



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

July 23, 2013

Harlan Goodrich, Secretary
Local Emergency Financial Assistance Loan Board
Local Audit and Finance Unit
Michigan Department of Treasury
Lansing, MI 48909

Dear Mr. Goodrich:

As required in § 4(2) of PA 436 of 2012, the Local Financial Stability and Choice Act, I am providing a Final Report of the Preliminary Review of Hazel Park Schools to the Local Emergency Financial Assistance Loan Board.

An Interim Report of the Preliminary Review was sent to Hazel Park Schools on July 8, 2013. The district was given five days to respond to that Interim Report. Copies of both the Interim Report of the Preliminary Review (Attachment A) and the Hazel Park School District response (Attachment B) are attached.

In its response to the Interim Report, Hazel Park Schools clarified that the district will be out of deficit by the end of the 2014-15 fiscal year. Michigan Department of Education staff concur that the district's Deficit Elimination Plan indicates this to be true. Accordingly, the Final Report has been amended.

Questions may be directed to Dan Hanrahan at HanrahanD@Michigan.gov and Carol Wolenberg at WolenbergC@Michigan.gov or by fax to (517) 241-0196.

Sincerely,

Mike Flanagan
State Superintendent

Attachments

cc: Senator Vincent Gregory, 14th District
Representative Ellen Cogen Lipton, 27th District
William Love, President, Hazel Park Board of Education
Laura LaForme, Vice President, Hazel Park Board of Education

STATE BOARD OF EDUCATION

JOHN C. AUSTIN – PRESIDENT • CASANDRA E. ULBRICH – VICE PRESIDENT
DANIEL VARNER – SECRETARY • RICHARD ZEILE – TREASURER
MICHELLE FECTEAU – NASBE DELEGATE • LUPE RAMOS-MONTIGNY
KATHLEEN N. STRAUS • EILEEN LAPPIN WEISER

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

Harlan Goodrich
July 23, 2013
Page 2

Charles Hemple, Secretary, Hazel Park Board of Education
Rose Mary Hammonds, Treasurer, Hazel Park Board of Education
Ricky Nagy, Trustee, Hazel Park Board of Education
Sherrie Polowski, Trustee, Hazel Park Board of Education
Sue Hemple, Trustee, Hazel Park Board of Education
James Meisinger, Superintendent, Hazel Park Schools
Steven Watripont, Director of Business Services, Hazel Park Schools
Vickie Markavitch, Superintendent, Oakland Schools
Carol Wolenberg, Deputy Superintendent, Michigan Dept. of Education
Dan Hanrahan, Director of State Aid and School Finance, Michigan Dept. of Education



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

DATE: July 23, 2013
TO: Local Emergency Financial Assistance Loan Board
FROM: Mike Flanagan, State Superintendent 
SUBJECT: Final Report - Preliminary Review of Hazel Park Schools

The following represents the Final Report of findings of the Preliminary Review under the Local Financial Stability and Choice Act (PA 436 of 2012) for Hazel Park Schools (the "District"). We appreciate the level of cooperation received from the District's administration during this process.

I. Background

In a letter dated June 19, 2013, I advised Hazel Park Schools that pursuant to my authority vested under PA 436 of 2012, I was initiating a Preliminary Review of the District's finances to determine the existence of probable financial stress within Hazel Park Schools. §4(1) of the Act states that the state financial authority of a local government (the State Superintendent in the case of a school district) may conduct a Preliminary Review to determine the existence of a local government financial problem if one or more of the conditions listed in §4(1) are met. The Preliminary Review of Hazel Park Schools resulted from the following conditions enumerated in §4(1) of the Act: "(j) the local government has violated a requirement of Sections 17 to 20 of the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.437 to 141.440" and "(n) the local government is in breach of its obligations under a deficit elimination plan or an agreement entered into pursuant to a deficit elimination plan."

In addition to the conditions above that initiated the Preliminary Review, the District also meets the condition in §4(1)(s) which references other facts or circumstances that in the sole discretion of the Superintendent of Public Instruction are indicative of probable financial stress. Specifically, as provided by law, in 2009 I granted the District an extension of three years (until June 30, 2014) to eliminate the deficit beyond the two-year requirement. The District is unable to eliminate the deficit by that extended due date and requested an additional year to June 30, 2015. I granted that additional year when I approved the District's revised Deficit

STATE BOARD OF EDUCATION

JOHN C. AUSTIN – PRESIDENT • CASANDRA E. ULBRICH – VICE PRESIDENT
DANIEL VARNER – SECRETARY • RICHARD ZEILE – TREASURER
MICHELLE FECTEAU – NASBE DELEGATE • LUPE RAMOS-MONTIGNY
KATHLEEN N. STRAUS • EILEEN LAPPIN WEISER

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

Elimination Plan (DEP) with contingencies on June 19, 2013, but feel that the need for additional time to eliminate the deficit indicates a degree of financial stress.

II. Final Report of Findings

The Michigan Department of Education (the "Department") has developed critical factors to determine if a finding of probable financial stress is warranted. The process calls for a review of a district's financial operation related to five (5) critical factors. The factors are:

- 1) The district has been in deficit for three or more consecutive years (including the current year); and
- 2) The district's existing deficit is greater than 15% of general fund revenues excluding incoming transfers; and
- 3) A fiscal review by one of the Department's program offices or an external auditor has revealed one or more material internal control weaknesses as evidenced by notes/findings in the financial audit related to:
 - a) Lack of written policies and procedures or failure to follow the written policies and procedures
 - b) Poor cash management
 - c) Failure to provide Personnel Activity Reports (PAR) for employees paid with federal funds
 - d) History of spending outside the appropriations established by the local school board (Violation of Uniform Budgeting and Accounting Act)
 - e) Use of grant funds on unallowable expenditures
 - f) Going Concern/Qualified Opinion; and
- 4) The district has shown unsatisfactory progress in eliminating a deficit. This is determined by identifying one or more of the following conditions:
 - a) A deficit increase from the previous year
 - b) Lack of cooperation from the district in submitting deficit information (i.e., late submission of Deficit Elimination Plans

(DEP), delinquent return of phone calls or correspondence relating to the DEP, chronic late submission of Monthly Budgetary Control Reports)

- c) History of supplying the Department with DEP information that is inaccurate or inconsistent with actual revenues and expenditures at year end; and/or
- 5) District's failure to comply with bond or note covenants, failure to make pension fund deposits, failure to make payroll, and/or closure of school prior to the end of the school year.

The Department assessed Hazel Park Schools with regard to the above five (5) factors. The results of the assessment are as follows:

- 1) Hazel Park Schools ended the 2006-2007 fiscal year with a \$191,519 deficit. The District projects that the deficit balance for the year ended June 30, 2013 will be \$3.3 million. The District projected that it will remain in deficit in the 2013-14 fiscal year. In its response to the Interim Report, Hazel Park Schools clarified that the District will be out of deficit by the end of the 2014-15 fiscal year. Michigan Department of Education staff concurs that the District's Deficit Elimination Plan indicates this to be true.
- 2) Hazel Park Schools' projected June 30, 2013 deficit balance expressed as a percentage of the general fund revenues is projected to be a negative 8%. The percentage is less than the Department's parameter of a negative 15% to indicate critical concern. However, there is concern that the negative percentage which was decreasing each year up until 2012-13 (8% to 5% to 3%) is now back up to a negative 8% or a negative increase from 3% to 8% in one year.
- 3) Hazel Park Schools' audited financial reports for the years ending June 30, 2011 and June 30, 2012 did not include any material internal control weaknesses.
- 4) Hazel Park Schools has shown unsatisfactory progress in eliminating the deficit. The deficit has increased from \$191,519 on June 30, 2007 to \$1.5 million on June 30, 2012. Further, in the DEP that was submitted to the Department on June 5, 2013, the District projects that the deficit will grow to \$3.3 million at the end of the 2012-13 school year. The District also requires an additional year beyond the DEP that had been previously approved by the Department to eliminate the deficit.

- 5) The District has not failed to comply with bond or note covenants, failed to make pension fund deposits, failed to make payroll, and/or closed school prior to the end of the school year. The Department has not been notified that the District is delinquent in its payments to Michigan Public School Employees Retirement System (MPERS). According to the District and the Department of Treasury, the District will have sufficient funds to repay the 2012 State Aid Anticipation Note in August 2013.

In addition to the assessment above related to Hazel Park Schools and the five (5) critical factors that the Department developed to assist in analyzing a district's level of financial stress, the following factor was also noted:

- The District has been in deficit since June 30, 2007. As reiterated in the May 15, 2013 meeting in Lansing with district administrators, board members and union representatives, the five (5) year DEP previously approved by the Department required the District to eliminate the deficit by June 30, 2014. In an April 24, 2012 letter from Deputy Superintendent Carol Wolenberg, the District was advised that although that DEP was initiated by the District's prior administration, the District was required to adhere to this DEP (including the timeframe). In a May 9, 2012 response to the Department, the District advised that it would "move forward with the proposed DEP." The revised DEP, submitted by the June 7, 2013 deadline, does not adhere to the previous timeframe. Rather, it delays the deficit elimination until June 30, 2015, a sixth year. In addition, the revised DEP projects the deficit on June 30, 2013 to grow significantly from \$1.5 million to \$3.3 million. It also projects a very conservative enrollment decrease of 37 students when the trend over the last three years has been significantly more (106 loss from 2010 to 2011, 320 from 2011 to 2012, and 490 from 2012 to 2013).

An Interim Report detailing my Preliminary Review was sent to Hazel Park Schools on July 8, 2013. The District was given five days to respond to that report. Copies of both the Interim Report (Attachment A) and the response from Hazel Park Schools (Attachment B) are attached.

As the state financial authority for school districts, I am forwarding this Final Report of the Preliminary Review to the Local Emergency Financial Assistance Loan Board pursuant to the language in § 4(2) of P.A. 436 of 2012.

Questions should be directed to Dan Hanrahan, Director of the Office of State Aid and School Finance, at hanrahand@michigan.gov and Carol Wolenberg, Deputy Superintendent, at wolenbergc@michigan.gov or by fax to (517) 241-0196.

Local Emergency Financial Assistance Loan Board

Page 5

July 23, 2013

cc: Senator Vincent Gregory, 14th District
Representative Ellen Cogen Lipton, 27th District
William Love, President, Hazel Park Board of Education
Laura LaForme, Vice President, Hazel Park Board of Education
Charles Hemple, Secretary, Hazel Park Board of Education
Rose Mary Hammonds, Treasurer, Hazel Park Board of Education
Ricky Nagy, Trustee, Hazel Park Board of Education
Sherrie Polowski, Trustee, Hazel Park Board of Education
Sue Hemple, Trustee, Hazel Park Board of Education
James Meisinger, Superintendent, Hazel Park Schools
Steven Watripont, Director of Business Services, Hazel Park Schools
Vickie Markavitch, Superintendent, Oakland Schools
Carol Wolenberg, Deputy Superintendent, Michigan Dept. of Education
Dan Hanrahan, Director, State Aid and School Finance, Michigan Dept. of Education



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

July 8, 2013

James Meisinger, Superintendent
William Love, President, Hazel Park Board of Education
Hazel Park Schools
1620 East Elza Avenue
Hazel Park, MI 48030

Dear Superintendent Meisinger and Board President Love:

In a June 19, 2013, letter to you, I advised that I was authorizing a Preliminary Review under Section 4 of PA 436 of 2012, the Local Financial Stability and Choice Act. The purpose of the Preliminary Review is to "determine the existence of probable financial stress" within the District. This section of law also requires that an Interim Report of findings be provided to the District within 20 days following commencement of the Preliminary Review. This letter is to transmit the Interim Report of findings of the Preliminary Review to meet that obligation.

The District has five (5) days from the date that the Interim Report is submitted to the District to provide comments on this report. The law requires that I must complete a Final Report of the Preliminary Review within 30 days following the commencement of the Preliminary Review, or on or before July 26, 2013, and submit it to the Local Emergency Financial Assistance Loan Board. If a finding of probable financial stress is made by that Board, the Governor shall appoint a Review Team to determine if a financial emergency exists.

Please provide your comments on this Interim Report to both Dan Hanrahan at HanrahanD@Michigan.gov and Carol Wolenberg at WolenbergC@Michigan.gov or by fax to (517) 241-0196. We appreciate your cooperation in this matter.

Sincerely,

Mike Flanagan
State Superintendent

Attachment

STATE BOARD OF EDUCATION

JOHN C. AUSTIN – PRESIDENT • CASANDRA E. ULBRICH – VICE PRESIDENT
DANIEL VARNER – SECRETARY • RICHARD ZEILE – TREASURER
MICHELLE FECTEAU – NASBE DELEGATE • LUPE RAMOS-MONTIGNY
KATHLEEN N. STRAUS • EILEEN LAPPIN WEISER

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

James Meisinger
William Love
Page 2
July 8, 2013

cc: Senator Vincent Gregory, 14th District
Representative Ellen Cogen Lipton, 27th District
Laura LaForme, Vice President, Hazel Park Board of Education
Charles Hemple, Secretary, Hazel Park Board of Education
Rose Mary Hammonds, Treasurer, Hazel Park Board of Education
Ricky Nagy, Trustee, Hazel Park Board of Education
Sherrie Polowski, Trustee, Hazel Park Board of Education
Sue Hemple, Trustee, Hazel Park Board of Education
Steven Watripont, Director of Business Services, Hazel Park Schools
Vickie Markavitch, Superintendent, Oakland Schools
Carol Wolenberg, Deputy Superintendent, Michigan Dept. of Education
Dan Hanrahan, Director, State Aid and School Finance, Michigan Dept. of Education



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

DATE: July 8, 2013

TO: James Meisinger, Superintendent, Hazel Park Schools
William Love, President, Hazel Park Board of Education

FROM: Mike Flanagan, State Superintendent 

SUBJECT: Interim Report - Preliminary Review of Hazel Park Schools

The following represents the Interim Report of findings of the Preliminary Review under the Local Financial Stability and Choice Act (PA 436 of 2012) for Hazel Park Schools (the "District"). We appreciate the level of cooperation received from the District's administration during this process.

I. Background

In a letter dated June 19, 2013, I advised Hazel Park Schools that pursuant to my authority vested under PA 436 of 2012, I was initiating a Preliminary Review of the District's finances to determine the existence of probable financial stress within Hazel Park Schools. §4(1) of the Act states that the state financial authority of a local government (the State Superintendent in the case of a school district) may conduct a Preliminary Review to determine the existence of a local government financial problem if one or more of the conditions listed in §4(1) are met. The Preliminary Review of Hazel Park Schools resulted from the following conditions enumerated in §4(1) of the Act: "(j) the local government has violated a requirement of Sections 17 to 20 of the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.437 to 141.440" and "(n) the local government is in breach of its obligations under a deficit elimination plan or an agreement entered into pursuant to a deficit elimination plan."

In addition to the criteria above that initiated the Preliminary Review, the District also meets the condition in §4(1)(s) which references other facts or circumstances that in the sole discretion of the Superintendent of Public Instruction are indicative of probable financial stress. Specifically, as provided by law, in 2009 I granted the District an extension of three years (until June 30, 2014) to eliminate the deficit beyond the two-year requirement. The District is unable to eliminate the deficit by that extended due date and requested an additional year to June 30, 2015. I granted that additional year when I approved the District's revised Deficit

STATE BOARD OF EDUCATION

JOHN C. AUSTIN – PRESIDENT • CASANDRA E. ULBRICH – VICE PRESIDENT
DANIEL VARNER – SECRETARY • RICHARD ZEILE – TREASURER
MICHELLE FECTEAU – NASBE DELEGATE • LUPE RAMOS-MONTIGNY
KATHLEEN N. STRAUS • EILEEN LAPPIN WEISER

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

Elimination Plan (DEP) with contingencies on June 19, 2013, but feel that the need for additional time to eliminate the deficit indicates a degree of financial stress.

II. Interim Report of Findings

The Michigan Department of Education (the "Department") has developed critical factors to determine if a finding of probable financial stress is warranted. The process calls for a review of a district's financial operation related to five (5) critical factors. The factors are:

- 1) The district has been in deficit for three or more consecutive years (including the current year); and
- 2) The district's existing deficit is greater than 15% of general fund revenues excluding incoming transfers; and
- 3) A fiscal review by one of the Department's program offices or an external auditor has revealed one or more material internal control weaknesses as evidenced by notes/findings in the financial audit related to:
 - a) Lack of written policies and procedures or failure to follow the written policies and procedures
 - b) Poor cash management
 - c) Failure to provide Personnel Activity Reports (PAR) for employees paid with federal funds
 - d) History of spending outside the appropriations established by the local school board (Violation of Uniform Budgeting and Accounting Act)
 - e) Use of grant funds on unallowable expenditures
 - f) Going Concern/Qualified Opinion; and
- 4) The district has shown unsatisfactory progress in eliminating a deficit. This is determined by identifying one or more of the following conditions:
 - a) A deficit increase from the previous year

- b) Lack of cooperation from the district in submitting deficit information (i.e., late submission of Deficit Elimination Plans (DEP), delinquent return of phone calls or correspondence relating to the DEP, chronic late submission of Monthly Budgetary Control Reports)
 - c) History of supplying the Department with DEP information that is inaccurate or inconsistent with actual revenues and expenditures at year end; and/or
- 5) District's failure to comply with bond or note covenants, failure to make pension fund deposits, failure to make payroll, and/or closure of school prior to the end of the school year.

The Department assessed Hazel Park Schools with regard to the above five (5) factors. The results of the assessment are as follows:

- 1) Hazel Park Schools ended the 2006-2007 fiscal year with a \$191,519 deficit. The District projects that the deficit balance for the year ended June 30, 2013 will be \$3.3 million. The District projected that it will remain in deficit in the 2013-14 and 2014-15 fiscal years.
- 2) Hazel Park Schools' projected June 30, 2013 deficit balance expressed as a percentage of the general fund revenues is projected to be a negative 8%. The percentage is less than the Department's parameter of a negative 15% to indicate critical concern. However, there is concern that the negative percentage which was decreasing each year up until 2012-13 (8% to 5% to 3%) is now back up to a negative 8% or a negative increase from 3% to 8% in one year.
- 3) Hazel Park Schools' audited financial reports for the years ending June 30, 2011 and June 30, 2012 did not include any material internal control weaknesses.
- 4) Hazel Park Schools has shown unsatisfactory progress in eliminating the deficit. The deficit has increased from \$191,519 on June 30, 2007 to \$1.5 million on June 30, 2012. Further, in the DEP that was submitted to the Department on June 5, 2013, the District projects that the deficit will grow to \$3.3 million at the end of the 2012-13 school year. The District also requires an additional year beyond the DEP that had been previously approved by the Department to eliminate the deficit.
- 5) The District has not failed to comply with bond or note covenants, failed to make pension fund deposits, failed to make payroll, and/or

closed school prior to the end of the school year. The Department has not been notified that the District is delinquent in its payments to the Michigan Public School Employees Retirement System (MPSERS). According to the District and the Department of Treasury, the District will have sufficient funds to repay the 2012 State Aid Note due in August 2013.

In addition to the assessment above related to Hazel Park Schools and the five (5) critical factors that the Department developed to assist in analyzing a district's level of financial stress, the following factor was also noted:

- The District has been in deficit since June 30, 2007. As reiterated in the May 15, 2013 meeting in Lansing with district administrators, board members and union representatives, the five (5) year DEP previously approved by the Department required the District to eliminate the deficit by June 30, 2014. In an April 24, 2012 letter from Deputy Superintendent Carol Wolenberg, the District was advised that although that DEP was initiated by the District's prior administration, the District was required to adhere to this DEP (including the timeframe). In a May 9, 2012 response to the Department, the District advised that it would "move forward with the proposed DEP." The revised DEP, submitted by the June 7, 2013 deadline, does not adhere to the previous timeframe. Rather, it delays the deficit elimination until June 30, 2015, a sixth year. In addition, the revised DEP projects the deficit on June 30, 2013 to grow significantly from \$1.5 million to \$3.3 million. It also projects a very conservative enrollment decrease of 37 students when the trend over the last three years has been significantly more (106 loss from 2010 to 2011, 320 from 2011 to 2012, and 490 from 2012 to 2013).

III. Next Steps

As the state financial authority for school districts, I am forwarding this Interim Report to Hazel Park Schools pursuant to the language in §4(2) of PA 436. The District may provide comments on this Interim Report within five (5) days after the date that this report is provided. Please direct these comments to Dan Hanrahan at hanrahand@michigan.gov and Carol Wolenberg at wolenbergc@michigan.gov or by fax to (517) 241-0196. A Final Report of the Preliminary Review incorporating the District's comments will be provided to the District and the Local Emergency Financial Assistance Loan Board on or before the 30-day timeframe required in law or no later

James Meisinger
William Love
Page 5
July 8, 2013

than July 26, 2013. The Local Emergency Financial Assistance Loan Board will determine if probable financial stress exists for the District.

cc: Senator Vincent Gregory, 14th District
Representative Ellen Cogen Lipton, 27th District
Carol Wolenberg, Deputy Superintendent, Michigan Dept. of Education
Dan Hanrahan, Director, State Aid and School Finance, Michigan Dept. of Education



Hazel Park School District

Educational Opportunities for All

Mr. James D. Meisinger
Superintendent of Schools

1620 E. Elza, Hazel Park, MI 48030-1594
Phone 248-658-5200
Fax 248-544-5443

DATE: July 11, 2013

TO: Carol Wolenberg, Deputy Superintendent; Dan Hanrahan Director of State Aid and School Finance

FROM: Hazel Park School District

SUBJECT: Response to Interim Report – Preliminary Review of the Hazel Park School District

The District has received the Interim Report of findings for the Preliminary Review under the Local Financial Stability and Choice Act (P.A. 436 of 2012) dated July 8, 2013. As allowed under this Act, the District is responding with comments within five (5) days of receipt of the report.

Interim Report of Findings

The Department assessed the Hazel Park School District with regard to five (5) factors. The results of the assessment and the District's responses are as follows:

- 1) Hazel Park Schools ended the 2006-2007 fiscal year with a \$191,519 deficit. The District projects that the deficit balance for the year ended June 30, 2013 will be \$3.3 million. The District projected that it will remain in deficit in the 2013-14 and 2014-15 fiscal years.

Disagree with Item

The District's Deficit Elimination Plan has the District out of deficit in the fiscal year 2014-2015 contrary to the above statement. The District concurs that deficit balance for June 30, 2013 will be at or about \$3.3 million and attributes the deficit increase due to enrollment declines, reductions in funding and an unexpectedly large enrollment drop in 2012-2013. However, the district is confident in its projection of a fund balance by 2014-2015. This confidence stems from the imposition of further austerity measures and staff reductions, as well as concessions from all of our labor groups, thus our appreciation of the extension of our Deficit Elimination Plan.

- 2) Hazel Park Schools' projected June 30, 2013 deficit balance expressed as a percentage of the general fund revenues is projected to be a negative 8%. The percentage is less than the Department's parameter of a negative 15% to indicate critical concern. However, there is concern that the negative percentage which was decreasing each year up until 2012-13 (8% to 5% to 3%) is now back up to a negative 8% or a negative increase from 3% to 8% in one year.

Agree with Item

A negative 8% fund balance is less than the Department's 15% criterion to indicate critical concern. A concern still exists but we are confident we will be out of deficit in the 2014-2015 school year. During the 2010-2011 and 2011-2012 school years, despite enrollment declines and reductions in funding, we were still making substantive progress toward retiring our deficit. With respect to the 2011-2012 school year our enrollment dropped 6.44% and our State Aid Foundation Allowance dropped 6.27%, but we still reduced our deficit 2%. Quite an accomplishment. The district was then aware of some of the factors for 2011-2012. The 2012-2013 school year presented us with an unforeseen 10.5% drop in enrollment, with the majority being high school aged students. When we anticipate enrollment declines we budget for them. We budgeted for an enrollment decline for the 2012-2013 year as well but did not anticipate so large a drop.

- 3) Hazel Park Schools' audited financial reports for the years ending June 30, 2011 and June 30, 2012 did not include any material internal control weaknesses.

Agree with Item

That no material internal control weaknesses were found is a mark of our good-faith custody and fiscal propriety relative to public funds. It is a further indication that the District is not in financial distress. This fiscal propriety is underscored by the passage of the athletics/technology bond just last year as well as the fact that this community has not turned down a millage or bond proposal in more than half a century. Further, the unanimity of all labor groups in countenancing concessions is an additional indicator of the stability and synergy of the district as an organization.

- 4) Hazel Park Schools has shown unsatisfactory progress in eliminating the deficit. The deficit has increased from \$191,519 on June 30, 2007 to \$1.5 million on June 30, 2012. Further, in the DEP that was submitted to the Department on June 5, 2013, the District projects that the deficit will grow to \$3.3 million at the end of the 2012-13 school year. The District also requires an additional year beyond the DEP that had been previously approved by the Department to eliminate the deficit.

Disagree with Item

From the start of the 2010-2011 school year the district has shown progress in eliminating its deficit. If the district did not lose over \$470 per student in the 2011-2012 school year, the district would be projecting a positive fund balance of \$1,000,000 for the 2012-2013 school year. We are confident in our projection of emerging out of deficit in the 2014-2015 school year. Despite declining enrollment (for which we had budgeted) and decreased funding, in 2010-2011 and 2011-2012 we were on track and making desired progress relative to retiring our deficit. The enrollment decline of 2012-2013 was totally unanticipated and was due to a variety of problems in our Alternative Education programs. With less in funding it takes longer to dig out of deficit. Thus, our request for and appreciation of the extension granted on our Deficit Elimination Plan.

- 5) The District has not failed to comply with bond or note covenants, failed to make pension fund deposits, failed to make payroll, and/or closed school prior to the end of the school year. The Department has not been notified that the District is delinquent in its payments to the Michigan Public School Employees Retirement System (MPERS). According to the District and the Department of Treasury, the District will have sufficient funds to repay the 2012 State Aid Note due in August 2013.

Agree with Item

That the District is paying its bills, meeting its obligations and complying with financial agreements is further evidence of responsible stewardship of public funds. This is authenticated by the unwavering support shown by local voters over the decades and by the cooperativeness of all our labor groups.

In addition to the above assessment related to Hazel Park Schools and the five (5) critical factors that the Department developed to assist in analyzing a district's level of financial stress, the following factor was also noted:

- The District has been in deficit since June 30, 2007. As reiterated in the May 15, 2013 meeting in Lansing with district administrators, board members and union representatives, the five (5) year DEP previously approved by the Department required the District to eliminate the deficit by June 30, 2014. In an April 24, 2012 letter from Deputy Superintendent Carol Wolenberg, the District was advised that although that DEP was initiated by the District's prior administration, the District was required to adhere to this DEP (including the timeframe). In a May 9, 2012 response to the Department, the District advised that it would "move forward with the proposed DEP." The revised DEP, submitted by the June 7, 2013 deadline, does not adhere to the previous timeframe. Rather, it delays the deficit elimination until June 30, 2015, a sixth year. In addition, the revised DEP projects the deficit on June 30, 2013 to grow significantly from \$1.5 million to \$3.3 million. It also projects a very conservative enrollment decrease of 37 students when the trend over the last three years has been significantly more (106 loss from 2010 to 2011, 320 from 2011 to 2012, and 490 from 2012 to 2013).

Agree with Item

The District acknowledges the time-frame onset of financial deficit and points to the earlier steady, on-track performance of the District relative to its retirement despite declining revenues due to enrollment and dwindling funding. The District holds steady with its projection of a very conservative enrollment decrease due to the following three factors: 1 – We have opened our borders to an increased number of students; 2 – The Alternative Education programs that dropped so precipitously in enrollment are now actively recruiting for a new Culinary Arts program and The Hazel Park Schools are capitalizing on using its seat-time waiver for the upcoming year. 3 – The District is actively advertising its many new and innovative offerings.

Conclusion

All of the above information has been given to and discussed with the Michigan Department of education prior to the Department's approval of the Deficit Elimination Plan. Having done so, the Hazel Park School District will reiterate this information and comply with the Preliminary Review under the Local Financial Stability and Choice Act (P.A. 436 of 2012). Thank you for your consideration of the above responses whose intents were to elucidate our current financial status. The Hazel Park Schools will eliminate our deficit and will continue to provide quality education.

