



SOUTHEAST ISLAND SCHOOL DISTRICT

P.O. Box 19569, 1010 Sandy Beach Rd Thorne Bay, Alaska 99919
(907) 828-8254 Fax: (907) 828-8257 Email: sisd@sisd.org

MEMORANDUM

TO: SISD BOARD OF EDUCATION

THRU: Lauren Burch, Superintendent

FROM: Lucienne Smith, Contracted Business Manager
Alaska Education & Business Services, Inc.

A handwritten signature in black ink, appearing to read "Lucienne Smith", is written over the printed name.

Date: January 18, 2018

SUBJECT: FINANCIAL REPORT NARRATIVE

FY 2018 Budget – We have a few discrepancies between the District and DOEED regarding our intensive student count, so will await the budget revision until those items are resolved. That budget revision should be prepared and presented at the February Board Meeting.

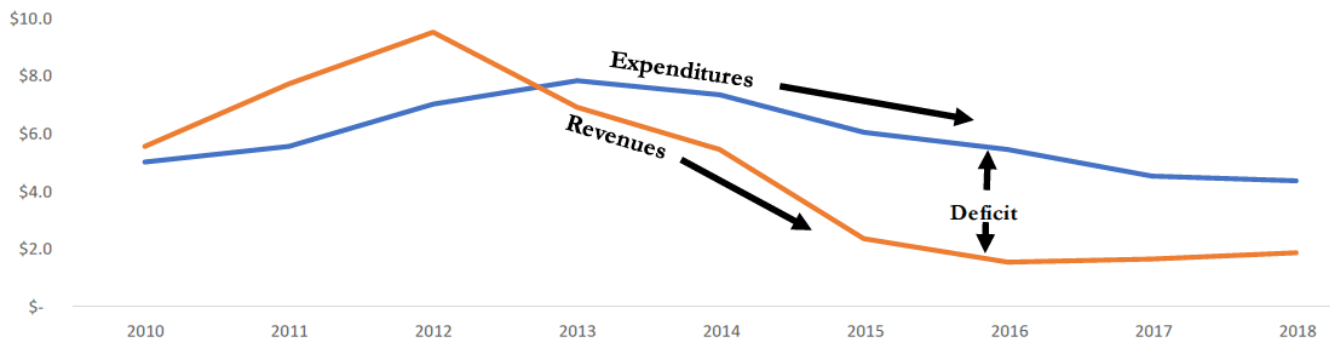
Quarterly Reports – Quarterly 941's and ESC have all been filed. The W2's have been issued as well as the 1099's. We will file the electronic data with the respective government organizations in March.

E-rate – We have incurred a Payment Quality Assurance Program (PQA) review for some of our FY 2017 Internet payments to GCI. All information requested has been supplied and we await if they have additional questions. With the high cost of Internet this is not unusual to draw attention. The purpose of the PQA program is to prevent waste, fraud and abuse and to insure that USAC payments were properly documented and in compliance with FCC rules.

FY 2019 Budget – We will begin this process in March. Today the price on a barrel of oil increased yesterday to 63.88 – if it continues to rise the State will have some relief with their budget. As you all know, the State is spending from reserves as well as the PFD income generated. Below are three slides from the PowerPoint Presentation by Pat Pitney, Direct of State of Alaska OMB so you can visualize how drastic the fiscal situation is for the State of Alaska. The first slide depicts the gap between the budgeted expenditures and revenues, the second slide illustrates the state's use of reserves and the last slide illustrates the gap if the state were to use PFD earnings.

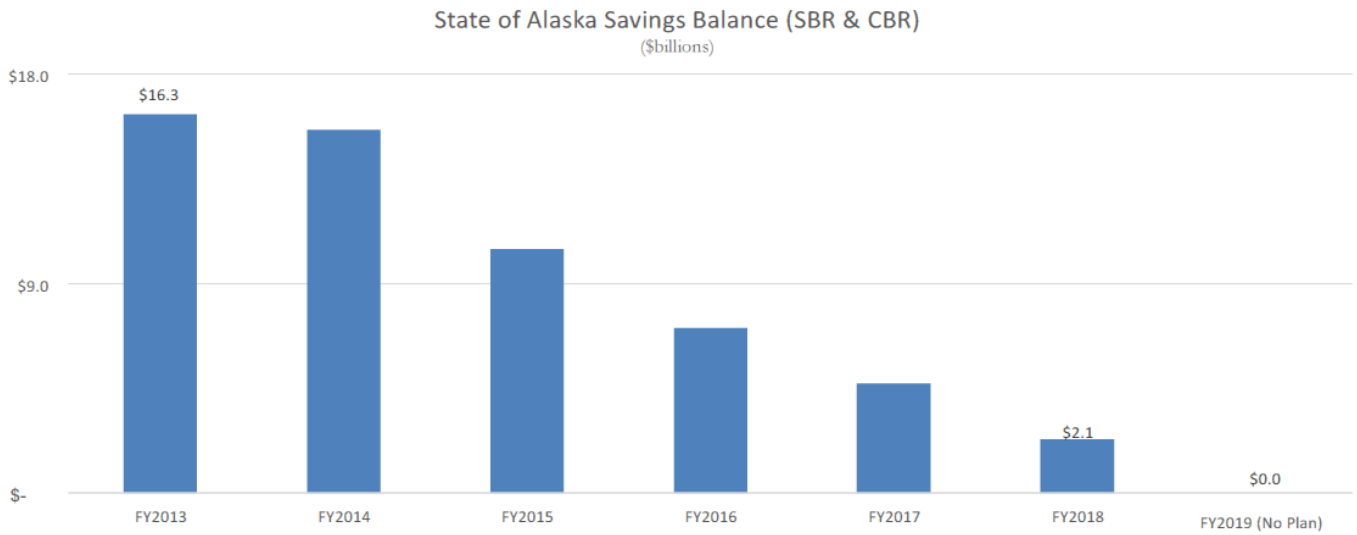
Savings: State Budget Overview

FY2010-2018 State Revenue and Expenditure (Without Dividend)
(\$Billions)



Substantial budget reductions have been made (44 percent since FY2013), but revenues have declined by almost 80 percent during that time.

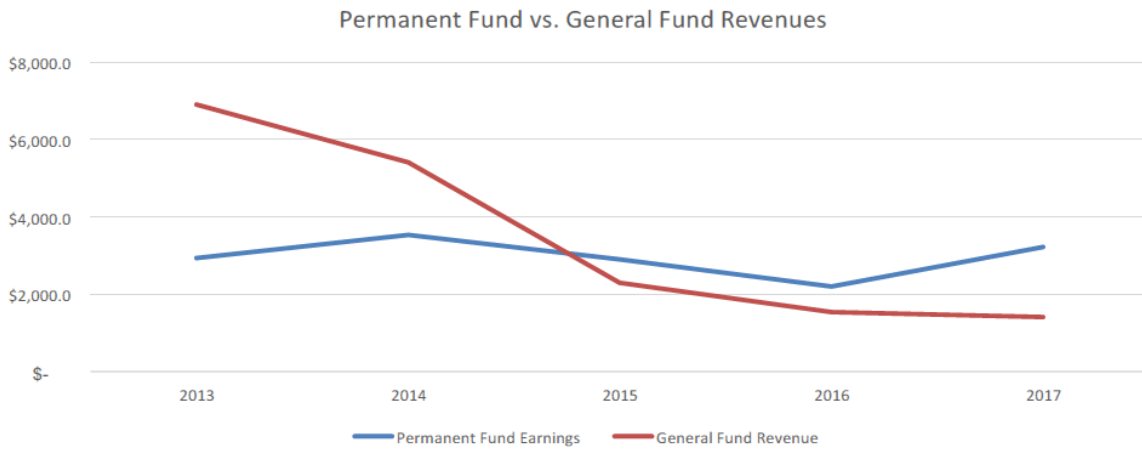
Savings: State Budget Overview



- Alaska has the most volatile revenue of any state
- Any plan that leaves a fiscal gap depletes the state's reserves
- Maintaining sufficient savings is prudent to hedge against low oil prices, stock market volatility or other unforeseen events

Revenue: State Budget Overview

Alaska Permanent Fund Earnings



- During this time of low oil revenues, the Permanent Fund continues to generate \$2-3 billion in annual revenue
- The state has not been utilizing Permanent Fund earnings revenue (except for dividends)
- It is time to consider using this revenue stream