Chatham School District
Finance Narrative – October 2026

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General Fund Overview

Through October 31, 2026, Chatham School District has recorded $1,342,167.57 in General Fund revenue against an FY27 budget of $4,851,845.29, representing approximately 27.7% of budgeted annual revenue. General Fund expenditures total $817,738.15, or approximately 16.9% of the $4,849,833.42 expenditure budget.

FY27 revenue recognized

$1.342M

27.7% of annual budget

FY27 expenditures recorded

$817,738

16.9% of annual budget

Foundation Program revenue remains the district's primary funding source, with $1,157,460 recognized through October against the adopted budget of $3,791,538. Other Local Revenues total $72,212.51, and Other State Revenues total $104,588 (this is the one-time Energy relief funds). Several significant revenue sources have not yet been recognized, including E-Rate, Impact Aid, and other federal/state revenue.

Although recorded revenues currently exceed recorded expenditures by approximately $524,429, this difference should not be interpreted as an operating surplus, excess cash, or available fund balance. The district continues to carry the financial consequences of FY26, and several significant expenditure categories have not yet been fully recognized in the current fiscal year.

FY27 Expenditure Analysis

Through October, the district has recorded $817,738.15 in General Fund expenditures, representing approximately 16.9% of the annual expenditure budget. Although four months of the fiscal year have elapsed, or approximately 33%, the comparatively low expenditure percentage should not be interpreted as evidence that the district is operating substantially below budget.

Several major expenditure categories have not yet reflected a full year's expected activity, and the timing of salary, benefit, insurance, utilities, and other operating expenses will continue to influence the reported results.

Personnel costs remain a primary concern. FY27 staffing commitments differ from the assumptions included in the adopted budget, and the district must reconcile actual salary and benefit obligations against budgeted amounts to determine the full-year financial impact. This analysis is especially important given the district's negative FY26 fund balance and limited ability to absorb additional personnel costs.

Several expenditure categories warrant particular attention:

- Professional and Technical Services: $166,878.71 recorded against a $297,655.57 budget, representing approximately 56.1% utilization.
- Legal Services: $12,506.62 recorded against a $10,000 budget, already exceeding the annual allocation by $2,506.62.
- Auditing and Accounting Services: $26,091.91 recorded against a $125,000 budget.
- Staff Travel and Per Diem: $10,747.42 recorded against a $72,700 budget.
- Student Travel: $6,203.84 recorded against a $70,000 budget.

Professional services and legal expenditures continue to be areas where the district should evaluate actual commitments and anticipated remaining costs before determining whether budget adjustments are necessary.

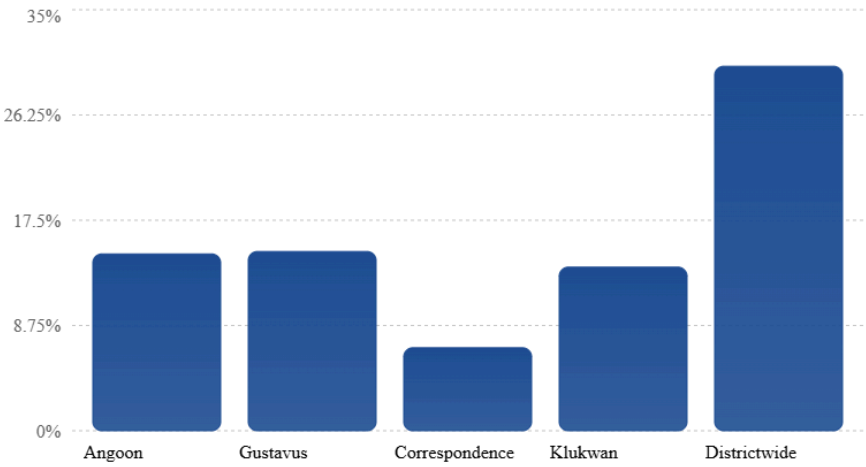
The district should also continue monitoring utility and heating costs as winter operations progress. These expenses can fluctuate significantly throughout the year, and the relatively low amounts recorded to date should not be interpreted as available budget savings.

Site-Level Expenditures

General Fund expenditures through October are distributed as follows:

Site	FY27 Budget	YTD Expenditures	% Expended
Angoon	$1,561,312	$229,012	14.7%
Gustavus	$1,397,263	$207,857	14.9%
Correspondence	$297,133	$20,356	6.9%
Klukwan	$735,254	$100,339	13.6%
Districtwide	$858,871	$260,174	30.3%
Total	$4,849,833	$817,738	16.9%

FY27 budget utilization by site



Percentage of annual site budget recorded through October 31, 2026

Districtwide expenditures continue to represent a larger percentage of the annual budget than individual school sites, primarily because of professional services, auditing, legal expenses, and other centralized costs.

FY27 One-Time State Funding

Chatham is projected to receive $282,433 from the State of Alaska's $115 million one-time FY27 school funding appropriation, outside the regular Foundation Formula. This represents an important potential improvement to the district's revenue outlook, although the final amount and recognition of the funding should continue to be verified.

I continue to recommend that the Board not commit this revenue to new or expanded expenditures at this time.

FY27 staffing commitments have already created pressure on the personnel assumptions included in the adopted budget. In addition, the district has experienced significant financial uncertainty resulting from the negative FY26 fund balance, historical unpaid obligations, and ongoing operating expenses.

Because this revenue is one-time in nature, it should not be used to establish recurring expenditures that will continue into FY28 without a corresponding recurring funding source.

Any available financial margin created by the additional state funding should remain available until actual FY27 personnel costs, operating results, historical obligations, and capital needs are more clearly established.

Capital Improvement and Replacement Planning

The need for a comprehensive capital improvement and replacement plan remains an important financial planning priority.

The adopted FY27 operating budget contains little flexibility to absorb major facility repairs, equipment replacements, or other significant capital needs. Without a complete understanding of these anticipated obligations, it is difficult for the Business Office and Board to determine whether any available revenue can reasonably be considered discretionary.

I recommend that the district develop a districtwide inventory of known and anticipated capital improvement and replacement needs, including estimated costs, urgency, anticipated timing, and potential funding sources.

This information should become part of the district's ongoing budget planning process. As FY27 actual revenues and expenditures become clearer, the prioritized project list can be incorporated into future budget revisions so that capital needs are addressed deliberately rather than individually as emergencies arise.

FY26 Audit and Financial Controls

The FY26 audit is winding down, and the auditors have received all the information and supporting documentation necessary to begin drafting the district's financial statements. Once the draft financial statements are available, they will be presented to the Board for review. We can also coordinate a presentation by the auditors at an upcoming Board meeting if the Board would like an opportunity to hear directly from them regarding the audit results and any findings.

I anticipate that the FY26 audit may again include findings related to missing receipts, copies of invoices, and supporting documentation, similar to those identified in the FY25 audit. These issues were primarily driven by challenges with credit card receipt collection and documentation that accumulated over several months during FY26, compounded by the transition of district office staff toward the end of the fiscal year. While significant work has been done to collect outstanding documentation and reconcile transactions, some historical records remain incomplete.

As we move forward in FY27, improving the consistency and timeliness of financial documentation remains a priority. The transition of accounts payable and credit card processing responsibilities to SERRC provides an opportunity to establish clearer procedures, strengthen accountability, and reduce the likelihood of recurring audit findings. These improvements will require continued cooperation from district staff, particularly in the timely submission of receipts and other supporting documentation.

Although the anticipated findings are disappointing, they reflect challenges that developed over the prior fiscal year and do not diminish the substantial work completed to bring the district's accounting records into order and move the FY26

audit toward completion. Our focus now is on completing the audit, addressing any recommendations made by the auditors, and ensuring that the processes established for FY27 result in more complete and reliable financial records.