

Chatham School District

Finance Narrative – April 2026



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General Fund Overview

Through April 30, 2026, Chatham School District has expended \$3,229,194.57, representing approximately 66.5% of the adopted FY26 General Fund budget of \$4,855,610. Total revenue received through April is \$3,418,254.20, or approximately 70.4% of the annual revenue budget.

However, it is important to recognize that the district will **not actually receive the full \$4.8M in budgeted revenue for FY26** due to the significant reduction in Foundation funding resulting from the October 2025 student count adjustment.

Beginning in April 2026, the district's monthly Foundation payments were reduced from approximately **\$329,866 per month to \$164,894 per month**, creating an estimated revenue shortfall of nearly **\$495,000** during the final quarter of FY26.

Additionally, as of today, it remains **unclear whether the district will receive its anticipated federal Impact Aid funding**, creating further uncertainty in the district's year-end revenue projections and overall cash flow outlook.

While expenditures continue to appear below budget overall, the district's actual financial position is significantly more severe due to substantial outstanding liabilities that are not yet reflected in the accounting system.

Revenue Analysis

Total revenue received through March includes:

- **Foundation Program Revenue of \$3,142,406** (74% of total allocation)
- **Impact Aid** still has not been received. CSD Finance Director was not able to get an update on this from district staff at the time of this report's creation.
- **Local revenues** still trending below budget
- **E-Rate revenue** (\$352,000 budgeted) not yet received
- **Additional federal/state revenue of \$255,506** recorded in March - this is National Forest Receipts for FY25. We have applied for FY26 NFR, but the application period closed on 4/30/2026. We will likely hear after that time what, if any, award we will receive.

As previously discussed, the district's monthly Foundation payments were reduced beginning in April due to the finalized October 2025 student count adjustment. Monthly payments dropped from approximately **\$329,866 per month to \$164,894 per month** for the final three months of FY26.

This reduction continues to create a substantial structural funding problem for district operations.

Cash Flow and Financial Emergency

The district is now operating under severe cash flow constraints.

Monthly fixed obligations continue to far exceed available 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**, before accounting for:

- Utilities and heating fuel
- Communications and internet
- Supplies and maintenance
- Professional services
- Student and operational travel
- Other basic operating costs required to keep schools functioning

With Foundation payments reduced to **\$164,894 per month**, the district is operating in a significant monthly deficit.

Most critically:

- The district currently has **\$217,013.94 in outstanding payables that cannot be paid with available cash resources**
- The district also has **\$155,246.82 in outstanding credit card liabilities**, including **\$125,018.86 associated with a single cardholder**.

These liabilities represent real operational expenses already incurred by the district.

Outstanding Credit Card Payables

It is important to clarify that the delay in posting many credit card charges is **not due to finance office processing delays**, but rather ongoing issues with:

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

Without proper documentation and coding, transactions cannot be accurately posted to the accounting system in compliance with audit standards.

As of today:

- **\$155,246.82 remains unposted**
- These expenditures are materially understating current spending levels
- Many of these charges relate to operational costs already incurred during FY26

Importantly, the **credit card bills themselves have already been paid by the district**. However, until receipts and coding information are received from district staff, the charges remain in a temporary payables account and are **not reflected in the financial reports under their actual expenditure categories**.

Because of this, several expenditure lines—particularly **travel-related accounts**—are currently **severely understated** in the April financial reports. Actual expenditures for:

- Staff travel
- Student travel
- Lodging
- Airfare
- Related operational travel expenses

are significantly higher than what is currently reflected in the budget-to-actual reports. This makes forecasting for FY27 budget difficult to impossible.

The business office continues working with staff to collect the required documentation and properly allocate these expenses across General Fund and grant programs so the financial reports accurately reflect the district’s true financial position.

Expenditure Trends and Key Observations

Several expenditure categories continue to exceed budget projections:

- **Certified Extra Duty Pay:** \$52,125 (over budget by ~\$31,700)
- **Substitute/Temporary Staffing:** \$82,104 (over budget by ~\$25,300)
- **Other Purchased Services:** \$91,708 (over budget by ~\$33,100)
- **Property Insurance:** \$154,753 (over budget by ~\$33,600)
- **Liability Insurance:** \$86,476 (over budget by ~\$24,300)

Professional services increased significantly:

- Professional Technical Services: \$225,957 (89% of budget)

Utilities continue to rise:

- Electricity: \$137,019 (69% of budget)
- Heating Fuel: \$79,882 (67% of budget)

Site-Level Highlights

Below is a summary of year-to-date expenditures by site:

Site	YTD Expenditures	% of Site Budget
Angoon	\$1,024,045.08	67.1%
Gustavus	\$872,992.58	64.7%

Klukwan	\$462,262.90	56.2%
Correspondence	\$173,897.10	86.7%
Districtwide	\$695,996.91	72.7%

Conclusion

The district is now facing a serious financial crisis entering the final months of FY26.

The combination of:

- Reduced Foundation funding
- Insufficient cash reserves
- Increasing operational costs
- Significant outstanding liabilities
- Over \$217,000 in unpaid bills
- More than \$155,000 in unposted credit card liabilities

has created a situation where the district cannot sustain current operations without immediate financial intervention and difficult fiscal decisions.

Most critically, the district does **not have cash reserves available to absorb these deficits or stabilize operations.**

Additionally, the reduction in Foundation funding is not limited to FY26. These 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.

Immediate priorities include:

- Weekly cash flow monitoring
- Delaying or restricting discretionary spending wherever possible
- Evaluating staffing and operational reductions for FY27
- Working with district leadership to prioritize legally required and mission-critical expenditures
- Continuing aggressive grant alignment and reimbursement efforts

The district is entering a period where proactive financial decisions will be necessary simply to maintain basic operations and meet payroll obligations through the remainder of FY26 and into FY27.

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