

**Prepared by the Office of Management and Budget  
and the Department of Education  
5-19-06**

**Final Update regarding Significant Budget Considerations for the Christina  
School District**

The initial draft of this report, issued on April 21, 2006, indicated that the Christina School district was projected to have a deficit of \$13.9 million through June 30, 2006. **This projection was based on information made available to the state group during the first three weeks in April and was focused on major expenses such as salaries, other employment costs and energy expenses. This projection was not intended to fully encompass all expenses that the district would incur through the end of the fiscal year and also did not include every revenue source.** The purpose of the projection was to assess the relative financial position of the Christina School District and was not intended to be viewed as a comprehensive audit or pinpoint any projected deficit amount.

Since the release of that report, district officials have provided the state group additional information concerning the projected deficit. Some of the additional information was the direct result of Christina officials taking action on items identified in the report while some information was not originally made available to the group. The state group has analyzed all of additional information that the district provided. The group has altered some of their projections based on this information and has questioned the appropriateness of other items. **Based on all of the information provided to the state group as of noon on May 19<sup>th</sup>, the final projection regarding the financial position of the Christina School District concerning major obligations such as salaries, other employment costs and energy, indicates a deficit of \$11.3 million through June 30<sup>th</sup>. Please be advised that District officials are in the process of identifying additional obligations that may increase the projected deficit.** Additionally, the district will begin Fiscal Year 2007 with a structural budget problem. Further action will be needed to quantify and close the structural gap for the next fiscal year and ensure the district's financial stability.

While the work of the financial review team is now complete, issues brought to light during the review process must still be resolved and may affect the local fund obligations of the district. These issues include an audit of authorized positions throughout the district, amendments to current federal grants, review of charges in the tuition bills and satisfaction of any audit findings done as a result of this review.

One of the areas identified by Christina officials as a possible revenue source was \$1.7 million for special school transportation. The Department of Education and the state group have questioned the appropriateness of this charge and are concerned that the district may be double counting those expenses. The state group has had several discussions with the district regarding this concern and has asked for additional information to support the charge. As of May 19<sup>th</sup>, the state group has not received enough information to include this charge as an appropriate part of tuition bills to be paid by other school districts. Additional questions have been generated

concerning the charges billed for the Autistic program and the REACH program that need to be resolved. Until resolution of those questions, the state group, in collaboration with Department of Education officials and Christina officials, has estimated the appropriate billing amount based on the actual costs of those programs to date. This has impacted the indirect cost revenue estimates for the districts as well as the amount the district owes to its own special schools.

Since the original draft of this report was released, Christina officials have begun the process to amend their federal grant applications. This was done as a result of the group's analysis that the district was out of compliance in some of those programs. To date, amendments have been submitted for many of the federal programs but have not yet been approved. For example, one amendment for the Title I program would close the funding deficit for salaries projected in the program through June 30<sup>th</sup>, which was calculated to be \$439,786. Because these have not yet been approved, the state group has not changed the deficit projection included in the balance sheet but we recognize that these amendments sought by the district may decrease the projected deficit.

Another area where further review is needed is the use of state authorized positions. The State Auditor will conduct an audit to ensure that the district is in compliance. The state group has not assumed that the outcome of such a review will impact local obligations but this is a possibility.

CSD officials have identified additional amounts owed by the district before June 30<sup>th</sup> that were not factored into the state group's projection because they were outside the scope of the review. We wish to reinforce the fact that this review focused on the major obligations of the district and was not a comprehensive audit of all accounts. It would not be possible for the group to anticipate any and all transactions occurring between now and June 30<sup>th</sup> that could change the amount of the deficit. We feel it is important to state that Christina officials have had ample time to review the projections provided in this report. All additional information provided by the district in response to the initial draft of the report has been analyzed and changes have been made where we agreed with the district's information. While complete consensus between Christina officials and the state group on the projection has not been reached, Christina officials have independently identified a multi million-dollar deficit through June 30<sup>th</sup>. Christina officials have also identified that the issue is structural in nature and will carry over into fiscal year 2007 as evidenced by the announcement that 75 teachers have been notified for a reduction in force (RIF) and indication that other employee groups may be affected.

Officials at the Christina School district, the Department of Education, the State Auditor's Office and the Office of Management and Budget will continue working towards resolving the financial issues identified in this report.

