



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

March 2, 2012

Edith Hightower, Superintendent
Highland Park School District
20 Bartlett Street
Highland Park, Michigan 48203

Highland Park Board of Education
20 Bartlett Street
Highland Park, Michigan 48203

Dear Superintendent Hightower and Board of Education Members:

On January 3, 2012, the Highland Park School District Financial Review Team, which was appointed pursuant to Public Act 4 of 2011, the Local Government and School District Fiscal Accountability Act, submitted its report to me. I agreed with the conclusion of that report and determined that a financial emergency existed within the Highland Park School District and that no satisfactory plan existed to resolve the emergency. By letter dated January 12, 2012, I provided you with written notice of my determination. By letter dated January 27, 2012, after your request for an administrative hearing was honored, I confirmed my initial determination.

To comply with a recent ruling by the Ingham County Circuit Court regarding the Open Meetings Act, the Highland Park School District Financial Review Team reconvened on February 22, 2012. After receiving a status report concerning the financial condition of the School District and public comment, the Review Team again adopted its report, after including additional information, and resubmitted it to me on February 22, 2012.

After reviewing the resubmitted Review Team report, pursuant to Section 15(1)(c) of the Act, I again determined that a local government financial emergency exists within the Highland Park School District and no satisfactory plan existed to resolve the emergency. By letter dated February 23, 2012, I notified you of my determination and set forth the findings of fact upon which that determination was based. The letter also provided notice of the School District's right to request a hearing upon the determination.

The deadline by which School District officials could request a hearing, March 1, 2012, expired without a hearing being requested. Therefore, for the reasons set forth below, I again confirm my determination that a local government financial emergency exists in the Highland Park School District and that no satisfactory plan exists to resolve that financial emergency.

Findings of Fact

On November 3, 2011, I appointed a ten-member Financial Review Team. The Review Team found, or confirmed, the existence of the following conditions based upon information provided by School District officials, or the School District's audit firm, or other relevant sources:

- According to the School District's fiscal year 2011 financial audit, the School District's cumulative general fund deficit increased by 51.0 percent, from \$7,467,527 as of June 30, 2010 to \$11,251,484 as of June 30, 2011. The one-year increase in the School District's cumulative general fund deficit resulted from general fund expenditures and transfers out exceeding general fund revenues by \$3,784,046.
- The School District had incurred an operating deficit (i.e., expenditures in excess of revenues) in five of its last six fiscal years. These operating deficits ranged from a low of \$597,733 during the 2007 fiscal year to a high of \$3,572,662 during the 2010 fiscal year. The average operating deficit for the seven years in question was \$2.3 million.
- According to information provided by School District officials, as of November 15, 2011, the School District owed \$1,720,955.43 in accounts payable to various vendors. This total consisted of \$1,206,411.02 in accounts payable which were 30 to 90 days aged, \$280,257.70 in accounts payable which were 91 to 180 days aged, and \$18,305.87 in accounts payable which were more than six months aged.
- The School District's pupil enrollment decreased by 58 percent, from 3,179 pupils for the 2006 fiscal year to 1,331 pupils for the 2011 fiscal year.
- In addition to its regular December State aid payment, on December 20, 2011, the School District received a supplemental payment which covered 27 percent of the \$100 per pupil financial best practice incentive. However, on that same date, School District officials informed the Michigan Department of Education of the School District's projected inability to meet, in full, its December 30, 2011 financial obligations.
- Department of Treasury officials determined it to be necessary to intercept a portion of the School District's State aid payments beginning in February in order to ensure the timely repayment by the School District of an outstanding State aid note. The amount intercepted in February was \$276,928, which reduced that State aid payment by approximately 49 percent to \$281,236. These partial intercepts were to be in addition to a 100 percent intercept of the School District's August 2012 State aid payment.

In addition to the foregoing information, at its meeting on February 22, 2012, the Review Team received and considered the following supplemental information:

- The School District ended its 2009 fiscal year with a deficit fund balance of \$3,070,471. Total revenue from all sources was \$27.6 million. The School District received \$9,979 per pupil, but expended \$10,744 per pupil.
- The School District ended its 2010 fiscal year with a deficit fund balance of \$7,467,527. Total revenue from all sources was \$21.2 million. The School District received \$11,412 per pupil, but expended \$13,334 per pupil.
- The School District ended its 2011 fiscal year with a deficit fund balance of \$11,251,484. Total revenue from all sources was \$18.9 million. The School District received \$14,165 per pupil, but expended \$16,508 per pupil.
- For the 2010 fiscal year, the most recent for which data is available, the School District's per pupil revenue ranked 76 out of 783, which placed the School District in the top 10 percent.
- In January of 2012, the School District was confronted by not being able to meet its January 13, 2012 payroll obligation. On January 13, 2012, the Michigan Department of Education processed a \$188,000 State aid advance under Section 17b of the State School Aid Act to ensure that the School District could meet its January 13, 2012 payroll obligation.
- On February 8, 2012, the Michigan Department of Education processed a \$261,000 State aid advance under Section 17b of the State School Aid Act to ensure that the School District could meet its February 10, 2012 payroll obligation.
- School District officials continued to demonstrate an inability to timely pay vendors. For example, the School District owes more than \$500,000 to the Wayne Regional Educational Service Agency (i.e., \$110,000 in costs related to substitute teachers utilized by the School District, but paid for under an agreement with the Wayne Regional Educational Service Agency, \$163,000 for Individuals with Disabilities Education Act funds to repay a prior year audit finding related to special education, and \$227,000 in miscellaneous fees).
- Finally, School District officials had failed to comply with State law which requires school districts operating in a deficit condition to file an approvable deficit elimination plan with the Michigan Department of Education. The chief financial officer for the School District had indicated that a revised 2011 deficit elimination plan would be submitted to the Michigan Department of Education by December 15, 2011. At least as of the date of the February 22, 2012, Review Team meeting, that plan had not been received.

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Confirmation

Given the foregoing information, I find more than ample factual support to again confirm, pursuant to Section 15(2) of the Act, my determination that a local government financial emergency exists in the Highland Park School District.

Therefore, pursuant to Section 15(2) of the Act, I confirm my determination that a local government financial emergency exists in the Highland Park School District and that no satisfactory plan exists to resolve that financial emergency. Furthermore, pursuant to Section 15(4) of the Act, I declare the Highland Park School District to be in receivership and again appoint Jackie Martin as Emergency Manager "to act for and in the place and stead of the governing body and the office of chief administrative officer" of the Highland Park School District.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rick Snyder".

Rick Snyder
Governor

cc: Andy Dillon, State Treasurer