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TO: Liam Skinner, Superintendent of Schools  
FROM: Derek Pinto, Assistant Superintendent of Finance  
DATE: January 29, 2026  
RE: FY26 Quarter 2 Summary Report

### Overview

This memo summarizes the FY26 Quarter 2 (Q2) Financial Report as of December 31, 2025, including **Non-Salary Expenses** and **Salary Expenses**. At the midpoint of the fiscal year, overall spending is tracking in line with expectations. Variances primarily reflect normal timing differences related to payroll schedules and the front-loading of certain non-salary obligations.

### At-a-Glance Financial Summary

Category	Q2 Spending Trend	Committee Context
<b>Non-Salary Expenses</b>	Near / slightly above 50% in select areas	Driven by annual contracts, instructional materials, technology licenses, and early-year purchasing; consistent with prior years
<b>Salary Expenses</b>	Slightly below 50% overall	Most instructional staff are paid September–June, resulting in lower cumulative spending at Q2; payroll accelerates in Q4
<b>Special Education</b>	Tracking within budget	Continues to be monitored closely due to potential volatility
<b>Overall Outlook</b>	Stable at midyear	No material deficits identified; no School Committee action required at this time

### Non-Salary Expenses Summary by Major Area

- **District Leadership & Central Administration**  
Spending within District Leadership, including the School Committee/Superintendent’s Office and Finance & Operations, is within expected ranges. Finance & Operations expenditures reflect annual contracts and operational costs that are typically front-loaded, such as utilities, services, and districtwide systems.
- **Academics & Instruction**  
Academic Leadership, professional development, instructional materials, and instructional technology reflect higher-than-50% expenditures in some areas. This is anticipated due to:
  - Curriculum and materials purchases occurring earlier in the year
  - Technology licenses and subscriptions paid annually
  - Professional development commitments tied to the academic calendar

These expenditures support classroom instruction and district initiatives and are not currently projected to exceed available appropriations.

- **Student Services (Including Special Education)**  
Special Education non-salary expenditures are tracking appropriately at midyear. As in prior years, this area will continue to be closely monitored due to its sensitivity to changes in student needs, out-of-district placements, and transportation costs. No unusual spending trends are evident at Q2.
- **Operations & Maintenance**  
Facilities and other operational accounts align with seasonal expectations.

### **Salary Expenses**

Overall salary expenditures are slightly below the 50% mid-year benchmark, which is expected. Most instructional staff are paid over a September through June work calendar, resulting in lower cumulative salary expenditures at the end of Q2. Payroll costs will accelerate during Q4 as the academic year progresses. The last check of the school year will encumber summer pay for 26-week employees. (10 weeks/5 pays)

Administrative, support, and year-round positions show more even expenditure patterns consistent with 12-month payroll schedules. At this time, salary spending across all major categories is tracking appropriately against the approved budget, and no material salary deficits are anticipated.

### **Key Takeaways for School Committee:**

- **Midyear Benchmark:** At Q2, departments would typically expect to have expended approximately 50% of their non-salary budgets. Most cost centers are within an acceptable range when accounting for timing of purchases, encumbrances, and known seasonal costs.
- **Encumbrances vs. Actuals:** Several instructional and operational accounts show higher expenditure percentages due to early-year purchasing and contract-based obligations that are encumbered earlier in the year but support full-year programming.
- **No Immediate Structural Deficits Identified:** At this time, there are no material non-salary budget shortfalls that would require School Committee action.