Chatham School District
Finance Narrative – September 2026

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General Fund Overview

Through September 30, 2026, Chatham School District has recorded **$1,016,395.25 in General Fund revenue** against an FY27 budget of **$4,851,845.29**, representing approximately **21.0% of budgeted annual revenue**. General Fund expenditures total **$567,253.19**, or approximately **11.7% of the $4,849,833.42 expenditure budget**.

Foundation Program revenue represents the majority of revenue received to date, with **$972,683 recognized through September** against the current budget of $3,791,538. Several significant revenue sources have not yet been recognized in the financial report, including E-Rate, Impact Aid, TRS/PERS On-Behalf Revenue, and other federal/state revenue.

Although the current budget-to-actual report shows recorded revenues exceeding recorded expenditures by approximately **$449,000**, this should **not be interpreted as an operating surplus, excess cash, or available fund balance**. FY27 remains in its early stages, significant annual expenditures have not yet posted, and the district entered FY27 carrying the effects of the FY26 negative fund balance and significant prior-year obligations.

FY27 Expenditure Analysis

At approximately 25% of the fiscal year, reported General Fund expenditures are only 11.7% of the annual budget. However, expenditure timing varies significantly by category, and many salary, benefits, insurance, utility, and other costs will increase as the school year progresses.

Personnel expenditures are beginning to reflect the start of the school year, but I continue to caution against drawing conclusions from the overall percentage spent at this point. Actual FY27 staffing differs from several assumptions used when the budget was adopted. A detailed analysis of **actual employee salary and benefit costs compared with budgeted personnel costs** remains an important priority, particularly because FY27 hiring has already exceeded some of the staffing assumptions incorporated into the adopted budget.

Several individual expenditure lines already warrant monitoring. **Professional and Technical Services total $165,399.71 against a $297,655.57 annual budget**, meaning approximately 56% of the annual budget has already been utilized. **Legal Services have already exceeded the $10,000 annual budget**, with $12,506.62 recorded through September.

These early variances do not necessarily indicate that the district will exceed its overall FY27 expenditure budget, but they reinforce the need for continued monitoring and a future budget revision once staffing, negotiations, revenues, and other significant costs are better known.

Site-Level Expenditures

General Fund expenditures through September are distributed as follows:

Site	FY27 Budget	YTD Expenditures	Approx. % Expended
Angoon	$1,561,312	$128,153	8.2%
Gustavus	$1,397,263	$114,625	8.2%
Tenakee	$297,133	$12,436	4.2%
Klukwan	$735,254	$67,432	9.2%
Districtwide	$858,871	$244,607	28.5%

Districtwide expenditures are significantly further along than individual school-site expenditures, primarily because of the timing of professional services, auditing, legal costs, and other centralized expenditures. Professional and Technical Services alone account for **$142,053.21 of Districtwide expenditures through September**.

FY26 Financial Position and Continuing Cash Flow Concerns

The financial concerns discussed in prior reports remain relevant. FY26 closed with expenditures exceeding revenues and a **negative General Fund balance**. The district therefore entered FY27 without sufficient accumulated resources to provide a meaningful financial cushion.

Compounding this issue, **Accounts Payable continues to receive previously unpaid invoices from vendors for prior fiscal years, including invoices dating as far back as 2024, that had not previously been submitted to the Business Office for payment**. These represent legitimate district obligations that were incurred in prior periods but were not known to the current Business Office when prior-year liabilities and cash flow requirements were being evaluated.

As these historical invoices are received and validated, the district must find the resources to pay them while simultaneously meeting current FY27 obligations. This places additional pressure on already-limited cash resources and makes it more difficult for the district to fully catch up from the financial challenges carried forward from FY26. It also creates uncertainty in financial forecasting because additional historical obligations may continue to surface that are not currently reflected in the FY27 budget or known accounts payable.

This distinction is important when reviewing the FY27 financial statements. A positive difference between year-to-date revenue and expenditures does **not** mean that the district has excess cash available for new spending. The district continues to manage prior-year liabilities while simultaneously funding FY27 payroll, insurance, utilities, current vendor obligations, and other operating costs.

The negative FY26 fund balance remains a concern both for the district's auditors and for DEED. It also affects the General Fund's ability to support other funds that operate at a deficit. As previously reported, **Fund 255 – Food Service ended FY26 with $77,621.92 in expenditures against only $40,274.47 in revenue**, creating a **$37,347.45 shortfall** that ultimately requires district resources to resolve.

The FY27 General Fund budget currently includes **$145,000 in transfers to other funds**. 2026.10 Financial Report - fund… Given the district's financial condition, the ability to make those transfers will need to be evaluated carefully against actual General Fund results and available cash rather than assumed simply because the transfers are included in the adopted budget.

FY27 One-Time State Funding

As previously reported, Chatham is projected to receive **$282,433 from the State of Alaska's $115 million one-time FY27 school funding appropriation**. This funding is outside the regular Foundation Formula and represents an important improvement to the district's FY27 revenue outlook. DEED's July projection notes that program allocations remain subject to adjustment.

I continue to recommend that the Board **not commit this revenue to new or expanded expenditures at this time**. FY27 hiring commitments are already expected to exceed some of the personnel assumptions incorporated into the adopted budget, and teacher negotiations have not yet been finalized. Both factors create uncertainty regarding the district's ultimate FY27 personnel costs.

Additionally, the FY27 budget contains very little financial margin for capital improvements, major maintenance, equipment replacement, or other facility needs that may materialize during the year.

Because this is **one-time funding**, it is particularly important that it not be used to create recurring obligations that will continue into FY28 without a corresponding recurring revenue source. Any financial margin created by this revenue should remain available until actual FY27 personnel costs, operating results, and capital needs are more clearly established.

Capital Improvement and Replacement Planning

The need for a comprehensive **capital improvement and replacement plan** remains a significant financial planning priority.

The adopted FY27 operating budget contains little flexibility to absorb major facility repairs, equipment replacements, or other unexpected capital needs. It is imperative that the district develop a districtwide list identifying known and anticipated projects and replacement needs, estimated costs, urgency, anticipated timing, and potential funding sources.

Once this information is available, capital priorities can be incorporated into future budget revisions rather than addressed individually as emergencies arise. This will also help the Board distinguish between resources that may appear available in the operating budget and resources that should be preserved for known infrastructure and equipment obligations.

FY26 Audit and Financial Controls

The FY26 audit process remains an important focus of the Business Office. In addition to the negative FY26 fund balance, the district continues to address documentation and internal control issues carried forward from FY26, including historical credit card documentation and the prior audit finding related to stale checks.

The audit process and corrective work are important not only for compliance but also for improving the reliability and timeliness of financial reporting. Continued cooperation from district staff in providing receipts, approvals, coding, and other supporting documentation will be essential to maintaining stronger internal controls during FY27.

The continued discovery of historical unpaid invoices further reinforces the need for improved districtwide purchasing and accounts payable processes. The Business Office needs to receive invoices and supporting documentation promptly so that obligations can be recorded in the correct fiscal period, liabilities can be accurately reported, and the district can make informed financial decisions based on a complete picture of its obligations.

Conclusion

The September financial reports show **$1.016 million in recorded FY27 General Fund revenue and approximately $567,000 in expenditures**, but these early-year figures should not be viewed in isolation. 2026.10 Financial Report - fund… 2026.10 Financial Report - fund… The district entered FY27 with a negative FY26 fund balance and continues to operate without the financial cushion necessary to comfortably absorb unexpected expenditures or revenue changes.

There are several significant uncertainties that will affect the district's ultimate FY27 financial position. Actual staffing costs must be reconciled against the adopted personnel budget, teacher negotiations remain unresolved, several major revenue sources have not yet been recognized, and the district has capital improvement and replacement needs that are not adequately accommodated within the existing budget.

In addition, **Accounts Payable continues to receive previously unpaid invoices from prior fiscal years, including invoices dating as far back as 2024**. These historical obligations place additional pressure on current cash resources and make it difficult to determine precisely when the district will be fully caught up on prior-year liabilities. They also reinforce the importance of caution when evaluating apparent FY27 budget capacity—the district can only plan around obligations that are known and properly reported.

The projected **$282,433 in one-time state funding** provides an important opportunity to create financial margin, but I continue to recommend that this funding **remain uncommitted at this time**. It should not be viewed as an opportunity for new spending while the district is still working to understand its full FY27 personnel obligations, address the consequences of its negative fund balance, satisfy historical obligations, and identify unfunded capital needs. 2026-07-23 FY2027 Projected For…

It is imperative that the district develop a comprehensive capital improvement and replacement list so those needs can be **identified, estimated, monitored, and prioritized**. As FY27 actual revenues and expenditures become clearer, this information can be incorporated into future budget revisions and used by the Board to make deliberate decisions regarding available resources.

Restoring financial stability will require **continued spending discipline, careful monitoring of staffing and benefit costs, timely submission of invoices and financial documentation, improved districtwide purchasing and accounts payable processes, aggressive revenue and grant management, and thoughtful use of one-time revenues**. Rebuilding a positive fund balance and establishing adequate cash reserves should remain central financial priorities for FY27.

My focus over the coming months will be to continue identifying financial risks and budget variances as early as possible and provide the Board with the information necessary to take corrective action before those issues become year-end problems.