

SCHOOL DISTRICT OF THE  
CITY OF HAZEL PARK  
COUNTY OF OAKLAND AND STATE OF MICHIGAN  
SPECIAL MEETING

CALL TO ORDER

The Special Meeting of the Hazel Park Board of Education was held at the Ford School Administration Office on January 9, 2015, and was called to order by President Nagy at 5:30 p.m.

ROLL CALL

Members Present: Nagy, Polowski, Hammonds, Adkins, Hemple, Hinton, Noth

Members Absent:

Others Present: André, Barlow, Berger, Stefanski, Meisinger, Paterson

APPROVAL OF THE AGENDA

Moved by Mrs. Polowski, supported by Mrs. Hemple, that the Agenda be approved as written.

Discussion

None

Roll Call Vote

Yeas: Polowski, Hemple, Hammonds, Adkins, Hinton, Noth, Nagy

Nays: None

ORDER OF BUSINESS

1. 2013/2014 Audit – Received and File

Mr. James Meisinger, Superintendent, introduced the district's auditors, Joseph Brandenburg and Randy Carlier, with Buss & Company, P.C. Mr. Brandenburg reviewed the Independent Auditor's Report letter with the Board of Education. He discussed the Governmental Funds Balance Sheet; Governmental Funds Statement of Revenue, Expenditures and Net Change in Fund Balances; Fiduciary Funds Statement of Fiduciary Net Position summary sheets in detail. He reviewed the Notes to Financial Statements. Mr. Brandenburg summarized the Required Supplemental Information Budgetary Comparison Schedule General Fund summary sheets and pointed out that this report is one of the most useful in explaining the district's financial status. The balance of the reports review non-major governmental funds. These reports are provided for additional analysis. Mr. Randy Carlier reviewed the Single Audit – Federal Award Programs report. He explained the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards letter and the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 statement. He discussed the

Title I and Special Education Programs. Mr. Carlier informed the Board of Education of the audit findings, and indicated that several of the findings are repeated from previous audit years. These findings include, but are not limited to, Uniform Budgeting and Accounting Act, Act 2 of 1968; Financial Reporting Package Under the State Aid Act; Segregation of Cash in State Restricted Funds; Financial Reporting Package was not submitted to the State of Michigan Department of Education on or before November 15, 2014; Segregation of Cash; year end June 30, 2014, the General Fund's total expenditures exceeded the total amended budgeted expenditures; timely reconciliations of cash account, fringe benefit expenditure and liabilities; Title I, Part A funds requested were greater than the expenditures; and state required funds were not kept separate from all other funding.

Moved Mrs. Noth, supported by Mrs. Polowski, that the 2013/2014 Audit be received and filed.

#### Discussion

The Board of Education held a discussion with Mr. Carlier regarding the audit, Business Office staffing and financial software.

#### Roll Call Vote

Yeas: Noth, Polowski, Hammonds, Adkins, Hemple, Hinton, Nagy

Nays: None

#### 2. Financial Plan of Action

Mr. James Meisinger, Superintendent, introduced and thanked Dr. Vickie Markavitch, Superintendent of the Oakland Intermediate School District and Mr. Robert Moore, Deputy Superintendent of Finance & Operations of the Oakland Intermediate School District, for attending the Board of Education Meeting this evening on such short notice. Mrs. Markavitch gave an overview of what type of services the Oakland ISD will be able to offer to the District in the upcoming weeks. She indicated that she will be sending a Human Resource and Financial Business specialists to conduct a review the District's Business Office policy and procedures, at no cost to the District. Once the review is completed in approximately two weeks, there will be suggestions and recommendations that Dr. Markavitch will submit to the superintendent and board members. Dr. Markavitch stated that the software that the District uses is the same software that is used at the Oakland ISD and many other institutions. She indicated that if the District staff is having problems using the software the Oakland ISD will offer additional training. Dr. Markavitch introduced Mr. Moore, and stated that he has conducted a preliminary financial report on the District. Mr. Moore informed the Board of Education that after his preliminary review and the auditors report is not surprising the District is in financial distress. He indicated that this deficit is typical when a District shows such a rapid decline in enrollment over a short period of time. Mr. Moore stated that the audit findings must be address immediately; however, due to the deficit some of the findings will not be able to be resolved immediately. The District's 6.2 million dollar deficit will grow by the end of the fiscal year, possibly to over 8 million. Mr. Moore addressed the software concerns and indicated that possibly additional training is needed. He spoke

about the seriousness of commingling funds. Mr. Moore stated that the District is substantially behind on payments to the Office of Retirement Services (ORS). ORS has the right to withhold the State Aid from the District due to this delinquency. He recommends that the District hire a company to analyze the District's current financial situation and prepare a Cash Flow Forecast. The Michigan Department of Education has to have an approved Deficit Elimination Plan (DEP) in place immediately. Public Act 436, commonly referred to as the Emergency Manager Law in Michigan. Under PA 436, has several triggers that may occur, such as, a preliminary financial review, followed by a full financial review, followed by the governor declaring an emergency, followed by bankruptcy, etc. The District has already pulled triggers, by not submitting a revised DEP by December 15, 2014, falling behind in ORS payments, etc. Mr. Moore stated he believes that the District will require an eight (8) year DEP to be able to survive.

Dr. Markavitch and Mr. Moore held a discussion with the Board of Education regarding the District's financial issues. Dr. Markavitch stated that the District might want to hire a law firm that specializes in school law. Mrs. Sherri Polowski, Board Vice President, asked Dr. Markavitch to provide the names of the law firms that specialize in school law to Mr. Paterson, Board Council. Mr. Moore stated that the superintendent will be hearing from the Michigan Department of Education very soon regarding this matter. He suggested that the District get ahead of the situation. Dr. Markavitch and Mr. Moore cautioned the District in making "quick-knee jerk decisions."

Mr. Ricky Nagy, Board President, asked for a motion from the Board of Education to move forward with hiring Plante Moran to prepare the District's Cash Flow and Revenue Forecast. The Board of Education would like to receive the cost of this service as soon as it is available.

Moved Mrs. Polowski, supported by Mrs. Hemple, that the Board of Education approve hiring Plante Moran to prepare the District's Cash Flow and Revenue Forecast.

Discussion

None

Roll Call Vote

Yeas: Polowski, Hemple, Hammonds, Adkins, Hinton, Noth, Nagy

Nays: None

#### PUBLIC DISCUSSION

1. Amy Zitzelberger - Commented on the District's financial situation.

#### BOARD MEMBER AND ADMINISTRATION COMMENTS

1. Board Members - Commented that they will be working diligently together on this matter.

ADJOURNMENT

Moved and supported that the meeting be adjourned at 6:42 p.m.

Unanimous approval.

Respectfully submitted,

Ricky D. Nagy, President  
Hazel Park Board of Education