Hurd Isenhour Lopes LLC

Gaston County Schools
Executive Summary
March 11, 2026

Hurd, Isenhour, Lopes LLC (HIL Consultants) was contacted by Gaston County Schools GCS) to review the status of the 2025-2026 budget specifically to determine the deficit projection for the year-end close out.

Prior to our March 10 and 11 onsite visit, HIL Consultants requested budget reports and other financial information including a most recent analysis of cash.

During the initial visit, HIL Consultants met with Superintendent Dr. Morgen Houchard and Chief of Staff Tom Nencetti. Superintendent Houchard described the immediate measures being taken to reduce spending upon learning the severity of the budget deficit in November 2025. HIL Consultants expressed concern about cash flow issues based upon the preliminary review of the reports emailed to the consultants a week prior.

HIL Consultants then met with Susan Brooks, Budget Analyst and Toni Sellers, Accounting Manager. Several questions were asked regarding the reports to ensure HIL Consultants had a clear understanding of Oracle reports provided. Both employees should be commended for their dedication and loyalty to Gaston County Schools.

On Wednesday, March 11, we met with staff to evaluate the financial outlook for the end of the fiscal year. Our analysis of the reports and conversations with staff show that the district will need additional cash flow assistance by June 30, 2026.

HIL provided staff with recommendations aimed at reducing the projected deficit as much as possible, which include the following:

- Recommended moving 10 principals on the remaining Restart School funding which allowed Locally funded assistant principals to be transferred to the State School Based Administrator allotment saving approximately $1 million in Local funds.

- In addition, personnel funded by State dollar allotments were transferred to the Restart School funding to eliminate the overages in State LEP PRC 054 and IVF PRC 020 funding.

Local Analysis

The current local cash available as of March 11 totals $7 million with approximately $4 million in outstanding checks that could clear the bank in a few days. The $7 million reflected in the Truist local bank account includes the one-time transfer from Capital Outlay of $3.2 million and the $2.4 million transferred from the Short-Term Investment Fund (STIF) account.

Once all the outstanding checks are cleared this will leave approximately $3 million plus the $1 million from the assistant principal savings or $4 million in the local account unless additional revenues are received. **The remaining March local payrolls total around $3.7 million leaving an extremely low balance for the local cash until April revenues are received.** *This does not include $1.1 million in outstanding payables plus the $1 plus million the district owes for going over in February on the Non-Instructional Support Allotment PRC 003.*

The cash account is being depleted in part due to spending exceeding the revenues received. As of March 6, the Local Current Expense Budget and the Special Revenue Budget exceeded the revenues received by nearly $4 million for the year.

After March, GCS expects about $4.5 million monthly from Gaston County and roughly $80,000 in fines and forfeitures, totaling $4.58 to $4.6 million. As of March 3. Due to reporting capabilities, we were unable to review July through February monthly expenditures to determine a monthly average, but we were able to determine GCS had spent over $5 million from the Local Current Expense Budget for the month of February.

State Analysis

This analysis is based on reports given to HIL as of March 3 and discussions with State finance staff on March 11. It covers projections, as of June 30, 2026, for the State's dollar and position allotments. The following includes only the State allotments with significant overages. There are smaller overages that will hopefully be absorbed with the freezing of all expenditures. The projections are subject to change, especially with the hiring freeze and lapsed salaries expected.

- The PRC 003 Non- Instructional allotment will be over $5.4 million for the next three months and will need to be reimbursed by Local Funds.

- The PRC 006- Mental Health Position allotment is over 30 positions or $1.9 million.
- The PRC 001 Classroom Teacher allotment projected overage is 41 positions or $2.7 million.
- The PRC 004 Enhancement Teacher allotment is projected overage is 9.5 positions or $700,000.

These are the primary overages totaling $11 million and will need to be paid back to state. This is in addition to starting the 2026 fiscal year in the deficit and the current overages reflected in the local resources.

Observations

- ✓ The staff appears to be close to burning out working with the ERP software that constantly requires manual corrections and double work.

- ✓ The third-party ERP implementor does not appear to understand the urgency of work orders. Every time an update to the software occurs staff must put in work orders to fix the issues caused by the regular updates.

- ✓ The finance team has lacked a dedicated advocate to ensure that the ERP vendor allocates appropriate resources and comprehends the specifics of NC Public School Finance operations.

HIL Consultants will continue to review weekly the status of the district's finances with the finance staff. Each month going forward we will continue to work with finance staff to project the deficit at year-end.

We acknowledge that GCS's current financial situation results from both inadequate funding from the County relative to inflation and the expiration of Federal ESSER funding. Additionally, staffing levels have not been aligned with these declining resources over the past several years but we understand going forward the staffing will be right sized to be within both state, local, and federal resources available.

We appreciate the opportunity to work with GCS and are available to answer any questions or concerns as we work with the leadership team going forward.