

# Chatham School District

## Finance Narrative – May 2026



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### General Fund Overview

Through May 31, 2026, Chatham School District has recognized **\$3,586,142.17 in revenue** and recorded **\$3,500,182.07 in expenditures**, leaving only approximately **\$85,960** between revenues received and expenditures recorded. While the budget-to-actual report reflects approximately **74% of budgeted revenue collected and 72% of budgeted expenditures incurred**, these figures significantly understate the district's actual financial position due to substantial outstanding liabilities that have not yet been recorded in the financial system.

It is important to recognize that the district will **not receive the full \$3.99 million originally budgeted in Foundation funding** due to the October 2025 student count adjustment. However, subsequent discussions with the Alaska Department of Education and Early Development (DEED) resulted in a settlement agreement that will provide the district with approximately **\$200,000 in additional FY26 Foundation revenue**. While this additional funding will help mitigate a portion of the revenue loss, the district still expects to receive substantially less Foundation revenue than originally budgeted and continues to face significant cash flow challenges. The timing of these funds will also be critical to the district's ability to meet its year-end obligations.

### Revenue Analysis

Revenue collections remain significantly below original projections:

- **Foundation Program Revenue** collected through May totals **\$3,307,390**, compared to the original budget of **\$3,990,682**. The district has recently reached a settlement agreement with DEED regarding the October 2025 student count that is expected to generate approximately **\$200,000 in additional FY26 Foundation funding**. While this funding will partially offset the reduction caused by the student count adjustment, the district remains significantly below its originally budgeted Foundation revenue level.
- Impact Aid revenue remains outstanding.
- E-Rate revenue remains outstanding.
- National Forest Receipts for FY25 were received and recorded during FY26; however, FY26 National Forest Receipts funding has not yet been awarded.

The district remains highly dependent on the receipt of outstanding federal revenues and grant reimbursements to maintain operations through year-end.

### Cash Flow and Financial Emergency

The district's cash flow situation has continued to deteriorate during May.

Monthly fixed obligations remain significantly higher than current monthly Foundation revenue:

- Monthly payroll obligations: approximately **\$260,000**

- Monthly insurance premiums: approximately **\$35,000**

These fixed costs alone total approximately **\$295,000 per month**, while current Foundation payments have been reduced to **\$164,894 per month**.

As of this report:

- The district is currently holding approximately **\$143,000 in unpaid vendor invoices and accounts payable** that cannot be paid with available cash resources.
- The district has **\$178,911.85 in unposted credit card liabilities**, an increase from the prior month.
- Of this amount, **\$125,213.85 remains associated with a single cardholder account**.
- No meaningful progress has been made in obtaining missing receipts and coding information needed to properly post these charges.

These liabilities represent expenses already incurred by the district and further compound the district's cash flow challenges.

The anticipated **\$200,000 settlement payment from DEED** will provide important short-term relief and improve the district's ability to meet immediate obligations. However, even with this additional funding, the district continues to face substantial financial pressure due to outstanding liabilities, delayed revenue sources, and significant payroll obligations scheduled for the end of June.

## **Outstanding Credit Card Payables**

As of June 2026, the district has **\$178,911.85 in unposted credit card expenditures**.

It is important to reiterate that these charges are **not the result of delays within the finance office**. The business office cannot post expenditures without adequate supporting documentation and account coding. The delay continues to be caused by:

- Missing receipts
- Incomplete coding information
- Delayed submission of required documentation by district staff

Importantly, the credit card statements themselves have already been paid by the district. However, until supporting documentation is received, the expenditures remain in a temporary payables account and are not reflected within the appropriate expenditure categories in the financial reports.

As a result, several expenditure categories remain materially understated, particularly:

- Staff travel
- Student travel
- Airfare
- Lodging
- Conference expenses
- Operational travel costs

The district's travel expenditures shown in the current budget reports should therefore be viewed with caution. Actual travel spending is substantially higher than reported, making accurate year-end forecasting and FY27 budget development increasingly difficult.

## **Year-End Payroll Obligations**

The district faces several significant payroll obligations during the final week of June.

Currently anticipated payroll obligations include:

- Approximately **\$245,000 payroll on June 24, 2026** for June 2026 payroll
- Approximately **\$135,000 payroll on June 25, 2026** for July FY26 teacher contract payments
- Approximately **\$132,000 payroll on June 26, 2026** for August FY26 teacher contract payments

In addition, the district recently received National Forest Receipts funding, 25% of which must be distributed to certified staff as per the negotiated agreement. Two special payrolls are anticipated:

- Approximately **\$65,000** for the first distribution
- Approximately **\$68,000** for the second distribution

Collectively, these payroll obligations total approximately **\$645,000** within a matter of days and create substantial pressure on the district's already strained cash position.

## **FY27 Obligations Due Immediately After Year-End**

In addition to the significant payroll obligations scheduled for the final week of June, the district enters FY27 with substantial obligations due immediately in July.

Most notably, the district's annual general liability insurance premium is financed through an installment agreement because the district does not have sufficient cash reserves to pay the premium in full at the beginning of the policy year.

The first installment payment, due in **July 2026**, is expected to be approximately **\$100,000**.

While financing the premium allows the district to spread the cost throughout the year, it also results in approximately \$9,000 in annual interest expense, increasing the total cost of coverage. The district continues to utilize this financing arrangement because paying the full annual premium upfront is not financially feasible.

When combined with the reduced Foundation funding that will continue through March 2027, this large July obligation further constrains the district's cash flow as FY27 begins.

## **FY26 Budget Revision Request**

The Alaska Department of Education and Early Development (DEED) has requested that Chatham School District submit a revised FY26 budget prior to the close of the fiscal year. This request is part of the State's annual Fund Balance Compliance Test pursuant to 4 AAC 09.120(e).

As identified in the FY25 audit, the district ended FY25 with a negative unreserved fund balance, and DEED has determined that the original FY26 budget submitted last summer did not fully address this deficiency. As a result, the

district is required to revise its FY26 budget to more accurately reflect current financial conditions and demonstrate a plan for compliance with state fund balance requirements.

As Finance Director, I have prepared a revised FY26 budget for board consideration. Because I will not be present at the board meeting due to personal obligations, I wanted to provide the Board with a summary of the changes that were made:

1. Foundation Program Revenue was adjusted to reflect the amount the district now expects to collect during FY26, including the approximately \$200,000 settlement agreement with DEED related to the October 2025 student count adjustment.
2. Impact Aid Revenue was removed from the revised budget because, as of the date of this report, it remains uncertain whether the district will receive these funds during FY26.
3. National Forest Receipts Revenue was added to the budget to reflect the funding that has been received by the district during FY26.
4. Salary and Benefit budgets were adjusted in several areas where actual expenditures are projected to be lower than originally budgeted due to staffing vacancies, unfilled positions, and employee benefit elections. These adjustments are intended to align the FY26 budget with actual spending patterns and will not impact the staffing assumptions or expenditure projections currently reflected in the proposed FY27 budget.
5. Transfers to Other Funds were increased as part of the revised budget. This adjustment is intended to address the concerns raised by DEED regarding the district's negative unreserved fund balance identified in the FY25 audit and to demonstrate compliance with the State's fund balance requirements.

These revisions are administrative in nature and are intended to ensure that the FY26 budget more accurately reflects actual revenues and expenditures while addressing DEED's compliance concerns. They do not represent a change in the district's FY27 budget development process or long-term financial planning assumptions.

## Conclusion

The district's financial position has continued to worsen as FY26 approaches year-end.

The combination of:

- Reduced Foundation funding despite the DEED settlement adjustment
- Uncertainty surrounding Impact Aid revenue
- Lack of available cash reserves
- Approximately **\$143,000 in unpaid vendor obligations**
- **\$178,911.85 in unposted credit card liabilities**
- Significant year-end payroll obligations exceeding **\$640,000**
- **A \$100,000 liability insurance installment payment due in July 2026**
- Ongoing operational costs necessary to maintain school operations

has created a situation where the district faces serious challenges meeting its obligations without immediate financial intervention and careful cash flow management.

Most concerning is that the reduction in Foundation funding is not limited to FY26. The reduced monthly payments will continue through **March 2027**, meaning the district will begin FY27 under the same reduced revenue structure for the first nine months of the fiscal year. Without significant operational adjustments, additional revenues, or other corrective measures, the district's financial challenges will extend well beyond the current fiscal year.

The immediate priorities remain:

- Weekly cash flow monitoring
- Aggressive collection of documentation for outstanding credit card expenditures
- Prioritization of legally required and mission-critical expenditures
- Maximization of grant reimbursements and indirect cost recovery
- Development of FY27 expenditure reduction strategies
- Ongoing communication with the Board regarding cash flow risks and operational impacts

The district's financial position remains extremely challenging as FY26 approaches year-end. While the recent settlement agreement with DEED is expected to provide approximately **\$200,000 in additional Foundation revenue**, this funding only partially offsets the revenue reduction caused by the October 2025 student count adjustment and does not eliminate the district's underlying cash flow concerns.

Please feel free to contact me at [christinaf@serrc.org](mailto:christinaf@serrc.org) if you have questions or would like more information on any aspect of this report.