. *MD unemployment quarterly filings have been submitted by the due date;*

Evidence

The CFO/VPA confirmed 10/6/2025 that the FY 2025 MD quarterly unemployment reports were submitted to the state agency on time. 3rd Qtr. Maryland Unemployment Insurance (MDUI) was submitted on 10/3/2024 before the 10/31/2024 due date. 4th Qtr. MDUI submitted on 1/14/2025 before the 1/31/2025 due date. 1st Qtr. MDUI submitted on 4/21/2025 before the 4/30/2025 due date. 2nd Qtr. MDUI submitted on 7/16/2025 before the 7/31/2025 due date.

Status

In compliance.

Interpretation

- e. *Department of Commerce annual survey has been completed;*

Evidence

The CFO/VPA confirmed on 10/6/2025 that the Department of Commerce annual survey was reviewed and completed. The survey was submitted on 4/8/2025 before the 5/8/2025 due date.

Status

In compliance.

Interpretation

- f. *MHEC monthly retirement filing and the MD annual retirement report have been submitted; and*

Evidence

The CFO/VPA confirmed 10/6/2025 that the MHEC retirement filings have been submitted monthly in alignment with the required due dates by the end of the following calendar month. Maryland State Retirement Agency's annual report was filed on 1/15/2025 by the 1/31/2025 due date.

Status

In compliance.

Interpretation

- g. *All payroll withholding taxes are submitted on a semi-monthly or monthly basis as required by regulatory authorities and in alignment with the payroll schedule.*

Evidence

The CFO/VPA confirmed on 10/6/2025 that the YTD payroll withholding taxes were submitted on a semi-monthly basis required by the regulatory guidelines, and in alignment with the pay schedule for Federal taxes withheld and state taxes withheld for Maryland, Pennsylvania, and Virginia. YTD payroll withholding taxes were

submitted on a monthly basis, as required by the regulatory guidelines, and in alignment with the pay schedule for West Virginia and DC.

Status

In compliance.

This interpretation is reasonable because it addresses all required federal and state reporting requirements, timelines, and provides for verification of submissions. Failure to take the aforementioned steps would prompt a letter of concern to the College by the respective authority.

8. Purchase, lease, condemn, or otherwise acquire any real property without Board approval.

Interpretation

Compliance will be demonstrated when:

- a. There has been no acquisition, encumbrance, or disposal of land or buildings without receiving prior Board approval.*

Evidence

The CFO/VP confirmed on 10/6/2024 that for FY 2025, no acquisitions, encumbrances, or disposals of land or buildings occurred.

Status

In compliance.

This is a reasonable interpretation because it aligns with industry best practices.

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

Interpretation

Compliance will be demonstrated when:

- a. The College adheres to a standard operating procedure for receiving payments and sending past due balances to collections after a 90-day grace period.*

Evidence

The CFO/VPA confirmed on 10/6/2025 that the Student Finance Office reviews annual Standard Operating Procedures (SOPs) and annual Payment Card Industry (PCI) training to ensure compliance with receipting all payments. College collection efforts are well-documented within PeopleSoft Campus Solutions and Perceptive Content software, tracking multiple attempts and repayment options offered prior to sending accounts to a collection agency when they are more than 90 days past due. Accounts and collection efforts are reviewed by the Bursar before being sent to the Collection Agency. Below are the dates and the total number of accounts reviewed by the Bursar, scanned into Perceptive Content for FCC record-keeping, and uploaded to the Collections Recovery Service (CRS) portal in FY25.

<i>Dates Submitted</i>	<i>Number of Accounts Submitted</i>
11/05/2024	3
11/12/2024	43
11/26/2024	7
12/17/2024	9
02/18/2025	38
04/15/2025	36
05/20/2025	37
06/10/2025	21
<i>Total</i>	<i>194</i>

Status

In compliance.

Interpretation

- b. The College adheres to a standard operating procedure for writing off uncollectable receivables after 2 years.*

Evidence

Annual write-offs are completed prior to the end of each fiscal year. The criteria is accounts older than 2 fiscal years with no payment activity. Once the write-offs are

posted, the totals for the fiscal year are submitted to the Associate Vice President for Finance. The CFO/VPA confirmed on 10/6/2025 that this procedure was completed for FY 2025 on 8/12/2024.

Status

In compliance.

This interpretation is reasonable because it aligns with industry best practices.

10. Fail to provide to the Board, at their designated frequency, reports on the College's current financial condition that will continually enhance the Board's ability to meet its fiduciary responsibility.

Interpretation

Compliance will be demonstrated when:

- a. *The College's Chief Financial Officer/VP for Administration provides reports following the close of each financial quarter to the Board of Trustees for review.*

Evidence

The CFO/VPA confirmed on 10/16/2025 the FY2025 quarterly financial statements were presented to the Board of Trustees for review.

Status

In compliance.

This interpretation is reasonable because it aligns with industry best practices.

11. Fail to present to the Board of Trustees an annual budget for its review and approval, and which adheres to intergovernmental submission timelines.

Interpretation

Compliance will be demonstrated when:

- a. *The College Administration presented the annual budget to the Board of Trustees in adherence to the submission timelines of Frederick County.*

Evidence

The CFO/VPA confirmed on 10/6/2025 that the final FY 2025 annual operating budget was presented and approved by the Board of Trustees on 6/4/2024. It was then sent to Frederick County on 6/5/2024 and was ratified by the Frederick County Council on 6/18/2024.

Status

In compliance.

This interpretation is reasonable because preparing and finalizing an annual budget in advance of a new fiscal year is an industry best practice, and it addresses all requirements to submit an approved budget to intergovernmental agencies.

12. Fail to meet requirements for annual financial audits, or to respond in a timely manner to any findings from financial or operational audits, reviews, or assessments.

Interpretation

Compliance will be demonstrated when:

- a. The College Administration provided needed information and cooperation to external auditors to meet requirements for Board review of year-end financial statements and submitted final statements to required intergovernmental agencies.*

Evidence

The CFO/VPA confirmed on 10/16/2025 that the FY 2025 Annual Audited Financial Report was presented to the Board of Trustees on 10/15/2025, by the College's external auditors S B & Company, LLC. In a meeting held with the auditors on 10/6/2025, Partner Tobi Hollander stated that the College Administration had provided all the necessary information and cooperation for completing the annual financial statement audit. The FY 2025 Audited Financial Report and CC4 Report were submitted to MHEC on the due date, 10/1/2025. The FY 2025 Single Audit of Federal Awards was also presented on 10/15/2025 pending further testing guidance from US Department of Education.

Status

In compliance.

Interpretation

- b. *The College has a written plan to address any findings from financial or operational reviews or assessments.*

Evidence

The CFO/VPA confirmed on 9/30/2025 that the following financial and operational reviews were conducted during FY 2025:

- FY 2024 Audited Financial Report
- Mid-Atlantic Center for Emergency Management Public Safety Assessment
- Grants and Sponsored Programs Assessment

In all instances, plans have been developed to address the findings within the timeframes established in each assessment.

In last year's Baseline Insight Report, the President reported partial compliance, noting the absence of a "centralized system" for monitoring all operational assessments. While such a system would be desirable, it exceeds the standard required by policy. Therefore, the College was and remains in compliance with this policy.

Status

In compliance.

This interpretation is reasonable because Maryland law requires completion and submission of community college annual financial audits to state agencies within 90 days of June 30 (the end of a fiscal year) unless an extension is granted. The Maryland Higher Education Commission requires that community colleges respond to any material audit findings. The Interagency Internal Audit Authority (IIAA) also requires the College to respond to any audit findings.

13. Fail to recommend on an annual basis, as appropriate, other Strategic Reserves at levels approved by the Board. Strategic Reserves are over and above the operating fund balance reserve (16.6% of operating expenses). Strategic Reserves are for one-time expenses or projects, and provide for such items as:

- a. Emergencies - Reserve to provide for unforeseen natural or manmade disasters to support business continuity and recovery actions.**
- b. Student Success and Completion Initiatives - Investments to enhance the student experience and remove obstacles to student success and completion.**
- c. Academic Program Initiatives - Investments to provide start-up funding for innovative new programs which serve the College's educational mission.**
- d. Talent Cultivation - Investments to provide professional development opportunities and to promote continuous learning among faculty and staff.**
- e. Unplanned Capital Repair & Replacement - Reserve to cover critical system or component failure that might occur outside of the annual capital improvement budget approval cycle.**
- f. Technology Projects - Reserve to provide for technology upgrades or system replacements not covered by other funding sources.**
- g. Strategic Planning and Future-Proofing – Future-oriented investments to strengthen the College's value, relevance, responsiveness and adaptability to emerging trends and protect the long-term viability of the institution.**

Interpretation

Compliance will be demonstrated when:

- a. The College Administration has determined if there are available reserves over and above the required 16.6% operating fund balance reserve, and if so, has recommended to the Board how balances may be segmented to meet future strategic, one-time needs.*

Evidence

The FY 2025 operating budget approved by the Board on 6/4/2024, included the use of Strategic Reserves totaling \$2,442,000 that was above the required 16.6% operating fund balance reserve. These funds were made available for projects in the

categories of Student Success and Completion, Unplanned Capital Repair and Replacement, Technology Projects, and Strategic Planning and Futureproofing.

Status

In compliance.

This interpretation is reasonable because the practice of planning for and investing in one-time projects using accumulated reserves is a means by which the College may advance larger projects while still ensuring that adequate cash reserves are available to address cashflow or emergency needs and maintain the College's fiscal strength.