

**Annual Financial Report
with Supplemental Information**

**School District of the
City of Hazel Park**

June 30, 2010

Victor C. Mayo, Ed.D.
Superintendent of Schools

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School District of the City of Hazel Park

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of the City of Hazel Park

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Hazel Park, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of the City of Hazel Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Hazel Park, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, on our consideration of the School District of the City of Hazel Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Hazel Park basic financial statements. The combining and individual nonmajor fund financial statements and schedules of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of School District of The City of Hazel Park. The combining and individual nonmajor funds financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules of bonded indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hanvichan, Caray & Co., P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

DATED: February 11, 2011
Royal Oak, Michigan

School District of the City of Hazel Park

Management's Discussion and Analysis

This section of the School District of the City of Hazel Park's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2010. This section should be read in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District of the City of Hazel Park financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund – the General Fund – with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for the Major Funds

Other Supplemental Information

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

Reporting the School District as a Whole - District-wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities. We prepare these statements to include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services Fund is an example) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation statement.

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2010 and June 30, 2009:

		Governmental Activities	
		(in millions)	
		2010	2009
Assets			
Current and other assets		\$ 15.7	\$ 15.4
Property and equipment		55.1	57.3
Total assets		<u>\$ 70.8</u>	<u>\$ 72.7</u>
Liabilities			
Current liabilities		\$ 16.7	\$ 14.6
Long-term liabilities		64.6	65.4
Total liabilities		<u>81.3</u>	<u>80.0</u>
Net Assets			
Invested in property and equipment - Net of related debt		(9.5)	(8.1)
Restricted		2.7	2.5
Unrestricted		<u>(3.7)</u>	<u>(1.7)</u>
Total net assets		<u>\$ (10.5)</u>	<u>\$ (7.3)</u>

The above analysis (Table 1) focuses on the net assets. The change in net assets (Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$ (10.5) million at June 30, 2010. Capital assets, net of related debt totaling \$ (9.5) million compares the original cost, less depreciation of the School

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

District's capital assets to long-term debt, including accrued interest on bonds used to finance the acquisition of those assets. Most of the debt will be repaid from voter approved property taxes collected as the debt service comes due. Restricted net assets (\$ 2.7 million) are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$ (3.7) million) was unrestricted.

The \$ (3.7) million in unrestricted net assets of governmental activities represents the accumulated results of the past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal year June 30, 2010 and June 30, 2009.

Summary of Changes in Net Assets (Table 2)		
	Governmental Activities	
	(in millions)	
	<u>2010</u>	<u>2009</u>
Revenue		
Program revenue:		
Charges for services	\$ 1.5	\$ 1.4
Federal grants and entitlements	5.4	5.5
State categoricals	6.3	6.1
Operating grants	7.1	7.7
General revenue:		
Property taxes	6.7	6.5
State foundation allowance	32.0	31.8
Other	2.8	1.0
Total revenue	<u>\$ 61.8</u>	<u>\$ 60.0</u>
Functions/Program Expenses		
Instruction	\$ 36.2	\$ 37.1
Support services	23.0	19.4
Food services	0.4	1.5
Athletics	0.6	0.7
Community services	1.4	0.5
Interest on long-term debt	3.3	2.0
Total expenses	<u>64.9</u>	<u>61.2</u>
Decrease in Net Assets	<u>\$ (3.1)</u>	<u>\$ (1.2)</u>

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$ 64.9 million. Certain activities were partially funded from those who benefited from the programs (\$ 1.5 million) or by other governments and organizations that subsidized certain programs with grants and state categorical funding (\$ 11.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$ 6.7 million in taxes, \$ 32.0 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$ 3.1 million. The main reason for the change in net assets was depreciation and severance incentives initiated during the year. The decrease in net assets differs from the change in fund balance and reconciliation appears in the Financial Section.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance deficit of \$1.2 million, which is a decrease of \$ 1.9 million from last year. The primary reason for the change is declining enrollment and increases with employee benefits.

However, in the General Fund, our principal operating fund, the fund balance decreased \$ 2.1 million from a deficit of \$ 1.8 million to a deficit of \$ 3.9 million.

Our Special Revenue Funds remained at a breakeven mark. This was primarily a result of transfers from the General Fund. The transfers were \$ 563,464 to the Athletic Fund.

Combined, the Debt Service Funds showed a fund balance of \$2,246,879. The debt service fund has limited tax government obligations which are funded by transfers from the General Fund. Transfers from the General Fund to make payments for the United States Environmental Protection Agency Promissory Note are made when debt payments are due. Under a trust agreement, the General Fund transfers annual payments to a trust account for the 2002 and 2003 Qualified Zone Academy Bonds. The payments made to the trusts, along with investment earnings in the trust, remain in the School District's name until the bonds' maturity in 2017 and 2018. The fund balance for the limited tax government obligations is \$1,821,301. The unlimited tax government obligations are funded with property taxes levied for the purpose of meeting the debt requirements. Millage rates remained at 7.0 mills to generate the required revenue to meet the debt payments of the 2002 bond issue and the 2004 Refunding Bonds. Millage

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Under state law, school districts may limit their debt millage to 7.0 mills. Any additional revenue needed can be obtained through the state's School Bond Loan Fund. In the current year, the School District borrowed \$ 1,105,604 and accrued \$ 1,043,755 in interest on the outstanding balance. When property tax revenues provide more than sufficient funds to make debt service payments, the school district will continue to levy 7.0 mills until the School Bond Loan Fund is repaid. The fund balance for the unlimited tax government obligations is \$425,578. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Due to economic pressures and continuing negotiations, the district adopted a final budget that was in violation of these statutes.

Budget variances are ascertainable in the Supplemental Information schedules:

- Budgetary Comparison Schedule - General Fund
- General Fund - Statement of Revenue, Incoming Transfers and Other Financing Sources – Budget and Actual
- General Fund - Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the School District had \$74.5 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and impairment) of \$ (2.0) million from last year. Budgeted expenditures in excess of revenues decreased from original budgetary amounts primarily due to final estimates of wages and related expenditures.

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

	Balance July 1, 2009	Additions	Disposals and Adjustments	Impairment	Balance June 30, 2010
Assets not being depreciated - Land	\$ 180,000	\$ -	\$ -	\$ -	\$ 180,000
Capital assets being depreciated:					
Building and building improvements	65,114,646	-	-	-	65,114,646
Furniture and equipment	10,714,251	6,850	1,885,061	-	8,836,040
Vehicles other than buses	75,359	-	-	-	75,359
Buses	382,336	-	57,125	-	325,211
Subtotal	76,286,592	6,850	1,942,186	-	74,351,256
Accumulated depreciation:					
Building and building improvements	11,067,257	1,683,775	-	-	12,751,032
Furniture and equipment	7,813,760	522,288	1,885,061	-	6,450,987
Vehicles other than buses	55,899	10,766	-	-	66,665
Buses	67,300	137,168	57,125	-	147,343
Subtotal	19,004,216	2,353,997	1,942,186	-	19,416,027
Net capital assets being depreciated	57,282,376	(2,347,147)	-	-	54,935,229
Net capital assets	\$ 57,462,376	\$ (2,347,147)	\$ -	\$ -	\$ 55,115,229

This year's additions included technology equipment. The majority of the \$ 1.9 million of disposals resulted from the write off of equipment that had reached its useful life. Continuation of the major capital projects is planned for the 2010-2011 fiscal year. We anticipate capital additions will be minimal. We present more detailed information about our capital assets in the notes to the financial statements.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the School District has no impairment of capital assets for the 2009-2010 fiscal year.

Debt

At the end of this year, the School District had \$ 51,272,810 in bonds outstanding versus \$ 53,319,067 in the previous year.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating, "AA-" from Standard & Poor's Corporation and "Aa1" from Moody's Investor Services.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$ 5,000,000 million is significantly below the statutorily imposed limit of \$ 99.9 million.

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

School District of the City of Hazel Park

Management's Discussion and Analysis (continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2011 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2011 fiscal year is 25 percent of the February 2010 and 75 percent of the September 2010 student counts, respectively.

The 2011 fiscal year budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. Approximately 75 percent to 80 percent of the total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2010-2011 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2010 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It is anticipated the per pupil foundation grant will not be increased. State categorical funding is anticipated to remain stable but decreases in state categorical funds may be made.

During the 2010-2011 fiscal year, the School District expects to settle labor contracts with the Hazel Park Education Association (teacher and certified personnel union), the International Union of Operating Engineers (secretarial personnel), the American Federation of State and Municipal Employees (maintenance, custodial, bus drivers and cafeteria personnel), the Hazel Park Paraprofessionals Association (paraprofessionals) and the Hazel Park Association of Administrative Personnel (school principals and supervisors).

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 1620 E. Elza Ave., Hazel Park, Michigan 48030.

School District of the City of Hazel Park

District Wide Statement of Net Assets June 30, 2010

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments	\$ 5,086,582
Receivables:	
Accounts receivable	113,674
Due from other funds	11,440
Due from other governmental units	10,248,168
Inventories	33,120
Other Assets	<u>218,620</u>
Total Current Assets	<u>15,711,604</u>
Noncurrent Assets	
Capital assets	74,531,256
Less: accumulated depreciation	<u>(19,416,027)</u>
Total Noncurrent Assets	<u>55,115,229</u>
Total Assets	<u><u>\$ 70,826,833</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 2,061,121
Interest payable	2,201,913
Tax anticipation note	6,450,000
Accrued payroll and payroll withholdings	3,603,658
Payroll deductions	1,518,574
Accrued liabilities	745,660
Other liabilities	<u>93,595</u>
Total Current Liabilities	<u>16,674,521</u>
Noncurrent Liabilities	
Bonds and other obligations payable, due within one year	2,360,329
Bonds and other obligations payable, due in more than one year	<u>62,247,074</u>
Total Noncurrent Liabilities	<u>64,607,403</u>
Total Liabilities	<u>81,281,924</u>
Net Assets	
Investment in capital assets - Net of related debt	(9,492,174)
Restricted	
Debt service	2,246,879
Capital projects	466,610
Specific purposes	32,076
Unrestricted	<u>(3,708,482)</u>
Total net assets	<u><u>\$ (10,455,091)</u></u>

School District of the City of Hazel Park

District Wide Statement of Activities for the year ending June 30, 2010

Functions/Programs	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants / Contributions	Net (Expense) Revenue and Changes in Net Assets	
Governmental activities				
Instruction	\$ 36,150,136	\$ 481,282	\$ 13,128,679	\$ (22,540,175)
Support services	23,023,348	524,548	4,405,873	(18,092,927)
Community services	424,148	173,208	170,638	(80,302)
Athletics	625,297	43,179	-	(582,118)
Food Service	1,417,398	334,866	1,081,987	(545)
Interest/fees on long-term debt	3,308,804	-	-	(3,308,804)
Total governmental activities	\$ 64,949,131	1,557,083	18,787,177	(44,604,871)
General Revenues				
Taxes				
Property taxes, levied for general purposes				3,570,927
Property taxes, levied for debt services				3,098,716
State aid not restricted to specific purposes				31,974,642
Interest and investment earnings				79,878
Other				701,624
Excluded items				2,088,358
Total general revenues				41,514,145
Changes in Net Assets				(3,090,726)
Net Assets - Beginning of year				(7,364,365)
Net Assets - End of year				\$ (10,455,091)

School District of the City of Hazel Park

Governmental Funds Balance Sheet June 30, 2010

	Major Governmental Type Funds	Other Non-major Governmental Funds	Total Governmental Funds
	General Fund		
Assets			
Cash	\$ 1,725,660	\$ 630,855	\$ 2,356,515
Savings and investments	16,578	2,713,489	2,730,067
Accounts receivable	113,614	60	113,674
Due from other funds	103,903	27,635	131,538
Due from other governmental units	7,764,841	62,879	7,827,720
Inventory	-	33,120	33,120
Other assets	218,620	-	218,620
	<u>9,943,216</u>	<u>3,468,038</u>	<u>13,411,254</u>
Total assets	<u>\$ 9,943,216</u>	<u>\$ 3,468,038</u>	<u>\$ 13,411,254</u>
Liabilities and Fund Balances:			
Liabilities			
Accounts payable	\$ 2,042,081	\$ 19,040	\$ 2,061,121
State aid anticipation loans	6,450,000	-	6,450,000
Accrued payroll and and payroll withholdings	3,016,088	587,569	3,603,657
Payroll deductions	1,518,574	-	1,518,574
Accrued liabilities	745,660	-	745,660
Due to other funds	4,235	115,865	120,100
Other liabilities	93,595	-	93,595
	<u>13,870,233</u>	<u>722,474</u>	<u>14,592,707</u>
Total liabilities	<u>13,870,233</u>	<u>722,474</u>	<u>14,592,707</u>
Fund Balances			
Reserved			
Debt retirement	-	2,246,879	2,246,879
Unreserved			
Designated fund balance			
Capital projects	-	466,610	466,610
Specific purposes	-	32,075	32,075
Operating purposes	218,620	-	218,620
Unreserved			
Undesignated fund balance			-
General Fund	<u>(4,145,637)</u>	<u>-</u>	<u>(4,145,637)</u>
Total fund balances	<u>(3,927,017)</u>	<u>2,745,564</u>	<u>(1,181,453)</u>
Total liabilities and fund balances	<u>\$ 9,943,216</u>	<u>\$ 3,468,038</u>	<u>\$ 13,411,254</u>

School District of the City of Hazel Park

Governmental Funds Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets June 30, 2010

Total fund balances of governmental funds		\$ (1,181,452)
Amounts reported for governmental activities in the statement of net assets are different because:		
Elimination of due to and due from governmental funds		
Due from		(120,098)
Due to		120,098
Receivables due but not received within GASB 33 guidelines are accrued as revenue for the Statement of Activities but not in the governmental funds.		
		2,420,448
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
Cost of capital assets	\$ 74,531,256	
Accumulated depreciation	<u>(19,416,027)</u>	55,115,229
Interest on long-term debt is recorded when due in the Governmental Funds whereas it is recorded as interest expense as it accrues in the Statement of Activities		
		(2,201,913)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds Payable	\$ (51,272,810)	
Notes payable	(9,439,848)	
Severance Incentive	(812,000)	
Compensated absences	<u>(3,082,745)</u>	<u>(64,607,403)</u>
Net assets of governmental activities		<u>\$ (10,455,091)</u>

School District of the City of Hazel Park

Governmental Funds Statement of Revenue, Expenditures and Net Change in Fund Balances For the year ending June 30, 2010

	Major Governmental Type Funds	Other Non-major Governmental Funds	Total Governmental Funds
	General Fund		
Revenue			
Local sources	\$ 4,169,698	\$ 10,030,348	\$ 14,200,046
State sources	38,000,325	244,279	38,244,604
Federal sources	4,345,680	1,023,013	5,368,693
Total revenue	<u>\$ 46,515,703</u>	<u>\$ 11,297,640</u>	<u>\$ 57,813,343</u>
Expenditures			
Instruction	\$ 33,742,315	\$ -	\$ 33,742,315
Support Services	15,636,083	8,329,754	23,965,837
Community Services	425,837	-	425,837
Capital Outlay	63,264	175,215	238,479
Debt Service -			
Principal payment	-	2,069,657	2,069,657
Interest	-	2,371,090	2,371,090
Total Expenditures	<u>49,867,499</u>	<u>12,945,716</u>	<u>62,813,215</u>
Other Financing Sources (Uses)			
Incoming transfers	2,009,557	810,285	2,819,842
Other financing sources	-	1,105,604	1,105,604
Outgoing transfers	-	(18,496)	(18,496)
Other financing uses	(810,286)	(22,988)	(833,275)
Total other financing sources (uses)	<u>1,199,271</u>	<u>1,874,405</u>	<u>3,073,676</u>
Net change in fund balances	(2,152,525)	226,329	(1,926,196)
Fund Balances - Beginning of year	<u>(1,774,492)</u>	<u>2,519,236</u>	<u>744,744</u>
Fund Balances - End of year	<u>\$ (3,927,017)</u>	<u>\$ 2,745,565</u>	<u>\$ (1,181,452)</u>

School District of the City of Hazel Park

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures and Net Change in Fund Balances of Governmental Funds To Statement of Activities For the year ending June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (1,926,196)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost of current capital assets	\$ 6,850	
Net disposals and adjustments	156,377	
Current depreciation	<u>(2,353,997)</u>	(2,190,770)

Repayment of bond principal as an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	2,069,657
---	-----------

Revenue accrued but not received within 60 days is recorded as revenue for the current year in the Statement of Activities, but not in the governmental funds	
Current year	\$ 2,420,448
Prior year	<u>(447,591)</u>
	1,972,857

Proceeds from the School Bond Loan Fund is an other financing source in the governmental funds, but increases long-term payables in the District Wide statements	(1,105,604)
--	-------------

Payment of early retirement and severance incentives is a current year expenditure in the governmental funds, but reduces a long-term liability in the Statement of Activities	(740,000)
--	-----------

Interest on long-term debt is recorded when due whereas in the Statement of Activities it is recorded as interest expense as it accrues	
Current year	\$ (2,201,913)
Prior year	<u>421,619</u>
	(1,780,294)

Changes in long term compensated absences are reported when financial resources are used in the governmental funds	<u>609,624</u>
--	----------------

Change in Net Assets of Governmental Activities **\$ (3,090,726)**

School District of the City of Hazel Park

Fiduciary Funds Balance Sheet June 30, 2010

Assets	
Savings and investments	\$ 814,908
Total assets	<u>\$ 814,908</u>
Liabilities and Fund Balances:	
Liabilities	
Accounts payable	\$ 11,438
Due to student groups	<u>725,828</u>
Total liabilities	737,266
Fund Balances	
Reserved	<u>77,642</u>
Total liabilities and fund balances	<u>\$ 814,908</u>

School District of the City of Hazel Park

Fiduciary Funds Statement of Revenue, Expenditures and Net Change in Fund Balances For the year ending June 30, 2010

Revenues	
Local sources	<u>\$ 9,018</u>
Expenditures	
Community services	<u>\$ 12,160</u>
Total expenditures	<u>12,160</u>
Net change in fund balances	(3,142)
Fund Balances - Beginning of year	<u>80,784</u>
Fund Balances - End of year	<u>\$ 77,642</u>

School District of the City of Hazel Park

Notes to Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Hazel Park (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are parts of the School District's reporting entity and which organizations are legally separate, component units of the School District. Based on application of the criteria, the entity does not contain any component units.

The School District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the School District is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board (GASB) Statement 14.

District Wide and Fund Financial Statements

The district wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and fiduciary funds although the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of inter-fund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are custodial in nature (assets equal liabilities) and do not report the measurement of results of operations.

The School District reports the following major governmental funds:

The *General Fund* is the School District's primary operating fund of the School District which accounts for all financial transactions not accounted for in other funds. Revenues are derived primarily from property taxes and intergovernmental revenues such as federal grants and state-shared revenues. Expenditures consist of the general operating expenditures, fixed charges and capital improvement costs that are not accounted for in other funds.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

The School District's fiduciary fund is the *Trust and Agency Fund*, which accounts for assets held by the School District in a trustee capacity or as an agent for others. The school district operated four Fiduciary Funds which are the Giese-Ward Fund, the Holiday Basket Fund, the Camp Hazelwoods Preservation Fund, and the School Internal Accounts. The Giese-Ward Fund was originated from contributions from Ruth B. Giese and Hulda G. Ward and is used to aid needy children of the District. Its chief source of financing is from the various PTAs. The Holiday Basket Fund accounts for expenditures to provide food baskets to needy citizens of the School District during the holiday season. The Fund uses donations from businesses and individuals to finance its activities. The Camp Hazelwoods Preservation Fund is used to aid in maintaining Camp Hazelwoods for use by the District's students and other special activities. The School District presently maintains the School Internal Accounts, an Agency Fund, which accounts for the receipt and disbursement of monies from student activity organizations. The funds are segregated and held in trust for the student organizations.

Additionally, the School District reports the following non-major governmental fund types:

The School District maintains one *Capital Projects Fund* which is used to record the bond proceeds and other revenue and the disbursement of money specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which it was created has been accomplished. The individual Capital Projects Fund is the Operating Transfer Fund which accounts for future capital projects.

The School District maintains two governmental *Debt Service Funds*, which are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Retirement Fund is separated into the Common Debt Fund which accounts for "Unlimited Tax Qualified Bonds" and the General Fund Obligations Debt Fund which accounts for Limited Tax Bonds. General Fund obligations must be paid from General Fund resources. Debt Retirement obligations are paid from property taxes levied to retire debt and related payments.

The School District maintains six non-major governmental *Special Revenue Funds* which account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes or are legally mandated. The individual Special Revenue Funds are the Special Education Center Programs Fund, the Cafeteria Fund, the Bookstore Fund, the Athletic Fund, the Driver Testing Fund and the Child Care Fund. The Special Education Center Programs Fund accounts for the center programs of the district (previously reported and accounted for in the General Fund). The Cafeteria Fund accounts for food sales as well as federal and state monies received under food services programs. The Bookstore Fund accounts for bookstore product sales and expenditures. The Athletic Fund accounts for expenditures under athletic programs and is funded primarily by admission fees, state reimbursements and general fund transfers. The Driver Testing Fund accounts for expenditures made for automobile driver testing and is funded primarily by fees for services and funding from the state. The Child Care Fund accounts for the expenditures of providing child care services to school district residents. This fund is funded through fees charged for child care services and grants from the state and federal government. When there are expenditures exceeding the revenues, the fund is subsidized by General Fund transfers.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand and demand deposits. Short-term investments with a maturity of nine months or less when acquired are classified as investments. Investments are stated at cost which approximates market.

Pooled investment income from the General Fund, Debt Service Funds, Capital Projects Funds, Special Revenue Funds and Fiduciary Funds is allocated to each fund using a weighted average of balance for the principal invested.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Based on historical experience and management estimate, the District has recorded no allowance for doubtful accounts.

Property taxes are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year. The taxes are payable without interest on or before September 14 and without penalty on or before the following February 14. The City of Hazel Park and the City of Ferndale bill and collect property taxes on behalf of the School District and remit collections to the School District within predetermined time limits. Taxes become delinquent on the March 1 following the date of levy. Delinquent property taxes are collected by the county.

Inventories and Prepaid Items - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventories in the General Fund and School Service Funds are accounted for using the consumption method, wherein inventories are recorded as expenditures when they are used. Inventories include supplies as well as books and food in the General and School Service Funds, respectively. United States Department of Agriculture commodities received are recorded as revenue at the fair value of such commodities and are included in the School Service Funds as inventory.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – The property taxes levied in the Debt Service Funds are required to be set aside for future principal and interest payments on bonded debt. These amounts have been classified as restricted assets.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Compensated Absences – Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and accumulated sick leave benefits upon termination of employment under specified formulas and conditions. Such accrued benefits are recorded in the General Fund and Long Term Obligations, and represent the School District's commitment to fund such costs from current and future operations respectively.

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Upcoming Accounting Pronouncement – In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. This standard also requires special revenue funds without substantial continuing restricted revenue to become part of the General Fund. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The School District will implement GASB Statement No. 54 beginning with the fiscal year ending June 30, 2011.

Reclassifications - Reclassifications have been made in the previous general purpose financial statements to conform with the presentation in this year's general purpose financial statements.

Debt Consolidation - The School District utilizes a Common Debt Fund to account for the bonds issued in 1998, 2002 and 2004. Separate accounts are utilized in the Debt Retirement Fund to account for obligations of the General Fund, the Qualified Academy Zone Bonds – Series 2002 and the Qualified Academy Zone Bonds – Series 2003.

Comparative Data - Comparative data is not included in the School District's basic financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Funds and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by general and major function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the School District amended the General Fund budget to reflect changes in funding from state and federal sources related to the American Recovery and Reinvestment Act (ARRA).

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

The School District increased/decreased budgeted amounts during the year in response to changes in anticipated spending for salaries, benefits, and other expenditures. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. The commitments will be re-appropriated and honored during the subsequent year.

The School District follows these procedures in establishing the budgetary data reflected in the general purpose financial statements:

- Prior to the June meeting of the Board of Education, a proposed operating budget must be submitted for the fiscal year commencing the next July 1. The operating budget includes proposed expenditures and the means for financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted through passage of a Board of Education resolution.
-
- Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Education. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.
- Formal budgetary integration is utilized as a management control device.
-
- Budgets adopted are on the modified accrual basis. All reported budgeted amounts are as amended unless otherwise noted.
- Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Unexpended appropriations lapse at year-end and encumbrances are not included as expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds – Budget variances are ascertainable in the Supplemental Information schedules:

- Budgetary Comparison Schedule - General Fund
-
- General Fund - Statement of Revenue, Incoming Transfers and Other Financing Sources – Budget and Actual
-
- General Fund - Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

General Fund Deficit Fund Balance – For the year ended June 30, 2010, the School District ended the fiscal year with a deficit fund balance of \$ 3,927,017. The School District has entered into a Deficit Elimination Plan with the state.

Note 3 - Deposits and Investments

As of June 30, 2010, the district had the following deposits and investments:

	<u>Fair Value</u>
Statement of Net Assets	
Deposits with financial institutions:	
Checking accounts	\$ 10,000
Savings accounts and bank money market accounts	34,266
Municipal Investment Fund	3,196,355
Investments:	
Government cash management funds:	
Federal National Mortgage Association	1,003,069
Federal Home Loan Mortgage	801,360
Petty cash and cash on hand	4,535
Total	<u>5,049,585</u>
Fiduciary Funds	
Savings accounts and bank money market accounts	814,907
Total	<u>\$ 5,864,492</u>

Of the \$ 5,901,490 listed above, \$ 2,246,879 is classified as restricted assets for Debt Service.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Included in the above, the District has the following investments:

Investment in Municipal Investment Fund – The Municipal Investment Fund (MIF) is an external investment pool operated by a bank as trustee. MIF units are currently bought and sold at \$1.00 per share which is not guaranteed. MIF units are uninsured and uncollateralized.

Interest Rate Risk - The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The district has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The district places no limit on the amount the district may invest in any one issuer. More than five percent of the district's investments are in the Federal National Mortgage Association bonds, Federal Home Loan Mortgage Bonds and Municipal Investment Fund accounts. These investments are 17.10%, 13.66% and 54.50%, respectively, of the district's total investments.

Custodial Credit Risk - Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2010, the District had \$ 1,804,429 in investments held at the Bank of New York. Also, the District had \$ 4,055,529 in cash and savings with various banks.

Foreign Currency Risk – The District is not authorized to invest in investments which have this type of risk.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Note 4 – Due From Other Governmental Units:

A detail of the amounts due from other government units at June 30, 2010 is as follows:

General Fund -

State of Michigan -

Department of Education

Proposition A obligation	\$ 4,681,694
At Risk grant	220,676
Michigan school readiness	59,372
Special education headlee obligation	40,161
Discretionary payment	1,182,718
Bilingual education	1,775
Adult education participants	89,825
Vocational education added costs	21,320
Child care food program – meal reimbursement	6,096
Child care food program – cash in lieu of commodities	375
Title III	18,848
Title I - Part A	421,470
American Recovery and Reinvestment Act	187,784
Title II – Part A	121,020
Title I – Part D	26,545
Title I – ARRA	39,750
Title II – Part D Teacher quality ARRA	10,800

Total due from Department of
Education \$ 7,130,229

County of Oakland -

Head Start Oakland-Livingston \$ 27,104

Total due from County of Oakland \$ 27,104

Other school districts -

Dearborn School District	\$ 9,990
Grand Ledge School District	250
Novi School District	4,000
Ypsilanti School District	160

Total due from other school districts \$ 14,400

Oakland Intermediate School District -

Title VI - Preschool incentive	\$ 40,814
I.D.E.A. flowthrough	427,172
Vocational education	124,522
Use of space	600

Total due from Oakland Intermediate
School District \$ 593,108

Total General Fund \$ 7,764,841

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Due from Other Governmental Units (continued)

School Service Fund -

State of Michigan -

Department of Education

School Lunch Section 31D	\$ 10,546
Section 11 (Free and reduced lunches)	42,144
National School Breakfast Program	<u>10,189</u>

Total due from Department of Education \$ 62,879

Total School Service \$ 62,879

Total due from other governmental units \$ 7,827,720

Note 5 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2010, the School District did not have any deferred revenue.

Note 6 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2009	Additions	Disposals and Adjustments	Impairment	Balance June 30, 2010
Assets not being depreciated - Land	\$ 180,000	\$ -	\$ -	\$ -	\$ 180,000
Capital assets being depreciated:					
Building and building improvements	65,114,646	-	-	-	65,114,646
Furniture and equipment	10,714,251	6,850	1,885,061	-	8,836,040
Vehicles other than buses	75,359	-	-	-	75,359
Buses	<u>382,336</u>	<u>-</u>	<u>57,125</u>	<u>-</u>	<u>325,211</u>
Subtotal	76,286,592	6,850	1,942,186	-	74,351,256
Accumulated depreciation:					
Building and building improvements	11,067,257	1,683,775	-	-	12,751,032
Furniture and equipment	7,813,760	522,288	1,885,061	-	6,450,987
Vehicles other than buses	55,899	10,766	-	-	66,665
Buses	<u>67,300</u>	<u>137,168</u>	<u>57,125</u>	<u>-</u>	<u>147,343</u>
Subtotal	<u>19,004,216</u>	<u>2,353,997</u>	<u>1,942,186</u>	<u>-</u>	<u>19,416,027</u>
Net capital assets being depreciated	<u>57,282,376</u>	<u>(2,347,147)</u>	<u>-</u>	<u>-</u>	<u>54,935,229</u>
Net capital assets	<u>\$ 57,462,376</u>	<u>\$ (2,347,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,115,229</u>

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Depreciation expense was charged to activities of the School District (primary government) as follows:

Governmental activities:

Instruction	\$ 2,021,660
Support services	268,663
Community services	2,777
Food services	25,016
Athletics	32,098
Child care	<u>3,783</u>
Total governmental activities	<u>\$ 2,353,997</u>

Asset Impairment

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impaired capital assets that will no longer be used are reported at the lower or carrying value or fair value. The fair values of School District buildings identified for closure were estimated and the book values were adjusted if the fair value was lower than the net book value.

There was no Impairment expense charged to activities of the School District for the 2009-2010 school year.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Note 7 – Interfund Receivables, Payables and Transfers

Individual interfund receivable and payable balances at June 30, 2010, are summarized below:

	2010	
	Interfund Receivable	Interfund Payable
Major funds		
General Fund	\$ 103,903	\$ 4,235
Nonmajor funds		
Debt Retirement Funds		
Common debt	23,400	-
General debt	-	23,400
School Services Funds		
Athletics	4,235	-
Child Care	-	20,966
Driver Testing	-	2,493
Food services	-	69,006
Fiduciary Funds		
Trust and Agency Funds		
Giese-Ward	-	1,435
Holiday food basket	-	10,003
Total	<u>\$ 131,538</u>	<u>\$ 131,538</u>

The outstanding balances between funds results mainly from the time lag between the dates that interfund goods and services are provided, reimbursable expenditures occur, the transactions are recorded in the accounting system, and payments or transfers between funds are made.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Individual interfund transfers during the year ending June 30, 2010, are summarized as follows:

	<u>2010</u>	
	<u>Incoming Transfers</u>	<u>Outgoing Transfers</u>
Major funds		
General Fund	\$ 52,851	\$ 810,286
Nonmajor funds		
Debt Retirement Funds		
2002 QZAB bond	99,359	-
2003 QZAB bond	147,463	-
School Services Funds		
Athletics	563,464	-
Child Care	-	31,862
Driver Testing	-	2,493
Food services	-	18,496
	<u> </u>	<u> </u>
Total	<u>\$ 863,137</u>	<u>\$ 863,137</u>

The General Fund transfers to the School Service Funds were used to subsidize the operations and cover certain cost to run the programs. The General Fund transfers to Debt Retirement Funds were used to fund the required sinking fund obligations for the QZAB debts. The transfers from the School Service Funds to the General Fund were used to cover indirect costs for the current year paid by the General Fund and offset prior year's transfers to cover cost to run the programs.

Note 8 - Short-term Debt

The School District participates in the Michigan Municipal Bond Authority short-term borrowings program. The borrowing provides the cash flow requirements of the District resulting from the current state aid payment schedule established by the legislature.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
State Aid Note	\$6,750,000	\$ 8,250,000	\$ 8,550,000	\$ 6,450,000

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Note 9 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, termination benefits, arbitrage rebates, and certain risk liabilities. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General Fund obligations					
Qualified Zone Academy Bond -					
2002 Energy Conservation Bond	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -
2003 Energy Conservation Bond	3,000,000	-	-	3,000,000	-
Common Debt obligations					
1998 School Improvement Bond	1,204,067	-	131,257	1,072,810	137,509
2002 School Building and Site Bonds	46,650,000	-	1,450,000	45,200,000	1,525,000
2004 Refunding Bonds	465,000	-	465,000	-	-
Total bonds payable	53,319,067	-	2,046,257	51,272,810	1,662,509
Notes payable					
Common Debt obligations					
School Bond Loan Fund	8,334,244	1,105,604	-	9,439,848	-
Total notes payable	8,334,244	1,105,604	-	9,439,848	-
Other obligations					
General Fund obligations					
Early Retirement Incentive	72,000	-	72,000	-	-
Severance Incentive	-	1,070,000	258,000	812,000	258,000
Compensated absences	3,692,368	46,851	656,474	3,082,745	439,820
Total other obligations	3,764,368	1,116,851	986,474	3,894,745	697,820
Total notes and other obligations	12,098,612	2,222,455	986,474	13,334,593	697,820
Total bonds, notes and other obligations	\$ 65,417,679	\$ 2,222,455	\$ 3,032,731	\$ 64,607,403	\$ 2,360,329

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Annual debt service requirements to maturity for the above (governmental) bond obligations are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
Scheduled Debt:			
2011	1,662,509	2,280,591	3,943,100
2012	2,359,396	2,461,598	4,820,994
2013	1,775,905	2,112,185	3,888,090
2014	1,675,000	2,023,750	3,698,750
2015	1,725,000	2,245,624	3,970,624
2016-2020	14,375,000	8,356,250	22,731,250
2021-2025	10,625,000	5,887,500	16,512,500
2026-2030	11,925,000	3,105,000	15,030,000
2031-2032	5,150,000	387,500	5,537,500
	<u>51,272,810</u>	<u>28,859,998</u>	<u>80,132,808</u>
Unscheduled Debt:			
School Bond			
Loan Fund	9,439,848	-	9,439,848
Severance			
Incentive	812,000	-	812,000
Compensated			
Absences	3,082,745	-	3,082,745
	<u>13,334,593</u>	<u>-</u>	<u>13,334,593</u>
Total	<u>\$ 64,607,403</u>	<u>\$ 28,859,998</u>	<u>\$ 93,467,401</u>

Long-term debt payable at June 30, 2010 is comprised of the following:

1998 School Improvement Bond: \$2,251,393 issue of bonds due in annual installments of \$137,509 to \$784,396 through May 15, 2013; interest at 4.76 percent; the bonds are not subject to redemption prior to maturity. This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g (3) of Act 94 to the School District. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest solely from such State Aid payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid payments directly to the Authority's depository.

School District of the City of Hazel Park

Notes to Financial Statements (continued)

June 30, 2010

2002 School Building and Site Bond (general obligation unlimited tax): \$54,400,000 issue of bonds due in annual installments of \$1,525,000 to \$2,600,000 through May 1, 2032, interest at five percent. The bond is callable in any order for bonds maturing in the year 2013 and thereafter at par plus accrued interest.

2004 Refunding Bond (general obligation unlimited tax): \$ 2,980,000 issue of bonds due in annual installments through May 1, 2010. The bond is not subject to redemption prior to maturity. The district has paid this bond off in full in April of 2010.

Qualified Zone Academy Bond – 2002 Energy Conservation Series (general obligation limited tax): \$ 2,000,000 issue with a maturity of \$ 2,000,000 on November 11, 2017. This bond qualifies under Section 1397E (d) (4) of the Internal Revenue Code of 1986 and have a zero interest rate. The bond is not subject to redemption prior to maturity.

Qualified Zone Academy Bond – 2003 Energy Conservation Series (general obligation limited tax): \$ 3,000,000 issue with a maturity of \$ 3,000,000 on July 15, 2018. This bond qualifies under Section 1397E (d) (4) of the Internal Revenue Code of 1986 and has a zero interest rate. The bond is not subject to redemption prior to maturity.

School Bond Loan Fund: \$ 9,439,848 outstanding loan to the School Bond Loan Fund. The school district participates in the School Bond Loan Fund which lends an amount sufficient to enable the district to pay principal and interest requirements on its outstanding qualified bonds if a minimum levy of 7.00 mills is levied by the school district. When the 7.00 mill tax levy exceeds the annual debt service obligation, the district will continue to levy 7 mills and use the excess property tax revenues to pay back the School Bond Loan Fund. Once the district has paid back the School Bond Loan Fund completely, the district's tax levy will be reduced to a millage rate that will produce property tax revenues to meet its annual debt service requirements. It is estimated that the school district will continue to borrow from the School Bond Loan fund until 2018, at which time the school district will start paying back the estimated \$12 million it will have borrowed, plus accrued interest. The interest rate at which the School Bond Loan Fund is lending money to the district varies depending on current market conditions and is currently 4.5%.

Severance Incentive: During the 2009/2010 school year, a severance incentive was offered to employee groups in an effort to reduce staff and employee costs. Employees could receive up to \$ 50,000.

The severance payments are to be paid to employees in three to five annual installments starting in July 2010.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Compensated absences: The school district allows various employee groups' members to accumulate unused sick time. With conditions set per various employee master agreements, employees may be eligible for a payout on their accumulated sick time according to the formula in their master agreement at the time of death or retirement. The current estimated value of the accumulated days plus applicable payroll taxes is \$ 3,082,745 for employees that meet the eligibility guidelines.

Interest expenditures for all bonded long-term debt in governmental funds for the year ended June 30, 2010 total \$ 2,371,090 .

The amount available in the debt retirement funds as of June 30, 2010 was \$ 2,246,879 .

All required debt obligations were met as they became due during the current fiscal year.

Note 10 - Risk Management

The School District is exposed to various risks of losses related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District manages its property and casualty risk through participation in the MASB-SEG Property/Casualty Pool, Inc. (the Pool). As a member, the School District's contributions are combined with other members to provide coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent reserves are available for distribution to the members or credit toward future member contributions, as determined by the Pool's Board of Directors. Alternatively, the Pool's Board of Directors may increase liability limits and offer additional services to members.

The School District manages workers' compensation cost through participation in the Middle Cities Workers' Compensation Fund (the Fund). Premiums from participant members in each fund year are combined to provide all members with coverage for claims. The premiums and interest earned thereon are used to pay claims, administrative expenses and to purchase reinsurance. Distribution to participants each year may be made only from the members' surplus of that fund year, subject to approval by the State Insurance Bureau. In the event of a deficit in a fund year, assessments could be made against participants of that year. The Fund currently fully funds the loss fund to protect members from additional assessments in any fund year.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Note 11 - Defined Benefit Pension Plan and Post Employment Benefits

Plan Description - The School District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple employers, state-wide, defined benefit public employee retirement plan administered by the State of Michigan that covers substantially all employees of the School District. MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. MPERS also includes a health care fund to provide post-employment health care benefits. Under the Public School Employees Retirement Act, all retirees have the option of continuing health, dental and vision coverage. The State of Michigan issues a publicly available financial report that includes the financial statements and required supplementary information for MPERS. That report may be obtained by writing to the Office of Retirement Systems, Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103, or by calling 517-322-5103.

Funding Policy – The employer contribution rate was 9.73 percent of covered payroll for the period from July 1, 2009 through September 30, 2009 and 10.13 percent for the period from October 1, 2009 through June 30, 2010. Plan employee members are either members under the Basic Plan, wherein no employee contributions are required, or the Member Investment Plan (MIP), wherein employees contribute a fixed percentage of their compensation to the MPERS, ranging from 3.0 to 6.4 percent. Retirees who have elected to continue health, dental and vision coverage contribute a portion of the monthly premium amount. In connection with implementing the effects of the School Finance Reform Act, the plan changed the required employer contributions. Currently, each employer member is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. In prior years, each employer member contributed 5.0 percent of gross wages. The contribution requirements of plan members and the School District of the City of Hazel Park are established by state statute and may be amended only by action of the state legislature. The School District's contributions required to fund the pension paid to MPERS for the years ending June 30, 2010, 2009 and 2008 were \$ 3,075,773, \$ 2,842,502 and \$ 3,259,822, respectively. All payments were equal to the amounts required.

Post Employment Benefits - Under the MPERS Act, all eligible retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision insurance coverage. Retirees continuing insurance coverage, contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2009 through September 30, 2009 and 6.81 percent for the period from October 1, 2009 through June 30, 2010. The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2010, 2009 and 2008 were \$ 2,152,725, \$ 1,903,386 and \$ 1,908,118, respectively.

School District of the City of Hazel Park

Notes to Financial Statements (continued) June 30, 2010

Note 12 - Leases

The School District is also leasing certain office equipment under various lease agreements. The leases call for payments ranging from \$ 93 to \$ 473 per month and expire at various times through November 2014. The leases are being classified as operating leases. There are also building leases with monthly payments of \$ 6,300 per month ending September 2011.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010:

<u>Year ending June 30</u>	<u>Amounts</u>
2011	\$ 108,837
2012	32,855
2013	16,720
2014	11,674
2015	<u>2,885</u>
Total	<u>\$ 172,971</u>

Rental expenditures for all operating leases with terms in excess of a year totaled \$ 114,479 for the year ended June 30, 2010.

Note 13 – DDA and TIFA Property Taxes

The City of Hazel Park has created a Downtown Development Authority (DDA) and a Tax Increment Financing Authority (TIFA) to fund projects to improve certain areas within the city. Property taxes collected on growth and development in certain areas since the implementation of these programs, which would be otherwise due to the School District, are retained by the respective taxing authorities.

During the 2009/2010 fiscal year, the City of Hazel Park Downtown Development Authority retained captured taxes; however, the amounts captured were not available.

Note 14 – Contingent Liabilities, Litigation and Appeals

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2010.

School District of the City of Hazel Park

Notes to Financial Statements (continued)
June 30, 2010

Note 14 – Contingent Liabilities, Litigation and Appeals (continued)

Throughout the course of the School District's normal operations, it is involved with various asserted and unasserted claims, including claims for property tax refunds, assessments, and legal proceedings. Management estimates that the potential claims against the School District not covered by insurance resulting from such litigation, claims and assessments would not materially affect the operations or financial condition of the School District.

Note 15 – Subsequent Events

For the purpose of the financial statements, subsequent events have been evaluated through February 11, 2011 which is the date that these financial statements were available to be issued.

In September, 2010, the School District issued 2010 Energy Conservation Improvement Bonds. The bond proceeds totaled \$ 3,293,071.

School District of the City of Hazel Park

Required Supplemental Information Budgetary Comparison Schedule General Fund For the year ending June 30, 2010

	2010				2009
	Budget		Actual	Variance favorable (unfavorable)	Actual
	Original	Final			
Revenue					
Local	\$ 3,035,750	\$ 3,250,700	\$ 4,169,698	\$ 918,998	\$ 3,817,363
State	38,304,411	37,817,242	38,000,325	183,083	37,743,939
Federal	4,157,280	6,593,225	4,345,680	(2,247,545)	4,551,522
Incoming transfers and other transactions	10,417,155	444,420	2,009,557	1,565,137	8,795,894
Total revenue	<u>\$ 55,914,596</u>	<u>\$ 48,105,587</u>	<u>\$ 48,525,260</u>	<u>\$ 419,673</u>	<u>\$ 54,908,718</u>
Expenditures					
Instruction					
Basic programs	\$ 24,759,480	\$ 25,427,550	\$ 26,755,001	\$ (1,327,451)	24,791,651
Added needs	11,118,230	6,265,500	6,556,055	(290,555)	9,863,789
Adult education	572,700	492,500	431,259	61,241	448,135
Total instruction	36,450,410	32,185,550	33,742,315	(1,556,765)	35,103,575
Support services					
Pupil services	5,084,620	3,152,720	3,103,394	49,326	4,737,931
Instructional services	2,891,200	2,048,250	2,012,176	36,074	2,719,754
General administration	820,620	817,620	941,489	(123,869)	734,080
School administration	2,390,000	2,207,000	2,090,432	116,568	2,186,566
Business services	909,956	886,556	1,004,498	(117,942)	913,619
Operations and maintenance	6,844,000	6,164,000	5,756,825	407,175	6,507,387
Transportation	943,250	422,750	369,369	53,381	785,267
Central services	492,000	400,000	357,900	42,100	405,030
Total support services	20,375,646	16,098,896	15,636,083	462,813	18,989,634
Community services	605,100	498,100	425,837	72,263	480,349
Outgoing transfers and other transactions	1,150,000	700,000	810,286	(110,286)	928,514
Capital expenditures	122,000	912,000	63,264	848,736	447,045
Total expenditures	<u>58,703,156</u>	<u>50,394,546</u>	<u>50,677,785</u>	<u>(283,239)</u>	<u>55,949,117</u>
Net change in fund balance	(2,788,560)	(2,288,959)	(2,152,525)	136,434	(1,040,399)
Fund balance, beginning	(1,774,492)	(1,774,492)	(1,774,492)	-	(734,093)
Fund balance, ending	<u>\$ (4,563,052)</u>	<u>\$ (4,063,451)</u>	<u>\$ (3,927,017)</u>	<u>\$ 136,434</u>	<u>\$ (1,774,492)</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Revenues, Incoming Transfers and Other Financing Sources – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
REVENUE:					
Local sources -					
Property tax levy	\$ 2,700,000	\$ 3,000,000	\$ 3,570,927	\$ 570,927	\$ 3,052,803
Regular tuition	12,000	57,000	70,066	13,066	24,689
Adult / Alternative education tuition	20,000	-	-	-	18,980
Transportation fees	1,750	500	200	(300)	64,701
Earnings on investments	10,000	3,200	3,623	423	18,761
Dues and fees	200,000	-	15,797	15,797	329,227
Rentals	30,000	85,000	285,076	200,076	248,941
Private sources/contributions	12,000	-	-	-	9,717
Miscellaneous	50,000	105,000	224,009	119,009	49,544
Total local sources	<u>3,035,750</u>	<u>3,250,700</u>	<u>4,169,698</u>	<u>918,998</u>	<u>3,817,363</u>
State sources -					
Unrestricted revenues -					
Proposition A Obligation	24,541,045	25,753,391	25,723,381	(30,010)	25,477,393
Discretionary payment	7,903,754	7,590,046	7,031,667	(558,379)	6,323,750
LEA Proration		<u>(1,394,512)</u>	<u>(780,406)</u>	<u>614,106</u>	<u>-</u>
Total unrestricted revenues	<u>32,444,799</u>	<u>31,948,925</u>	<u>31,974,642</u>	<u>25,717</u>	<u>31,801,143</u>
Restricted revenues -					
Headlee obligation	\$ 3,641,198	\$ 3,746,153	\$ 3,911,655	\$ 165,502	\$ 3,746,153
At Risk	1,250,000	1,222,616	1,220,854	(1,762)	1,239,419
Michigan school readiness	325,000	326,400	326,400	-	326,400
Bilingual education	-	9,758	9,758	-	9,268
Adult education -					
Participants	475,000	444,781	455,352	10,571	475,701
Vocational education -					
Added cost	134,414	117,209	100,264	(16,945)	129,985
Total restricted revenues from state sources	<u>5,825,612</u>	<u>5,866,917</u>	<u>6,024,283</u>	<u>157,366</u>	<u>5,926,926</u>
Unrestricted revenues received through another Michigan public school					
MiBLISI - Supplemental	34,000	1,400	1,400	-	15,870
Total unrestricted revenues received through another Michigan public school	<u>34,000</u>	<u>1,400</u>	<u>1,400</u>	<u>-</u>	<u>15,870</u>
Total state sources	<u>38,304,411</u>	<u>37,817,242</u>	<u>38,000,325</u>	<u>183,083</u>	<u>37,743,939</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Revenues, Incoming Transfers and Other Financing Sources – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Federal sources -					
Unrestricted federal revenues received through the state					
American Recovery and Reinvestment Act	-	1,394,512	1,394,512	-	1,849,286
Total restricted federal revenues received directly from the federal government	-	1,394,512	1,394,512	-	1,849,286
Restricted federal revenues received directly from the federal government -					
Indian education	103,000	102,781	102,781	-	104,116
Total restricted federal revenues received directly from the federal government	103,000	102,781	102,781	-	104,116
Restricted federal revenues received through the state -					
Title IV - Safe and Drug Free Schools	25,000	-	-	-	21,849
Drug free schools and community Child care food program -	4,727	-	-	-	-
Meal reimbursement	20,000	27,500	29,153	1,653	29,424
Cash in lieu of commodities	1,500	2,000	6,538	4,538	1,994
Title I - ARRA	-	446,750	430,991	(15,759)	-
Title I - Part A	1,446,750	975,249	878,074	(97,175)	994,709
Title I - Part A - Carryover	-	-	-	-	8,807
Title I - Part D	78,400	113,228	63,789	(49,439)	39,804
Title I - Part D - ARRA	-	70,000	39,750	(30,250)	-
E.C.I.A. Chapter II - substitute teachers	19,157	-	-	-	3,727
Title II Part A Technical Training	305,325	369,818	268,641	(101,177)	221,304
E.S.E.A. Title VI - Innovative Education Program Strategies	-	-	1,028	1,028	1,550
Title III - Limited English	19,333	693	18,848	18,155	22,744
Title VI-B Preschool incentive	60,000	40,814	58,315	17,501	31,215
Title VI-B I.D.E.A. Flowthrough	1,500,000	1,095,454	409,671	(685,783)	656,102
Flowthrough - ARRA	-	1,318,345	-	(1,318,345)	-
Preschool Incentive - ARRA	-	50,755	-	(50,755)	-
Technology literacy challenge grant	5,000	-	11,471	11,471	4,648
Adult basic education -					
Section 354	-	30,000	30,000	-	30,000
English literacy/civics	23,870	23,000	23,870	870	21,700
Section 306 Instruction	55,000	50,000	50,000	-	50,000
Workers in the 21st Century	-	-	-	-	5,200
State Administration	-	-	-	-	3,194
Special Projects	3,000	4,775	4,775	-	-
Even Start	194,667	185,000	230,679	45,679	160,655
Total restricted federal revenues received through the state	3,761,729	4,803,381	2,555,593	(2,247,788)	2,308,626

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Revenues, Incoming Transfers and Other Financing Sources – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Restricted federal revenues received through an intermediate source -					
Headstart	290,051	290,051	292,794	2,743	289,494
Medicaid transportation	2,500	2,500	-	(2,500)	-
Total restricted federal revenues received through an intermediate source	<u>292,551</u>	<u>292,551</u>	<u>292,794</u>	<u>243</u>	<u>289,494</u>
Total federal sources	<u>4,157,280</u>	<u>6,593,225</u>	<u>4,345,680</u>	<u>(2,247,545)</u>	<u>4,551,522</u>
INCOMING TRANSFERS AND OTHER FINANCING SOURCES:					
Incoming transfers -					
Transportation	89,652	90,000	163,987	73,987	-
County vocational education	86,003	167,920	180,983	13,063	43,473
Tuition received from local school districts	-	-	-	-	49,307
P.A. 18 allocation	3,100,000	-	1,611,736	1,611,736	7,523,121
County center programs	6,100,000	-	-	-	869,507
County use of space	186,500	186,500	-	(186,500)	186,500
County staff addition	255,000	-	-	-	-
County SXI construction	-	-	-	-	16,488
Transfers from other funds	-	-	52,851	52,851	44,731
Payments from schools	-	-	-	-	27,402
Total incoming transfers	<u>9,817,155</u>	<u>444,420</u>	<u>2,009,557</u>	<u>1,565,137</u>	<u>8,760,529</u>
Other financing sources -					
Material prior year adjustments	400,000	-	-	-	(81,436)
Other prior year adjustments	100,000	-	-	-	29,128
Insurance proceeds	-	-	-	-	112
Taxes previously written off	25,000	-	-	-	86,035
QZAB bonds	75,000	-	-	-	-
Sale of property	-	-	-	-	1,526
Total other financing sources	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,365</u>
Total incoming transfers and other financing sources	<u>10,417,155</u>	<u>444,420</u>	<u>2,009,557</u>	<u>1,565,137</u>	<u>8,795,894</u>
TOTAL REVENUES, INCOMING TRANSFERS AND OTHER FINANCING SOURCES	<u>\$ 55,914,596</u>	<u>\$ 48,105,587</u>	<u>\$ 48,525,260</u>	<u>\$ 419,673</u>	<u>\$ 54,908,718</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
EXPENDITURES:					
Instruction -					
Basic instruction -					
Elementary schools -					
Salaries	\$ 4,700,000	\$ 4,450,000	\$ 4,434,699	\$ 15,301	\$ 4,611,141
Employee benefits	2,300,000	2,250,000	2,744,857	(494,857)	2,089,798
Purchased services	60,000	60,000	94,637	(34,637)	72,386
Repairs and rentals	37,800	39,000	28,155	10,845	27,401
Supplies and materials	85,000	93,000	97,828	(4,828)	112,301
Other expenses	2,230	10,000	277	9,723	357
Total elementary schools	<u>7,185,030</u>	<u>6,902,000</u>	<u>7,400,453</u>	<u>(498,453)</u>	<u>6,913,384</u>
Middle/Junior high schools -					
Salaries	2,900,000	2,900,000	2,936,229	(36,229)	2,946,119
Employee benefits	1,500,000	1,500,000	1,602,253	(102,253)	1,411,803
Purchased services	35,000	35,000	42,247	(7,247)	39,182
Repairs and rentals	35,000	30,000	29,666	334	24,178
Supplies and materials	180,000	175,000	79,332	95,668	173,536
Other expenses	500	1,000	666	334	1,527
Total middle/junior high schools	<u>4,650,500</u>	<u>4,641,000</u>	<u>4,690,393</u>	<u>(49,393)</u>	<u>4,596,345</u>
High school -					
Salaries	4,500,000	4,500,000	4,482,344	17,656	4,471,349
Employee benefits	2,400,000	2,400,000	2,674,252	(274,252)	1,954,774
Purchased services	5,000,000	6,000,000	6,468,494	(468,494)	5,865,027
Repairs and rentals	140,400	140,000	203,792	(63,792)	123,960
Supplies and materials	180,000	180,000	114,338	65,662	201,838
Other expenses	6,000	6,000	2,855	3,145	6,082
Total high school	<u>12,226,400</u>	<u>13,226,000</u>	<u>13,946,075</u>	<u>(720,075)</u>	<u>12,623,030</u>
Pre-school -					
Salaries	440,000	400,000	412,897	(12,897)	398,366
Employee benefits	135,000	125,000	127,863	(2,863)	120,936
Purchased services	16,000	16,000	22,298	(6,298)	17,141
Repairs and rentals	-	-	-	-	-
Supplies and materials	44,000	55,000	76,644	(21,644)	59,886
Other expenses	1,550	1,550	1,293	258	2,000
Total pre-school	<u>636,550</u>	<u>597,550</u>	<u>640,993</u>	<u>(43,443)</u>	<u>598,329</u>
Summer school					
Salaries	45,000	45,000	58,998	(13,998)	45,095
Employee benefits	12,000	12,000	13,821	(1,821)	10,938
Purchased services	1,000	1,000	-	1,000	750
Supplies and materials	3,000	3,000	4,269	(1,269)	3,657
Other expenses	-	-	-	-	123
Total summer school	<u>61,000</u>	<u>61,000</u>	<u>77,087</u>	<u>(16,087)</u>	<u>60,563</u>
Total basic instruction	<u>24,759,480</u>	<u>25,427,550</u>	<u>26,755,001</u>	<u>(1,327,451)</u>	<u>24,791,651</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Added needs -					
Special education -					
Salaries	5,200,000	2,700,000	2,795,246	(95,246)	5,291,919
Employee benefits	2,450,000	1,300,000	1,193,791	106,209	2,250,861
Purchased services	65,000	55,000	53,378	1,622	72,510
Repairs and rentals	50,000	40,000	-	40,000	49,371
Supplies and materials	100,000	17,500	215,465	(197,965)	123,930
Other expenses	1,600	1,500	500	1,000	1,368
Transfers	1,000,000	-	-	-	-
Total special education	<u>8,866,600</u>	<u>4,114,000</u>	<u>4,258,380</u>	<u>(144,380)</u>	<u>7,789,959</u>
Compensatory education -					
Salaries	950,000	950,000	843,490	106,510	900,765
Employee benefits	420,000	420,000	358,057	61,943	414,384
Purchased services	5,000	5,000	6,159	(1,159)	4,060
Supplies and materials	5,000	5,000	492,717	(487,717)	6,459
Total compensatory education	<u>1,380,000</u>	<u>1,380,000</u>	<u>1,700,424</u>	<u>(320,424)</u>	<u>1,325,668</u>
Vocational education -					
Salaries	525,000	475,000	383,889	91,111	464,844
Employee benefits	300,000	250,000	181,061	68,939	238,876
Purchased services	7,410	7,500	5,670	1,830	7,775
Repairs and rentals	1,720	1,500	1,536	(36)	1,301
Supplies and materials	37,500	37,500	22,854	14,646	35,366
Other expenses	-	-	2,240	(2,240)	-
Total vocational education	<u>871,630</u>	<u>771,500</u>	<u>597,251</u>	<u>174,249</u>	<u>748,162</u>
Total added needs	<u>11,118,230</u>	<u>6,265,500</u>	<u>6,556,055</u>	<u>(290,555)</u>	<u>9,863,789</u>
Adult continuing education -					
Adult education -					
basic programs -					
Salaries	155,000	155,000	152,788	2,212	155,122
Employee benefits	62,500	62,500	56,929	5,571	59,460
Purchased services	4,000	4,000	1,659	2,341	4,050
Repairs and rentals	-	-	-	-	5,280
Supplies and materials	4,000	4,000	283	3,717	2,813
Other expenses	1,000	1,000	1,600	(600)	750
Total adult education- basic programs	<u>226,500</u>	<u>226,500</u>	<u>213,260</u>	<u>13,240</u>	<u>227,475</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund

Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Adult education - secondary programs -					
Salaries	200,000	150,000	113,741	36,259	120,375
Employee benefits	85,000	60,000	39,852	20,148	45,751
Purchased services	10,000	10,000	1,519	8,481	9,049
Repairs and rentals	35,000	30,000	55,460	(25,460)	30,659
Supplies and materials	9,000	9,000	6,076	2,924	8,540
Other expenses	7,000	7,000	1,351	5,649	6,286
Total adult education- secondary programs	<u>346,000</u>	<u>266,000</u>	<u>217,999</u>	<u>48,001</u>	<u>220,660</u>
Adult education - alternative programs -					
Other expense	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adult education- secondary vocational	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adult continuing education -	<u>572,700</u>	<u>492,500</u>	<u>431,259</u>	<u>61,241</u>	<u>448,135</u>
Total instruction	<u>36,450,410</u>	<u>32,185,550</u>	<u>33,742,315</u>	<u>(1,556,765)</u>	<u>35,103,575</u>
Support Services - Pupil services -					
Attendance services -					
Salaries	105,000	96,000	98,023	(2,023)	83,442
Employee benefits	70,000	73,000	76,499	(3,499)	56,656
Purchased services	400	500	240	260	863
Repairs and rentals	-	-	-	-	-
Supplies and materials	600	300	151	149	225
Total attendance services	<u>176,000</u>	<u>169,800</u>	<u>174,913</u>	<u>(5,113)</u>	<u>141,186</u>
Guidance services -					
Salaries	725,000	700,000	644,914	55,086	701,986
Employee benefits	385,000	340,000	286,127	53,873	332,265
Purchased services	1,100	16,000	19,047	(3,047)	13,241
Repairs and rentals	650	650	614	36	645
Supplies and materials	14,500	14,500	10,847	3,653	15,618
Other expenses	70	70	120	(50)	78
Total guidance services	<u>1,126,320</u>	<u>1,071,220</u>	<u>961,669</u>	<u>109,551</u>	<u>1,063,833</u>
Health services -					
Salaries	175,000	36,000	98,359	(62,359)	151,653
Employee benefits	70,000	12,500	32,695	(20,195)	55,150
Purchased services	200,000	117,500	54,324	63,176	245,386
Repairs and Rentals	-	-	-	-	-
Supplies and materials	7,000	5,000	280	4,720	6,766
Total health services	<u>452,000</u>	<u>171,000</u>	<u>185,658</u>	<u>(14,658)</u>	<u>458,955</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Psychological services -					
Salaries	750,000	425,000	465,101	(40,101)	762,294
Employee benefits	400,000	210,000	208,092	1,908	371,293
Purchased services	30,000	10,000	170	9,830	1,303
Repairs and rentals	200	200	170	30	140
Supplies and materials	10,000	10,000	5,891	4,109	8,655
Total psychological services	<u>1,190,200</u>	<u>655,200</u>	<u>679,424</u>	<u>(24,224)</u>	<u>1,143,685</u>
Speech pathology and audiology services -					
Salaries	525,000	275,000	291,839	(16,839)	398,688
Employee benefits	255,000	125,000	128,394	(3,394)	178,832
Purchased services	30,000	20,000	26	19,974	32,979
Supplies and materials	2,000	2,000	2,468	(468)	1,163
Total speech pathology and audiology services	<u>812,000</u>	<u>422,000</u>	<u>422,727</u>	<u>(727)</u>	<u>611,662</u>
Social work services -					
Salaries	280,000	123,000	153,618	(30,618)	279,365
Employee benefits	155,000	80,500	80,960	(460)	138,505
Purchased services	25,000	25,000	33,302	(8,302)	29,129
Supplies and materials	500	500	5,203	(4,703)	205
Total social work services	<u>460,500</u>	<u>229,000</u>	<u>273,083</u>	<u>(44,083)</u>	<u>447,204</u>
Teacher consultants -					
Salaries	165,000	100,000	90,319	9,681	167,236
Employee benefits	85,000	37,900	37,581	319	73,396
Purchased services	100	100	-	100	10
Supplies and materials	500	500	-	500	987
Total teacher consultants	<u>250,600</u>	<u>138,500</u>	<u>127,900</u>	<u>10,600</u>	<u>241,629</u>
Other pupil services -					
Salaries	440,000	200,000	216,183	(16,183)	466,318
Employee benefits	175,000	94,000	61,763	32,237	161,554
Purchased services	2,000	2,000	74	1,926	1,905
Total other pupil services	<u>617,000</u>	<u>296,000</u>	<u>278,020</u>	<u>17,980</u>	<u>629,777</u>
Total pupil services	<u>5,084,620</u>	<u>3,152,720</u>	<u>3,103,394</u>	<u>49,326</u>	<u>4,737,931</u>
Instructional staff services -					
Improvement of instruction -					
Salaries	37,500	37,500	1,110	36,390	26,819
Employee benefits	10,000	10,000	248	9,752	6,225
Purchased services	55,000	40,000	70,230	(30,230)	58,720
Repairs and rentals	1,500	1,500	2,947	(1,447)	1,480
Supplies and materials	3,500	3,500	3,049	451	3,810
Other expenses	4,000	4,000	82,035	(78,035)	3,850
Total improvement of instruction	<u>111,500</u>	<u>96,500</u>	<u>159,619</u>	<u>(63,119)</u>	<u>100,904</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Library -					
Salaries	500,000	450,000	441,143	8,857	494,919
Employee benefits	270,000	235,000	206,426	28,574	235,340
Purchased Services	250	250	879	(629)	3,044
Repairs and rentals	700	700	741	(41)	765
Supplies and materials	9,000	9,000	4,520	4,480	8,794
Other expenses	-	-	-	-	60
Total library	<u>779,950</u>	<u>694,950</u>	<u>653,709</u>	<u>41,241</u>	<u>742,922</u>
Audio visual -					
Supplies and materials	1,000	-	-	-	-
Total audio visual	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Computer assisted instruction -					
Supplies and materials	-	-	12,816	(12,816)	1,002
Total computer assisted instruction	<u>-</u>	<u>-</u>	<u>12,816</u>	<u>(12,816)</u>	<u>1,002</u>
Instructional staff services					
Supervision and direction of instructional staff -					
Salaries	1,200,000	600,000	738,196	(138,196)	984,345
Employee benefits	625,000	350,000	418,739	(68,739)	483,568
Purchased services	150,000	300,000	22,871	277,129	396,335
Repairs and rentals	3,000	3,000	840	2,160	2,841
Supplies and materials	7,000	2,000	2,856	(856)	5,786
Other expenses	2,000	1,800	2,530	(730)	2,051
Total supervision and direction of instructional staff	<u>1,987,000</u>	<u>1,256,800</u>	<u>1,186,032</u>	<u>70,768</u>	<u>1,874,926</u>
Curriculum advisory council -					
Salaries	5,000	-	-	-	-
Employee benefits	1,250	-	-	-	-
Supplies and Materials	5,500	-	-	-	-
Total curriculum advisory council	<u>11,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total instructional staff services	<u>2,891,200</u>	<u>2,048,250</u>	<u>2,012,176</u>	<u>36,074</u>	<u>2,719,754</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
General administration -					
Board of education -					
Salaries	2,200	2,200	8,100	(5,900)	2,100
Employee benefits	20	20	-	20	108,212
Purchased services	140,000	125,000	127,851	(2,851)	14,720
Repairs and rentals	-	-	11,539	(11,539)	-
Supplies and materials	1,000	1,000	1,364	(364)	990
Other expenses	4,000	4,000	4,530	(530)	4,387
Total board of education	<u>147,220</u>	<u>132,220</u>	<u>153,384</u>	<u>(21,164)</u>	<u>130,409</u>
Executive administration -					
Salaries	400,000	450,000	458,177	(8,177)	385,126
Employee benefits	220,000	170,000	142,668	27,332	156,967
Purchased services	10,000	40,000	116,860	(76,860)	7,515
Repairs and rentals	400	400	90	310	-
Supplies and materials	6,000	5,000	2,917	2,083	4,721
Other expenses	37,000	20,000	67,393	(47,393)	49,342
Total executive administration	<u>673,400</u>	<u>685,400</u>	<u>788,105</u>	<u>(102,705)</u>	<u>603,671</u>
Total general administration	<u>820,620</u>	<u>817,620</u>	<u>941,489</u>	<u>(123,869)</u>	<u>734,080</u>
School administration -					
Office of the principal -					
Salaries	1,500,000	1,430,000	1,354,544	75,456	1,468,326
Employee benefits	800,000	600,000	603,773	(3,773)	607,738
Purchased services	15,000	85,000	59,557	25,443	14,468
Repairs and rentals	40,000	65,000	52,068	12,932	59,548
Supplies and materials	28,000	20,000	13,509	6,491	29,159
Other expenses	7,000	7,000	6,981	19	7,327
Total office of the principal	<u>2,390,000</u>	<u>2,207,000</u>	<u>2,090,432</u>	<u>116,568</u>	<u>2,186,566</u>
Total school administration	<u>2,390,000</u>	<u>2,207,000</u>	<u>2,090,432</u>	<u>116,568</u>	<u>2,186,566</u>
Business services -					
Fiscal services -					
Salaries	330,000	330,000	319,039	10,961	310,221
Employee benefits	175,000	130,000	154,470	(24,470)	178,780
Purchased services	150,000	110,000	120,873	(10,873)	116,455
Repairs and rentals	9,100	22,000	16,121	5,879	9,100
Supplies and materials	8,000	13,500	9,920	3,580	8,958
Other expenses	3,200	46,400	46,603	(203)	4,706
Total fiscal services	<u>675,300</u>	<u>651,900</u>	<u>667,026</u>	<u>(15,126)</u>	<u>628,220</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Internal services -					
Salaries	20,086	20,086	13,736	6,350	23,267
Employee benefits	5,355	5,355	3,375	1,980	5,463
Purchased services	-	-	-	-	2,092
Supplies and materials	15	15	3,000	(2,985)	-
Other expenses	9,200	9,200	20,530	(11,330)	12,967
Total internal services	<u>34,656</u>	<u>34,656</u>	<u>40,641</u>	<u>(5,985)</u>	<u>43,789</u>
Other business services -					
Purchased services	50,000	50,000	15,980	34,020	40,629
Other expenses	150,000	150,000	280,851	(130,851)	200,981
Total other business services	<u>200,000</u>	<u>200,000</u>	<u>296,831</u>	<u>(96,831)</u>	<u>241,610</u>
Total business services	<u>909,956</u>	<u>886,556</u>	<u>1,004,497</u>	<u>(117,941)</u>	<u>913,619</u>
Operations and maintenance -					
Salaries	2,800,000	2,600,000	2,667,550	(67,550)	2,979,221
Employee benefits	2,300,000	1,750,000	1,457,189	292,811	1,688,925
Purchased services	300,000	280,000	172,096	107,904	305,142
Repairs and rentals	90,000	130,000	90,007	39,993	84,559
Supplies and materials	1,350,000	1,350,000	1,325,399	24,601	1,445,694
Other expenses	4,000	4,000	1,477	2,523	3,846
Total operations and maintenance	<u>6,844,000</u>	<u>6,114,000</u>	<u>5,713,719</u>	<u>400,281</u>	<u>6,507,387</u>
Building security services -					
Salaries	-	40,000	34,447	5,553	-
Employee benefits	-	10,000	8,659	1,341	-
Total building security services	<u>-</u>	<u>50,000</u>	<u>43,106</u>	<u>6,894</u>	<u>-</u>
Pupil transportation services -					
Salaries	450,000	220,000	188,038	31,962	445,002
Employee benefits	400,000	110,000	96,634	13,366	243,424
Purchased services	12,000	5,000	2,145	2,855	9,442
Repairs and rentals	2,500	4,000	1,119	2,881	3,462
Supplies and materials	75,000	80,000	78,373	1,627	80,035
Other expenses	3,750	3,750	3,060	690	3,902
Total pupil transportation services	<u>943,250</u>	<u>422,750</u>	<u>369,369</u>	<u>53,381</u>	<u>785,267</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Central services -					
Planning, research and development					
Salaries	4,000	-	-	-	-
Employee benefits	1,000	-	-	-	-
Purchased services	2,000	9,000	10,000	(1,000)	10,000
Supplies and materials	2,000	-	-	-	316
Total planning, research and development	<u>9,000</u>	<u>9,000</u>	<u>10,000</u>	<u>(1,000)</u>	<u>10,316</u>
Staff Services					
Salaries	17,000	17,000	11,526	5,474	17,770
Employee benefits	11,000	11,000	24,712	(13,712)	11,053
Purchased services	2,500	2,500	3,284	(784)	2,411
Supplies and materials	-	-	1,220	(1,220)	-
Other expenses	2,500	2,500	-	2,500	788
Total staff services	<u>33,000</u>	<u>33,000</u>	<u>40,742</u>	<u>(7,742)</u>	<u>32,022</u>
Data processing services -					
Salaries	250,000	200,000	166,028	33,972	224,516
Employee benefits	115,000	75,000	72,063	2,937	79,753
Purchased services	45,000	45,000	40,996	4,004	32,109
Repairs and rentals	10,000	8,000	7,648	352	2,579
Supplies and materials	20,000	25,000	20,422	4,578	15,342
Other expenses	10,000	5,000	-	5,000	8,393
Total data processing services	<u>450,000</u>	<u>358,000</u>	<u>307,158</u>	<u>50,842</u>	<u>362,692</u>
Total central services	<u>492,000</u>	<u>400,000</u>	<u>357,900</u>	<u>42,100</u>	<u>405,030</u>
Total support services	<u>20,375,646</u>	<u>16,098,896</u>	<u>15,636,083</u>	<u>462,813</u>	<u>18,989,634</u>
Total instruction and support services:	<u>56,826,056</u>	<u>48,334,446</u>	<u>49,378,399</u>	<u>(1,043,953)</u>	<u>54,093,209</u>
Community services -					
Civic activities -					
Salaries	275,000	230,000	219,430	10,570	230,529
Employee benefits	180,000	110,000	84,979	25,021	103,167
Purchased services	8,000	8,000	4,707	3,293	6,878
Repairs and rentals	2,000	2,000	847	1,153	1,913
Supplies and materials	4,000	10,000	12,483	(2,483)	12,774
Other expenses	15,000	20,000	930	19,070	27,758
Total civic activities	<u>484,000</u>	<u>380,000</u>	<u>323,377</u>	<u>56,623</u>	<u>383,019</u>

School District of the City of Hazel Park

Other Supplemental Information General Fund Statement of Expenditures, Outgoing Transfers, Other Financing Uses and Net Change in Fund Balance – Budget and Actual (continued) For the year ending June 30, 2010

	2010			Variance Favorable (Unfavorable)	2009
	Budget		Actual		Actual
	Original	Amended			
Other community services					
Salaries	67,500	67,500	65,004	2,496	59,468
Employee benefits	50,000	45,000	29,931	15,069	30,709
Purchased services	1,500	1,500	800	700	1,426
Repairs and rentals	100	100	1,535	(1,435)	1,799
Supplies and materials	2,000	4,000	5,190	(1,190)	3,928
Total other community services	<u>121,100</u>	<u>118,100</u>	<u>102,460</u>	<u>15,640</u>	<u>97,330</u>
Total community services	<u>605,100</u>	<u>498,100</u>	<u>425,837</u>	<u>72,263</u>	<u>480,349</u>
Capital outlay -					
Instruction	10,000	800,000	46,574	753,426	270,533
Support services	110,000	110,000	16,369	93,631	172,134
Community services	2,000	2,000	321	1,679	4,378
Total capital outlay	<u>122,000</u>	<u>912,000</u>	<u>63,264</u>	<u>848,736</u>	<u>447,045</u>
TOTAL EXPENDITURES	<u>57,553,156</u>	<u>49,694,546</u>	<u>49,867,499</u>	<u>(172,953)</u>	<u>55,020,603</u>
OUTGOING TRANSFERS AND OTHER FINANCING USES:					
Other financing uses -					
Transfers to other funds	\$ 1,150,000	\$ 700,000	\$ 810,286	\$ (110,286)	\$ 924,454
Prior year adjustments	-	-	-	-	4,060
Total other financing uses	<u>1,150,000</u>	<u>700,000</u>	<u>810,286</u>	<u>(110,286)</u>	<u>928,514</u>
Total outgoing transfers and other financing uses	<u>1,150,000</u>	<u>700,000</u>	<u>810,286</u>	<u>(110,286)</u>	<u>928,514</u>
TOTAL EXPENDITURES, OUTGOING TRANSFERS AND OTHER FINANCING USES	<u>58,703,156</u>	<u>50,394,546</u>	<u>50,677,785</u>	<u>(283,239)</u>	<u>55,949,117</u>
EXCESS OF REVENUES, INCOMING TRANSFERS AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES, OUTGOING TRANSFERS AND OTHER FINANCING USES	<u>(2,788,560)</u>	<u>(2,288,959)</u>	<u>(2,152,525)</u>	<u>136,434</u>	<u>(1,040,399)</u>
FUND BALANCE - BEGINNING	<u>(1,774,492)</u>	<u>(1,774,492)</u>	<u>(1,774,492)</u>	<u>-</u>	<u>(734,093)</u>
FUND BALANCE - ENDING	<u>\$ (4,563,052)</u>	<u>\$ (4,063,451)</u>	<u>\$ (3,927,017)</u>	<u>\$ 136,434</u>	<u>\$ (1,774,492)</u>

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds Combining Balance Sheet June 30, 2010

	<u>Capital Projects</u>	<u>Debt Retirement</u>	<u>School Service</u>	<u>Total</u>
ASSETS:				
Cash	\$ -	\$ -	\$ 630,855	\$ 630,855
Savings and investments	466,610	2,246,879	-	2,713,489
Accounts receivable	-	-	60	60
Due from other funds	-	23,400	4,235	27,635
Due from other governmental units	-	-	62,879	62,879
Inventory	-	-	33,120	33,120
Total assets	<u>\$ 466,610</u>	<u>\$ 2,270,279</u>	<u>\$ 731,149</u>	<u>\$ 3,468,038</u>
LIABILITIES AND FUND EQUITY:				
Liabilities -				
Accounts payable	\$ -	\$ -	\$ 19,040	\$ 19,040
Accrued payroll and related liabilities	-	-	587,569	587,569
Due to other funds	-	23,400	92,465	115,865
Total liabilities	<u>-</u>	<u>23,400</u>	<u>699,074</u>	<u>722,474</u>
Fund balances -				
Reserves for debt retirement	-	2,246,879	-	2,246,879
Designated for capital projects	466,610	-	-	466,610
Designated for specific fund purposes	-	-	32,075	32,075
Total liabilities and fund balances	<u>\$ 466,610</u>	<u>\$ 2,270,279</u>	<u>\$ 731,149</u>	<u>\$ 3,468,038</u>

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds Combining Statement of Revenue, Expenditures and Net Change in Fund Balances For the year ending June 30, 2010

	Capital Projects	Debt Retirement	School Service	Total
REVENUE:				
Local sources	\$ 304	\$ 3,174,576	\$ 6,855,467	\$ 10,030,347
State sources	-	158,098	86,181	244,279
Federal sources	-	-	1,023,013	1,023,013
Total Revenue	<u>304</u>	<u>3,332,674</u>	<u>7,964,661</u>	<u>11,297,639</u>
INCOMING TRANSFERS AND OTHER FINANCING SOURCES:				
Incoming transfers	-	246,822	563,464	810,286
Other financing sources	-	1,105,604	-	1,105,604
Total Incoming Transfers and Other Financing Sources	<u>-</u>	<u>1,352,426</u>	<u>563,464</u>	<u>1,915,890</u>
Total Revenue, Incoming Transfers and Other Financing Sources	<u>\$ 304</u>	<u>\$ 4,685,100</u>	<u>\$ 8,528,125</u>	<u>\$ 13,213,529</u>
EXPENDITURES:				
Support Services - Other support services	\$ -	\$ -	\$ 8,327,261	\$ 8,327,261
Capital Outlay	-	-	143,353	143,353
Debt Service - Principal payment	-	2,069,657	-	2,069,657
Interest	-	2,371,090	-	2,371,090
Total Expenditures	<u>-</u>	<u>4,440,747</u>	<u>8,470,614</u>	<u>12,911,361</u>
OUTGOING TRANSFERS AND OTHER FINANCING USES:				
Outgoing transfers	-	-	52,851	52,851
Other financing uses	-	22,988	-	22,988
Total Outgoing Transfers and Other Financing Uses	<u>-</u>	<u>22,988</u>	<u>52,851</u>	<u>75,839</u>
Total Expenditures, Outgoing Transfers and Other Financing Uses	<u>-</u>	<u>4,463,735</u>	<u>8,523,465</u>	<u>12,987,200</u>
NET CHANGE IN FUND BALANCES	304	221,365	4,660	226,329
FUND BALANCE - BEGINNING	<u>466,306</u>	<u>2,025,514</u>	<u>27,416</u>	<u>2,519,236</u>
FUND BALANCE - ENDING	<u>\$ 466,610</u>	<u>\$ 2,246,879</u>	<u>\$ 32,076</u>	<u>\$ 2,745,565</u>

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds – Capital Projects Funds Combining Balance Sheet June 30, 2010

	General Operating	Totals	
		2010	2009
ASSETS:			
Savings and investments	\$ 466,610	\$ 466,610	\$ 466,269
Interest receivable	-	-	37
Due from other government units	-	-	-
Total assets	<u>\$ 466,610</u>	<u>\$ 466,610</u>	<u>\$ 466,306</u>
LIABILITIES AND FUND BALANCES:			
Liabilities -			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-	-
Fund balances -			
Designated for capital projects	<u>466,610</u>	<u>466,610</u>	<u>466,306</u>
Total liabilities and fund balances	<u>\$ 466,610</u>	<u>\$ 466,610</u>	<u>\$ 466,306</u>

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds – Capital Projects Funds Combining Statement of Revenue, Expenditures and Net Change in Fund Balances For the year ending June 30, 2010

	General Operating	Totals	
		2010	2009
REVENUES:			
Local sources -			
Earnings on investments	\$ 304	\$ 304	\$ 4,399
Total local sources	<u>304</u>	<u>304</u>	<u>4,399</u>
Total revenues and other financing sources	<u>\$ 304</u>	<u>\$ 304</u>	<u>\$ 4,399</u>
EXPENDITURES:			
Facility acquisition and construction services	\$ -	\$ -	\$ 13,195
Facility improvement services	-	-	112,004
Other facility acquisition and construction services	<u>-</u>	<u>-</u>	<u>29,128</u>
Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,327</u>
NET CHANGE IN FUND BALANCES	304	304	(149,928)
FUND BALANCE - BEGINNING	<u>466,306</u>	<u>466,306</u>	<u>616,234</u>
FUND BALANCE - ENDING	<u>\$ 466,610</u>	<u>\$ 466,610</u>	<u>\$ 466,306</u>

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds - Debt Retirement Funds Combining Statement of Revenue, Expenditures and Net Change in Fund Balances for the year ending June 30, 2010

	Debt Retirement Fund Obligations	General Fund Obligations	Totals	
			2010	2009
ASSETS:				
Savings and investments	\$ 402,178	\$ 1,844,701	\$ 2,246,879	\$ 2,025,094
Interest receivable	-	-	-	40
Due from other funds	23,400	-	23,400	381
Total assets	\$ 425,578	\$ 1,844,701	\$ 2,270,279	\$ 2,025,515
LIABILITIES AND FUND BALANCES:				
Liabilities -				
Due to other funds	\$ -	\$ 23,400	\$ 23,400	\$ -
Total liabilities	-	23,400	23,400	-
Fund balances -				
R retirement	425,578	1,821,301	2,246,879	2,025,515
Total liabilities and fund balances	\$ 425,578	\$ 1,844,701	\$ 2,270,279	\$ 2,025,515

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds - Debt Retirement Funds Combining Statement of Revenue, Expenditures and Net Change in Fund Balances for the year ending June 30, 2010

	Debt Retirement Fund Obligations	General Fund Obligations	Totals	
			2010	2009
REVENUES:				
Local sources -				
Property tax	\$ 3,088,044	\$ -	\$ 3,088,044	\$ 3,374,454
Other taxes	10,672	-	10,672	20,236
Earnings on investments	2,084	73,776	75,860	80,559
Total local sources	<u>3,100,800</u>	<u>73,776</u>	<u>3,174,576</u>	<u>3,475,249</u>
State sources -				
Durant debt service	158,098	-	158,098	-
Total revenues	<u>3,258,898</u>	<u>73,776</u>	<u>3,332,674</u>	<u>3,475,249</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	-	246,822	246,822	270,221
School bond loan	1,105,604	-	1,105,604	942,017
Prior year tax adjustments	-	-	-	13,737
Total other financing sources	<u>1,105,604</u>	<u>246,822</u>	<u>1,352,426</u>	<u>1,225,975</u>
Total revenues and other financing sources	<u>\$ 4,364,502</u>	<u>\$ 320,598</u>	<u>\$ 4,685,100</u>	<u>\$ 4,701,224</u>
EXPENDITURES:				
Debt service -				
Redemption of principal	\$ 2,046,257	\$ 23,400	\$ 2,069,657	\$ 1,873,400
Interest on bonds	2,371,090	-	2,371,090	2,421,212
Dues and fees	-	-	-	475
Taxes abated and written off	22,988	-	22,988	4,210
Other debt service expenses	-	-	-	696
Total Debt service	<u>4,440,335</u>	<u>23,400</u>	<u>4,463,735</u>	<u>4,299,993</u>
Total expenditures and other financing uses	<u>\$ 4,440,335</u>	<u>\$ 23,400</u>	<u>\$ 4,463,735</u>	<u>\$ 4,299,993</u>
NET CHANGE IN FUND BALANCES	(75,833)	297,198	221,365	401,231
FUND BALANCE - BEGINNING	<u>501,411</u>	<u>1,524,103</u>	<u>2,025,514</u>	<u>1,624,284</u>
FUND BALANCE - ENDING	<u>\$ 425,578</u>	<u>\$ 1,821,301</u>	<u>\$ 2,246,879</u>	<u>\$ 2,025,515</u>

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds - School Service Funds Combining Balance Sheet June 30, 2010

	Spec Ed Fund	Cafeteria Fund	Bookstore Fund	Athletic Fund	Childcare Fund	Driver Testing Fund	Totals	
							2010	2009
ASSETS:								
Cash	\$ 581,634	\$ 540	\$ 11,262	\$ 10,000	\$ 24,926	\$ 2,493	\$ 630,855	\$ 10,000
Savings and investments	-	-	-	-	-	-	-	43,574
Accounts receivable	-	-	60	-	-	-	60	-
Due from other funds	-	-	-	4,235	-	-	4,235	10,121
Due from other governmental units	-	62,879	-	-	-	-	62,879	40,355
Inventory	-	12,367	20,753	-	-	-	33,120	35,225
Total assets	\$ 581,634	\$ 75,786	\$ 32,075	\$ 14,235	\$ 24,926	\$ 2,493	\$ 731,149	\$ 139,275
LIABILITIES AND FUND BALANCES:								
Liabilities -								
Accounts payable	\$ 8,265	\$ 6,780	\$ -	\$ 3,992	\$ 3	\$ -	\$ 19,040	\$ -
Accrued payroll and related liabilities	573,369	-	-	10,243	3,958	-	587,570	20,180
Due to other funds	-	69,005	-	-	20,965	2,493	92,463	91,679
Total liabilities	581,634	75,785	-	14,235	24,926	2,493	699,073	111,859
Fund balances -	-	-	32,075	-	-	-	32,076	27,416
Total liabilities and fund balances	\$ 581,634	\$ 75,785	\$ 32,075	\$ 14,235	\$ 24,926	\$ 2,493	\$ 731,149	\$ 139,275

School District of the City of Hazel Park

Other Supplemental Information Nonmajor Governmental Funds - School Service Funds Combining Statement of Revenue, Expenditures and Net Change in Fund Balances For the year ending June 30, 2010

	Spec Ed Fund	Cafeteria Fund	Bookstore Fund	Athletic Fund	Childcare Fund	Driver Testing Fund	Totals	
							2010	2009
REVENUES:								
Local sources	\$ 6,296,275	\$ 336,490	\$ 6,225	\$ 43,179	\$ 148,008	\$ 25,290	\$ 6,855,467	\$ 675,246
State sources	-	65,935	-	-	20,246	-	86,181	116,860
Federal sources	-	1,016,052	-	-	6,961	-	1,023,013	913,162
Total revenues	6,296,275	1,418,477	6,225	43,179	175,215	25,290	7,964,661	1,705,268
INCOMING TRANSFERS AND OTHER FINANCING SOURCES:								
Operating transfers and other incoming transfers	-	-	-	563,464	-	-	563,464	654,232
Total transfers and other financing sources	-	-	-	563,464	-	-	563,464	654,232
Total revenues, incoming transfers and other financing sources	<u>\$ 6,296,275</u>	<u>\$ 1,418,477</u>	<u>\$ 6,225</u>	<u>\$ 606,643</u>	<u>\$ 175,215</u>	<u>\$ 25,290</u>	<u>\$ 8,528,125</u>	<u>\$ 2,359,500</u>
EXPENDITURES:								
Food service	\$ -	\$ 1,399,981	\$ -	\$ -	\$ -	\$ -	\$ 1,399,981	\$ 1,388,859
Special Education	6,286,704	-	-	-	-	-	6,286,704	-
Bookstore	-	-	1,565	-	-	-	1,565	28
Athletics	-	-	-	606,643	-	-	606,643	700,112
Driver testing	-	-	-	-	-	25,290	25,290	18,969
Custody and care of children	-	-	-	-	175,215	-	175,215	195,978
Capital outlay	9,571	-	-	-	-	-	9,571	5,659
Total expenditures	6,296,275	1,399,981	1,565	606,643	175,215	25,290	8,504,969	2,309,605
OTHER FINANCING USES:								
Operating transfers	-	18,496	-	-	-	-	18,496	44,731
Total expenditures and other financing uses	6,296,275	1,418,477	1,565	606,643	175,215	25,290	8,523,465	2,354,336
NET CHANGE IN FUND BALANCE	-	-	4,660	-	-	-	4,660	5,164
FUND BALANCES -BEGINNING	-	-	27,416	-	-	-	27,416	22,252
FUND BALANCES - ENDING	<u>-</u>	<u>\$ -</u>	<u>\$ 32,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,076</u>	<u>\$ 27,416</u>

School District of the City of Hazel Park

Other Supplemental Information Fiduciary Funds Combining Balance Sheet June 30, 2010

	Student Activities	Giese- Ward Fund	Holiday Food Basket	Camp Hazelwood Preservation	Webb Play- Ground	Totals	
						2010	2009
ASSETS:							
Savings and investments	\$ 725,828	\$ 30,415	\$ 56,631	\$ 2,034	\$ -	\$ 814,908	\$ 663,654
Interest receivable	-	-	-	-	-	-	2
Due from other funds	-	-	-	-	-	-	221
Total assets	\$ 725,828	\$ 30,415	\$ 56,631	\$ 2,034	\$ -	\$ 814,908	\$ 663,877
LIABILITIES AND FUND BALANCES:							
Liabilities -							
Due to other funds	\$ -	\$ 1,435	\$ 10,003	\$ -	\$ -	\$ 11,438	\$ -
Due to student groups	725,828	-	-	-	-	725,828	583,093
Total liabilities	725,828	1,435	10,003	-	-	737,266	583,093
Fund balances -							
Designated for specific fund purposes	-	28,980	46,628	2,034	-	77,642	80,784
Total liabilities and fund balances	\$ 725,828	\$ 30,415	\$ 56,631	\$ 2,034	\$ -	\$ 814,908	\$ 663,877

School District of the City of Hazel Park

Other Supplemental Information Fiduciary Funds Combining Statement of Revenue, Expenditures and Net Change in Fund Balances For the year ending June 30, 2010

	Student Activities	Giese- Ward Fund	Holiday Food Basket	Camp Hazelwood Preservation	Building Enhance- ment	Totals	
						2010	2009
REVENUES:							
Local sources	\$ -	\$ 377	\$ 6,607	\$ 2,034	\$ -	\$ 9,018	\$ 13,122
EXPENDITURES:							
Supporting services	-	-	-	-	-	-	2,171
Community services	-	1,435	10,504	-	221	12,160	10,570
Total expenditures	-	1,435	10,504	-	221	12,160	12,741
EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCES	-	(1,058)	(3,897)	2,034	(221)	(3,142)	381
FUND BALANCES - BEGINNING	-	30,038	50,525	-	221	80,784	80,403
FUND BALANCES - ENDING	\$ -	\$ 28,980	\$ 46,628	\$ 2,034	\$ -	\$ 77,642	\$ 80,784

School District of the City of Hazel Park

Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2010

COMBINED DEBT RETIREMENT FUNDS

Issues Included:

General Fund - Limited Tax Obligations:

Qualified Zone Academy Bonds - 2002 Energy Conservation Series

Qualified Zone Academy Bonds - 2003 Energy Conservation Series

Common Debt - Unlimited Tax Qualified Bonds

1998 School Improvement Bonds (Durant)

2002 School Building and Site Bonds

Combined Original Issue: \$61,651,393

FISCAL YEAR	PRINCIPAL	AVERAGE INTEREST RATE %	INTEREST	TOTAL
2011	\$ 1,662,509	4.98	\$ 2,280,591	\$ 3,943,100
2012	2,359,396	4.92	2,461,598	4,820,994
2013	1,775,905	4.98	2,112,185	3,888,090
2014	1,675,000	5.00	2,023,750	3,698,750
2015	1,725,000	5.00	2,245,624	3,970,624
2016	1,775,000	5.00	1,853,750	3,628,750
2017	1,825,000	5.00	1,765,000	3,590,000
2018	3,875,000	2.42	1,673,750	5,548,750
2019	4,925,000	1.95	1,580,000	6,505,000
2020	1,975,000	5.00	1,483,750	3,458,750
2021	2,025,000	5.00	1,385,000	3,410,000
2022	2,075,000	5.00	1,283,750	3,358,750
2023	2,125,000	5.00	1,180,000	3,305,000
2024	2,175,000	5.00	1,073,750	3,248,750
2025	2,225,000	5.00	965,000	3,190,000
2026	2,275,000	5.00	853,750	3,128,750
2027	2,325,000	5.00	740,000	3,065,000
2028	2,375,000	5.00	623,750	2,998,750
2029	2,450,000	5.00	505,000	2,955,000
2030	2,500,000	5.00	382,500	2,882,500
2031	2,550,000	5.00	257,500	2,807,500
2032	2,600,000	5.00	130,000	2,730,000
	<u>\$ 51,272,810</u>		<u>\$ 28,859,998</u>	<u>\$ 80,132,808</u>

School District of the City of Hazel Park

Other Supplemental Information
Schedule of Bonded Indebtedness (continued)
June 30, 2010

GENERAL OBLIGATION - LIMITED TAX
Qualified Zone Academy Bonds 2002

Dated: November 12, 2002
Payment Dates: Principal - November 15, 2017
Interest - None
Original Issue: \$2,000,000

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2018	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

This bond matures on November 11, 2017. The bond is not subject to redemption prior to maturity

School District of the City of Hazel Park

Other Supplemental Information
Schedule of Bonded Indebtedness (continued)
June 30, 2010

GENERAL OBLIGATION - LIMITED TAX
Qualified Zone Academy Bonds 2003

Dated: July 15, 2003
Payment Dates: Principal - July 15, 2018
Interest - None
Original Issue: \$3,000,000

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2019	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

This bond matures on July 15, 2018. The bond is not subject to redemption prior to maturity.

School District of the City of Hazel Park

Other Supplemental Information
Schedule of Bonded Indebtedness (continued)
June 30, 2010

COMMON DEBT
1998 School Improvement Bonds (Durant)
(Unlimited Tax Qualified Bond)

Dated: November 24, 1998
Payment Dates: Principal - May 15
Interest - May 15
Original Issue: \$2,251,393

<u>FISCAL</u> <u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u> <u>RATE %</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$ 137,509	4.76	\$ 20,591	\$ 158,100
2012	784,396	4.76	277,848	1,062,244
2013	<u>150,905</u>	4.76	<u>7,185</u>	<u>158,090</u>
	<u>\$ 1,072,810</u>		<u>\$ 305,624</u>	<u>\$ 1,378,434</u>

Bonds are not subject to redemption prior to maturity.
Under the terms of this bond, The Michigan Municipal Bond Authority deferred the 2003 through 2005 and the 2007 through 2008 interest and principal to be paid May 15, 2012.

School District of the City of Hazel Park

Other Supplemental Information
Schedule of Bonded Indebtedness (continued)
June 30, 2010

COMMON DEBT
2002 School Building and Site Bonds
(Unlimited Tax Qualified Bond)

Dated: May 1, 2002
 Payment Dates: Principal - May 1
 Interest - November 1 and May 1
 Original Issue: \$54,400,000

FISCAL YEAR	PRINCIPAL	INTEREST RATE %	INTEREST	TOTAL
\$ 2011	\$ 1,525,000	5.00	\$ 2,260,000	\$ 3,785,000
2012	1,575,000	5.00	2,183,750	3,758,750
2013	1,625,000	5.00	2,105,000	3,730,000
2014	1,675,000	5.00	2,023,750	3,698,750
2015	1,725,000	5.00	1,940,000	3,665,000
2016	1,775,000	5.00	1,853,750	3,628,750
2017	1,825,000	5.00	1,765,000	3,590,000
2018	1,875,000	5.00	1,673,750	3,548,750
2019	1,925,000	5.00	1,580,000	3,505,000
2020	1,975,000	5.00	1,483,750	3,458,750
2021	2,025,000	5.00	1,385,000	3,410,000
2022	2,075,000	5.00	1,283,750	3,358,750
2023	2,125,000	5.00	1,180,000	3,305,000
2024	2,175,000	5.00	1,073,750	3,248,750
2025	2,225,000	5.00	965,000	3,190,000
2026	2,275,000	5.00	853,750	3,128,750
2027	2,325,000	5.00	740,000	3,065,000
2028	2,375,000	5.00	623,750	2,998,750
2029	2,450,000	5.00	505,000	2,955,000
2030	2,500,000	5.00	382,500	2,882,500
2031	2,550,000	5.00	257,500	2,807,500
2032	2,600,000	5.00	130,000	2,730,000
	<u>\$ 45,200,000</u>		<u>\$ 28,248,750</u>	<u>\$ 73,448,750</u>

Bonds maturing in the year 2003 through 2012, inclusive, shall not be subject to redemption prior to maturity.

Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the years 2013 through 2032, inclusive, shall be subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2012, at par and accrued interest to the date fixed for redemption.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK

FEDERAL AWARDS,
SUPPLEMENTAL INFORMATION
AS REQUIRED BY OMB CIRCULAR A-133

FOR THE YEAR ENDED JUNE 30, 2010

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SCHOOL DISTRICT OF THE CITY OF HAZEL PARK

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*

JUNE 30, 2010

HANRAHAN, CAREY & CO., P.L.C.
Certified Public Accountants

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THOMAS J. HANRAHAN, C.P.A.
RICHARD T. BARTOSKI, C.P.A.

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

Members of the Board of Education
School District of the City of Hazel Park

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of Hazel Park as of and for the year ended June 30, 2010, which collectively comprise the School District of the City of Hazel Park's basic financial statements and have issued our report thereon dated February 11, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District of the City of Hazel Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the School District of the City of Hazel Park's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Hazel Park's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 10-2, 10-3, 10-4 and 10-5.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 10-1, 10-6, 10-7 and 10-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of the City of Hazel Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 10-1, 10-2 and 10-5.

We also noted certain other matters that we reported to management of School District of the City of Hazel Park in a separate letter dated February 11, 2011 titled Management Letter Including Comments and Recommendations.

The School District of the City of Hazel Park's response to the findings identified in our audits is described in the accompanying schedule of findings and questioned costs. We did not audit School District of the City of Hazel Park's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, State of Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hannigan, Carey & Co., P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

DATED: February 11, 2011
Royal Oak, Michigan

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

JUNE 30, 2010

HANRAHAN, CAREY & CO., P.L.C.
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Members of the Board of Education
School District of the City of Hazel Park

Compliance

We have audited the School District of the City of Hazel Park's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District of the City of Hazel Park's major federal programs for the year ended June 30, 2010. School District of the City of Hazel Park's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of School District of the City of Hazel Park's management. Our responsibility is to express an opinion on School District of the City of Hazel Park's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District of the City of Hazel Park's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of School District of the City of Hazel Park's compliance with those requirements.

As described in item 10-9 in the accompanying schedule of findings and questioned costs, the School District of the City of Hazel Park did not comply with reporting requirements regarding timely reporting to the federal clearinghouse that are applicable to all major programs. Compliance with such requirements is necessary, in our opinion, for the School District of the City of Hazel Park to comply with the requirements applicable to all major programs.

As described in item 10-10 in the accompanying schedule of findings and questioned costs, the School District of the City of Hazel Park did not comply with requirements regarding reporting that is applicable to its Title I program. Compliance with such requirements is necessary, in our opinion, for the School District of the City of Hazel Park to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding two paragraphs, the School District of the City of Hazel Park complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-11 and 10-13.

Internal Control Over Compliance

Management of School District of the City of Hazel Park is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District of the City of Hazel Park's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School District of the City of Hazel Park's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-9, 10-10 and 10-13 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items, 10-11 to be significant deficiencies.

The School District of the City of Hazel Park's responses to the findings identified in our audits are described in the accompanying schedule of findings and questioned costs. We did not audit the School District of the City of Hazel Park's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, State of Michigan Department of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hanneman, Carey & Co., P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

DATED: February 11, 2011
Royal Oak, Michigan

**School District of the City of Hazel Park
Hazel Park, Michigan
Schedule of Expenditures of Federal Awards
for the fiscal year ended June 30, 2010**

Federal Grantor Pass Through Grantor Program Title Program	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue June 30, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2010	Adjustments
U.S. Department of Education:								
<i>Direct Program:</i>								
Indian Education Formula Grant:	84.060							
Indian Education (S060A100822)		102,781	-	-	102,781	102,781	-	-
Total Indian Education Formula Grant		102,781	-	-	102,781	102,781	-	-
Total Direct Program		102,781	-	-	102,781	102,781	-	-
<i>Passed Through Michigan Department of Education:</i>								
<i>Adult Education - State Administration</i>								
Federal Adult Education ABE Instruction (091130 910147)	84.002	50,000	30,780	50,000	-	30,780	-	-
Federal Adult Education ABE Instruction (101130 010147)		50,000	-	-	50,000	50,000	-	-
Federal Adult Education Institutional Programs (091190 910147)		30,000	3,289	30,000	-	3,289	-	-
Federal Adult Education Institutional Programs (101190 010147)		30,000	-	-	30,000	30,000	-	-
Federal Adult Education English Literacy/Civics (091120 9500677)		21,700	13,302	21,700	-	13,302	-	-
Federal Adult Education English Literacy/Civics (101120 0500677)		23,870	-	-	23,870	23,870	-	-
Federal Adult Education ABE Preparing for 21st Century (091190 970011)		5,200	1,256	5,200	-	1,256	-	-
Federal Adult Education ABE Preparing for 21st Century (101190 070011)		5,000	-	-	5,000	-	5,000	-
Federal Adult Education ABE GED Examiner Training (101150 023010)		4,775	-	-	4,775	4,775	-	-
Total Adult Education - State Administration		220,545	48,627	106,900	113,645	157,272	5,000	-
<i>Title I:</i>								
Title I - Part A Improving Basic Programs (091530 0809)	84.010	1,003,810	67,662	994,709	9,101	76,763	-	-
Title I - Part A Improving Basic Programs (101530 0910)		981,612	-	-	877,890	456,603	421,287	-
Total Title I		1,985,422	67,662	994,709	886,991	533,366	421,287	-
<i>Title I Part D, Prevention and Intervention:</i>								
Title I Part D, Prevention Intervention for Delinquents (091700 0809)	84.013	62,549	-	39,804	22,745	22,745	-	-
Title I Part D, Prevention Intervention for Delinquents (101700 0910)		111,951	-	-	102,427	14,499	87,928	-
Total Title I Part D, Prevention and Intervention		174,500	-	39,804	125,172	37,244	87,928	-
<i>ARRA Title I Grants</i>								
ARRA Title I Part A, Improving Basic Programs (101530 0910)	84.389	480,182	-	-	454,466	430,991	23,475	-
ARRA Title I Part D, Prevention Intervention for Delinquents (091700 0809)		78,148	-	-	24,312	-	39,750	-
Total ARRA Title I Grants		558,330	-	-	478,778	430,991	63,225	-
<i>Family Literacy:</i>								
Even Start (090390 C0906CES)	84.213	194,667	3,293	160,655	34,012	37,305	-	-
Even Start (100390 C0906CES)		196,667	-	-	196,667	196,667	-	-
Total Family Literacy		391,334	3,293	160,655	230,679	233,972	-	-
<i>Improving America's Schools:</i>								
Title V, Part A Innovative Programs (090250 0809)	84.298	1,410	1,028	1,410	-	1,028	-	-
Total Improving America's Schools		1,410	1,028	1,410	-	1,028	-	-

**School District of the City of Hazel Park
Hazel Park, Michigan
Schedule of Expenditures of Federal Awards
for the fiscal year ended June 30, 2010**

Federal Grantor Pass Through Grantor Program Title Program	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue June 30, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2010	Adjustments
<i>Technology Literacy Challenge Grants</i>	84.318							
Title II Part D Educational Technology (094290 0809)		8,661	149	8,139	522	671	-	-
<i>Total Technology Literacy Challenge Grants</i>		8,661	149	8,139	522	671	-	-
<i>ARRA Education Technology Grants</i>	84.386							
ARRA Title II Part D, Enhancing Education through Technology (092525 0809)		19,037	-	-	17,636	-	17,636	-
<i>Total ARRA Education Technology Grants</i>		19,037	-	-	17,636	-	17,636	-
<i>English Language Acquisition Grants</i>	84.365							
Title III Part A, English Language Acquisition (100580 0910)		18,848	-	-	18,848	-	18,848	-
<i>Total English Language Acquisition Grants</i>		18,848	-	-	18,848	-	18,848	-
<i>Improving Teacher Quality</i>	84.367							
Title IIA, Teacher Quality Formula Grant (090520 0809)		295,239	8,086	178,974	52,089	60,175	-	-
Title IIA, Teacher Quality Formula Grant (090520 0809)		431,028	-	-	233,108	95,532	137,576	-
<i>Total Improving Teacher Quality</i>		726,267	8,086	178,974	285,197	155,707	137,576	-
<i>ARRA Education Stabilization Fund</i>	84.394							
ARRA Stabilization (092525 0809)		1,849,286	1,849,286	1,849,286	-	1,849,286	-	-
ARRA Stabilization (102525 0910)		1,394,512	-	-	1,394,512	1,206,728	187,784	-
<i>Total ARRA Education Stabilization Fund</i>		3,243,798	1,849,286	1,849,286	1,394,512	3,056,014	187,784	-
<i>Total Passed Through Michigan Department of Education</i>		7,348,152	1,978,131	3,339,877	3,551,980	4,606,265	939,284	-
<i>Passed Through Oakland Intermediate Schools:</i>								
<i>Special Education Flow Through (P.L. 94-142)</i>	84.027							
IDEA Flowthrough (090450 0809)		1,065,773	409,671	1,065,773	-	-	409,671	-
IDEA Flowthrough (100450 0910)		1,069,850	-	-	1,069,850	-	1,069,850	-
<i>Total Special Education Flow Through (P.L. 94-142)</i>		2,135,623	409,671	1,065,773	1,069,850	-	1,479,521	-
<i>Handicapped Preschool and School Prog. Title VI-B (P.L. 94-142)</i>	84.173							
Preschool Incentive (090460-0809)		48,716	17,501	48,716	-	-	17,501	-
Preschool Incentive (090460-0809)		40,814	-	-	40,814	-	40,814	-
<i>Total Handicapped Preschool and School Program</i>		89,530	17,501	48,716	40,814	-	58,315	-
<i>ARRA Special Education Flow Through (P.L. 94-142)</i>	84.391							
ARRA IDEA Flowthrough (100450 0910)		1,318,345	-	-	1,136,171	-	1,136,171	-
<i>Total Special Education Flow Through (P.L. 94-142)</i>		1,318,345	-	-	1,136,171	-	1,136,171	-
<i>ARRA Handicapped Preschool and School Prog. Title VI-B (P.L. 94-142)</i>	84.392							
ARRA Preschool Incentive (090460-0809)		50,755	-	-	50,755	-	50,755	-
<i>Total Handicapped Preschool and School Program</i>		50,755	-	-	50,755	-	50,755	-
<i>Total Passed Through Oakland Intermediate School District</i>		3,594,253	427,172	1,114,489	2,297,590	-	2,724,762	-
Total U.S. Department of Education		11,045,186	2,405,303	4,454,366	5,952,351	4,709,046	3,664,046	-

**School District of the City of Hazel Park
Hazel Park, Michigan
Schedule of Expenditures of Federal Awards
for the fiscal year ended June 30, 2010**

Federal Grantor <i>Pass Through Grantor</i> Program Title Program	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue June 30, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2010	Adjustments
U.S. Department of Agriculture:								
<i>Passed Through Michigan Department of Education:</i>								
<i>Commodity Supplemental Food Program:</i>								
Entitlement Commodities	10.550	74,072	-	-	65,571	65,571	-	-
Entitlement Bonus		965	-	-	965	965	-	-
<i>Total Commodity Supplemental Food Program</i>		<u>75,037</u>	<u>-</u>	<u>-</u>	<u>66,536</u>	<u>66,536</u>	<u>-</u>	<u>-</u>
<i>National School Lunch - Breakfast Program:</i>								
Breakfast (091970)	10.553	137,613	6,185	124,931	12,682	18,867	-	-
Breakfast (101970)		170,392	-	-	153,651	143,462	10,189	-
<i>Total National School Lunch - Breakfast Program</i>		<u>308,005</u>	<u>6,185</u>	<u>124,931</u>	<u>166,333</u>	<u>162,329</u>	<u>10,189</u>	<u>-</u>
<i>National School Lunch Program:</i>								
Reduced Section 4 (091950)	10.555	97,833	3,448	90,443	7,390	10,838	-	-
Reduced Section 4 (101950)		82,663	-	-	76,787	72,349	4,438	-
Free Section 11 (091960)		603,731	20,889	541,880	61,851	82,740	-	-
Free Section 11 (101960)		710,282	-	-	637,154	599,449	37,705	-
<i>Total National School Lunch Program</i>		<u>1,494,509</u>	<u>24,337</u>	<u>632,323</u>	<u>783,182</u>	<u>765,376</u>	<u>42,143</u>	<u>-</u>
<i>Child Care Food Program:</i>								
Meals Reimbursement (091920)	10.558	36,958	5,723	35,540	1,418	7,141	-	-
Meals Reimbursement (101920)		41,570	-	-	39,298	31,481	7,817	-
Cash in lieu of Commodities (092010)		2,216	356	2,140	76	432	-	-
Cash in lieu of Commodities (102010)		2,227	-	-	2,095	1,670	425	-
<i>Total Child Care Food Program</i>		<u>82,971</u>	<u>6,079</u>	<u>37,680</u>	<u>42,887</u>	<u>40,724</u>	<u>8,242</u>	<u>-</u>
<i>Total Passed Through Michigan Department of Education</i>		<u>1,960,522</u>	<u>36,601</u>	<u>794,934</u>	<u>1,058,938</u>	<u>1,034,965</u>	<u>60,574</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>1,960,522</u>	<u>36,601</u>	<u>794,934</u>	<u>1,058,938</u>	<u>1,034,965</u>	<u>60,574</u>	<u>-</u>
U.S. Department of Health and Human Services								
<i>Passed Through Oakland Livingston Human Service Agency</i>								
<i>Headstart:</i>								
Headstart (C&FS-HS 09 011)	93.600	303,113	31,631	155,589	147,524	179,155	-	-
Headstart (C&FS-HS 10 011)		305,921	-	-	157,801	100,614	57,187	-
<i>Total ARRA Headstart</i>		<u>609,034</u>	<u>31,631</u>	<u>155,589</u>	<u>305,325</u>	<u>279,769</u>	<u>57,187</u>	<u>-</u>
<i>ARRA Headstart:</i>								
Headstart ARRA COLA Quality	93.708	20,587	-	-	19,524	17,554	1,970	-
Headstart ARRA COLA		5,412	-	-	5,412	-	5,412	-
<i>Total ARRA Headstart</i>		<u>25,999</u>	<u>-</u>	<u>-</u>	<u>24,936</u>	<u>17,554</u>	<u>7,382</u>	<u>-</u>
<i>Total Passed Through Oakland Livingston Human Service Agency</i>		<u>635,033</u>	<u>31,631</u>	<u>155,589</u>	<u>330,261</u>	<u>297,323</u>	<u>64,569</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>635,033</u>	<u>31,631</u>	<u>155,589</u>	<u>330,261</u>	<u>297,323</u>	<u>64,569</u>	<u>-</u>
Total Federal Financial Assistance		<u>13,640,741</u>	<u>2,473,535</u>	<u>5,404,889</u>	<u>7,341,550</u>	<u>6,041,334</u>	<u>3,789,189</u>	<u>-</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTES:

1. Basis of presentation – the accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the School District of the City of Hazel Park and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the district's financial statements.
2. The following programs were audited as the major programs representing 86.9% of the federal award expenditures;

Child Nutrition Cluster

10.553 School Breakfast Program (SBP)

10.555 National School Lunch Program (NSLP)

10.558 Child and Adult Care Food Program (CACFP)

Title I, Part A Cluster

84.010 Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)

84.389 Title I Grants to Local Educational Agencies, Recovery Act

Special Education Cluster (IDEA)

84.027 Special Education – Grants to States (IDEA Part B)

84.173 Special Education – Preschool Grants (IDEA Preschool)

84.391 Special Education – Grants to States, Recovery Act

84.392 Special Education – Preschool Grants, Recovery Act

84.394 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Head Start Cluster

93.600 Head Start

93.708 ARRA - Head Start

The threshold for distinguishing Type A and Type B programs was \$300,000.

3. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

NOTES (Continued):

4. Federal expenditures are reported in the following funds in the financial statements:

General Fund	\$4,345,680
Other non-major governmental funds	<u>1,023,013</u>
Total per financial statements	\$5,368,693
 Add: Current year's revenue requested but not available within the reporting period	 2,420,448
 Less: Prior year's revenue requested but not available within the reporting period	 <u>(447,591)</u>
 Total per Schedule of Expenditures of Federal Awards	 <u>\$7,341,550</u>

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

- 1) The auditors' report expresses an unqualified opinion on the financial statements of the School District of the City of Hazel Park.
- 2) Eight significant deficiencies disclosed during the audits of the financial statements are reported in 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*. Four of the deficiencies are reported as material weaknesses.
- 3) Three instances of noncompliance material to the financial statements of the School District of the City of Hazel Park which were found during the audits and would be required to be reported in accordance with *Government Auditing Standards* were disclosed 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* during the audit.
- 4) Four significant deficiencies in internal control over major federal award programs disclosed during the audits are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. Three of the deficiencies are reported as material weaknesses.
- 5) The auditors' report on Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 for the School District of the City of Hazel Park expresses a qualified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
- 7) The programs tested as major programs included:
 - Child Nutrition Cluster
 - 10.553 School Breakfast Program (SBP)
 - 10.555 National School Lunch Program (NSLP)
 - 10.558 Child and Adult Care Food Program (CACFP)
 - Title I, Part A Cluster
 - 84.010 Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)
 - 84.389 Title I Grants to Local Educational Agencies, Recovery Act

7) The programs tested as major programs included (Continued):

- Special Education Cluster (IDEA)
84.027 Special Education – Grants to States (IDEA Part B)
84.173 Special Education – Preschool Grants (IDEA Preschool)
84.391 Special Education – Grants to States, Recovery Act
84.392 Special Education – Preschool Grants, Recovery Act
- 84.394 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
- Head Start Cluster
93.600 Head Start
93.708 ARRA - Head Start

8) The threshold for distinguishing Type A and Type B Programs was \$300,000.

9) The School District of the City of Hazel Park qualified as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

10-1 Uniform Budgeting and Accounting Act, Act 2 of 1968

Condition: The School District of the City of Hazel Park adopted an amended budget for the year ended June 30, 2010 with expenditures in excess of estimated revenues and available surplus and has expended funds in excess of their available resources.

Criteria: The State of Michigan Uniform Budgeting and Accounting Act, Act 2 of 1968, prohibits the local unit from expending resources in excess of the available fund balance.

Effect: At June 30, 2010 the General Fund had a fund deficit of \$(3,927,017).

Cause: The School District has determined that the cost of funding the current operations exceeds the available resources.

Recommendation: We recommend that the School District adopt a budget which complies with The State of Michigan Uniform Budgeting and Accounting Act and expends its resources within that budget.

Response: The district has submitted a deficit elimination plan in 2009 and is currently working on its current revision with most negotiations completed. A deficit elimination plan will be submitted prior to February 17, 2011 to the State of Michigan Department of Treasury. The district continues to take measures to reduce spending and explore options on increasing revenue.

10-2 Financial Reporting Package Under the State Aid Act

Condition: The School District of the City of Hazel Park is required to submit to the State of Michigan Department of Education a complete copy of their financial reporting package on or before November 15, 2010. This requirement has not been met.

Criteria: As required by Section 18(2) of the State Aid Act, financial statements and the Single Audit reports are due to the Michigan Department of Education on November 15 each year.

Effect: As of the date of this report, the State of Michigan could withhold the monthly state aid payment.

Cause: The School District has changed over their computerized accounting program and has had a large turnover of accounting department staff due to the state retirement program. This has contributed to delays in the financial reporting.

Recommendation: We recommend that the School District follow the State of Michigan Department of Education requirements regarding timely submission of the financial package.

Response: The district has undergone many changes this past year including new business office personnel, and a changeover of the finance and payroll systems. These changes have taken longer than expected to achieve this result. The district feels confident that this is a one time event.

10-3 Budget Information and Analysis –

Condition: During the audits we noted that approved budget information was not entered completely or accurately for expense control or as an analytical tool for accurate financial information on an interim basis. In addition, full compliance with the State mandated chart of accounts is not yet implemented.

Criteria: By law, the district is required to adopt an annual budget with enforcement at the level adopted to maintain fiscal responsibility.

Effect: The effect of this condition has caused Oakland County Schools (ISD) to delay the flow through payment of this Special Education, IDEA cluster grant monies.

Cause: The School District has changed over their computerized accounting program and has had a large turnover of accounting department staff due to the state retirement program. This has caused delays in the budget presentation.

Recommendation: We suggest and management is addressing these issues by updating general ledger account revisions and planning the 2011 entry of current budget.

In addition, we suggest report requests be submitted to Oakland County Schools for the development of additional management level reports to assist in the identification of unusual variations for follow-up.

Response: Budget numbers have never been entered into the district's financial system, the district plans on changing that in the near future.

10-4 Timely Bank Reconciliations and Allocation of Interest Income –

Condition: For the month ended June 2010, bank reconciliations were not timely prepared. In addition, stale checks in excess of \$19,000.00 are suspected. All bank accounts need to be timely reconciled to reduce fraud risk.

Criteria: Financial standard internal controls require that all bank accounts be reconciled on a monthly basis and a timely fashion.

Effect: The failure to timely reconcile the bank statement has contributed to the late completion of the financial statements. This weakness could result in undetected questionable activity.

Cause: The School District has changed over their computerized accounting program, and has had a large turnover of accounting department staff due to the state retirement program. This has caused delays in the financial reporting.

Recommendation: We recommend that all bank accounts be timely reconciled. If problems or other time constraints exist, it is imperative that the reconciliation be made a priority and not delayed. In order for an allocation of interest income to have any meaning so that the District complies with laws and regulations, the general ledger cash and investment accounts must be balanced to bank statements timely and prior to the allocation. In addition, balances between funds must be analyzed, adjusted to eliminate negative cash balances and reconciled on a timely basis, prior to the allocation of interest income.

Response: With many changes in the district personnel and system the district has had to rely on Oakland schools assistance in this area. The business dept has a better understanding and is working on its timeliness with the bank reconciliations.

10-5 Public Act 621 –

Condition: Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the general purpose financial statements and the accompanying information. Material overages in the individual budgeted functions were observed in the general fund.

Criteria: Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations.

Effect: The State of Michigan Finance Law (Public Act 621 of 1978) has made this action illegal.

Cause: The School District did not take into consideration all accounts payables and accrued payroll were not taken into consideration for the year end adjustments.

Recommendation: We recommend that the School District include all accounts payable and accrued payroll for budgetary purposes.

Response: The School District had recently switch Finance and Payroll Systems with many other changes in the business office over the last 3 years. The School District will make every effort to have a full and complete budget set before the end of the school year.

10-6 Payroll Control Policies –

Condition: During the 2010 audit, we sampled 98 documents supporting payroll. In the sample, 24 items tested were for hourly employees. Of the 24 hourly employees tested, 4 instances of non-recognition / approval of the supervisor were noted; in addition, 1 of the 4 did not contain the employee signature on the time-ticket.

Criteria: The School District has a written policy that all time tickets submitted for payment be approved by a department head and signed by the employee indicated on the time ticket.

Effect: Should other controls which are in place also be circumvented, this could create unauthorized or unearned payroll disbursements.

Cause: The School District has changed over their computerized accounting program and has had a large turnover of department management due to the state retirement program.

Recommendation: We recommend that the School District follow their written policies.

Response: The supervisors sign a log turned in for all employees on it to payroll the time tickets are uses as back up for those turned in. At this time the supervisor have been requested to get employee signatures and to sign all overtime slips.

10-7 Negative General Ledger Expense Accounts –

Condition: During the analytical review of the general ledger, it was noted that certain expense accounts had negative balances. This condition arose from posting journal entries to incorrect general ledger accounts. The negative balances indicate the need for management level analysis to isolate and highlight general ledger problems and variances.

Criteria: The general ledger expenditure line item should properly reflect the expenditures associated with such descriptions as a basis for all financial reporting analysis.

Effect: Improper allocation and posting of expenditures can occur and the basis of financial analysis distorted.

Cause: During the year end analysis, the School District reversed and revised numerous payroll expense accounts. This entry was not fully analyzed and adjusted.

Recommendation: We suggest report requests be submitted to Oakland County for the development of additional management level reports to assist in the identification of unusual variations for follow-up.

Response: The district has implemented a new payroll system and is attempting to get all employees properly classified. This is still in process.

10-8 Approval of Journal Entries -

Condition: In a sample of 25 journal entries selected for testing and a review of the journal entry ledger, we noted that in all cases the same person created, authorized and approved the journal entry.

Criteria: Segregation of duty controls should exist in all areas, including journal entries, to insure complete and accurate records as well as to minimize intentional or unintentional misclassification errors.

Effect: Unauthorized or journal entries not reviewed can lead to improper posting which has led to the late completion of accurate financial records.

Cause: The School District has changed over their computerized accounting program. This changeover did not encompass or create an effective control over the journal entry process.

Recommendation: We recommend that the School District Business Manager review and approve all journal entries prior to their posting in the general ledger.

Response: The district switched to a new finance and payroll system in July of 2010. With this system all journal entries (JVAs) are entered and posted by the person entering them, this has been the same procedure as in the past. This system does allow for an approval of journal entries and the district has started using this with the director of business services being the person to give final approval.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

10-09 Financial Reporting Package under OMB Circular A-133

Condition: The School District of the City of Hazel Park is required to submit to the Federal clearing house a complete copy of their financial reporting package including their single audit reports on or before January 1, 2011. This requirement has not been followed.

Criteria: The OMB circular A-133 requires a complete copy of the annual audited financial statement, The Independent Auditors' 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, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, Schedule of Expenditures of Federal Awards, Notes to Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs, and the Summary Schedule of Prior Audit Findings, Along with The Data Collection Form for Reporting on "AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFITS ORGANIZATIONS" form SF-SAC be submitted to the Federal Clearing House by January 1st of each year.

Effect: Failure to timely file these reports will cause the School District to lose their designation as a qualified low-risk auditee.

Cause: The School District has changed over their computerized accounting program and has had a large turnover of accounting department staff due to the state retirement program. This has caused delays in the financial reporting.

Recommendation: We recommend that the School District follow the State of Michigan Department of Education requirements regarding timely submission of the financial package.

Response: The district has undergone many changes this past year, including new business office personnel, changing the finance and payroll systems. These changes have taken longer than expected to achieve this result. The district feels confident that this is a one time event.

10-10 Annual Evaluations for Title I

Condition: Title I- Part A Improving Basic Programs CFDA # 84.010 Grant # 901530 0910 Grant period year end – September 30, 2010.

The School District of the City of Hazel Park did not submit to the community, as required, the annual written evaluation reporting the results achieved by the school wide program along with any revisions of such program based on that evaluation.

Criteria: The Federal government under 34CFE section 200.26(c) requires an annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation.

Effect: The effect of this failure to submit this report has not been determined.

Cause: The School District has determined that the director of the Title I program has not had the time to prepare and submit such an evaluation.

Recommendation: We recommend that the School District prepare and submit the required report as soon as possible.

Response: The director of Curriculum is working on completing the 2010 report and has completed this report on a timely basis for many years prior to this year.

10-11 Title I Comparability Study

Condition Title I- Part A Improving Basic Programs CFDA # 84.010 Grant # 901530 0910 Grant period year end – September 30, 2010.

In matching the grant application for the Title I comparability study with the information in the National School Lunch Program, one school used only the free rather than the free and reduced lunch applications for the low income family definition.

Criteria: For Title I, The Federal government has defined low income families as those families receiving free and reduced lunch.

Effect: At June 30, 2010 the auditor recomputed the comparability study using correct and updated numbers. There would be no change in the results of the comparability.

Cause: The condition was caused by the School District not reviewing the grant application in its entirety.

Recommendation: We recommend that the School District review all grant applications prior to submission.

Response: The information is submitted on an individual school basis. Administration was unaware of this, and has started the process to correct this now and in the future.

10-12 Free and Reduced Lunch Applications

Condition National School Lunch Program CFDA # 10.555 Grant # 091950
Reduced Section 4 and #091060 Free Section 11 Grant Period Year end August
31, 2010.

In a sample of 50 Free and Reduced Lunch Applications, one application was missing the required approval of the school official accepting the application as a qualified application.

Criteria: For Free and Reduced Lunch Applications the School District has set up a system of verification where as one of steps in the process requires a qualified school official to review and sign off on the application.

Effect: Because the applications are computerized, and other requirements are maintained to insure only qualified recipients received free and reduced lunch, the results of this missing signoff did not affect the qualified individual.

Cause: The condition was caused by the volume of applications and an oversight by the school official in charge of approving the applications.

Recommendation: The School District has implemented additional controls over and above the federal guidelines. It is the auditors' recommendation that the district continue to follow the additional controls which they have established.

Response: We believe the district has been compliant with federal requirements. As for those that enter into the system are tracked by the system itself, the fact we request they sign is for easier verification of this. The district will send out a memo to try to get more consistency in this area.

10-13 Account Coding of Cash Receipts –

Condition: During the account reconciliations of grant revenue, the recording of cash receipts from federal funds was not consistent. Major reclassifications were needed to properly reflect the correct grant revenues.

Criteria: Proper recording and reporting in the Single Audit Reports and General Purpose Financial Statements needs to be followed for necessary disclosure to the users of the financial statements.

Hazel Park School District is required to follow the uniform chart of accounts and post its revenues in the State of Michigan mandated chart numbering system.

Effect: Failure to follow these guidelines leads to misstated disclosures and confusion, possibly affecting the levels of State and Federal funding.

Cause: The School District has changed over their computerized accounting program and has had a large turnover of accounting department staff due to the state retirement program. This has caused delays in the financial reporting.

Recommendation: We recommend proper training and monitoring of all personnel involved as to the proper account selection and in the coding and posting of all revenues.

Response: The district has undergone many changes this past year, including new business office personnel, changing the finance and payroll systems. These changes have taken longer than expected to achieve this result. The district feels confident that this is a one time event.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

09-1 Uniform Budgeting and Accounting Act, Act 2 of 1968

Condition: The School District of the City of Hazel Park adopted an amended budget for the year ended June 30, 2009 with expenditures in excess of estimated revenues and available surplus and has expended funds in excess of their available resources.

Criteria: The State of Michigan Uniform Budgeting and Accounting Act, Act 2 of 1968, prohibits the local unit from expending resources in excess of the available fund balance.

Effect: At June 30, 2009 the General Fund had a fund deficit of \$1,774,492.

Cause: The School District has determined that the cost of funding the current operations exceeds the available resources.

Recommendation: We recommend that the School District adopt a budget which complies with The State of Michigan Uniform Budgeting and Accounting Act and expends its resources within that budget.

Response: The district is currently in negotiations and accordingly, still following the prior contract with all of the unions operating within the district. A deficit plan will be submitted prior to December 15, 2009 with the State of Michigan Department of Treasury. The district continues to take measures to reduce spending and will try to negotiate a fair contract while reducing district costs.

Current Status: This situation has continued during the current school year.

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK

MANAGEMENT LETTERS

JUNE 30, 2010

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SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
COMMUNICATIONS OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES

JUNE 30, 2010

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RICHARD T. BARTOSKI, C.P.A.

Communications of Significant Deficiencies and Material Weaknesses

Members of the Board of Education School District of the City of Hazel Park

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District of the City of Hazel Park as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United State of America, we considered the School District of the City of Hazel Park's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of Hazel Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Hazel Park's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies in the School District of the City of Hazel Park's internal control to be material weaknesses:

1) Timely completion of financial statements -

The School District of the City of Hazel Park is required to submit to the Federal Clearinghouse and to the State of Michigan Department of Education a complete copy of their financial reporting package including their single audit reports on or before January 1, 2011 and November 15, 2010, respectively. Due to the late completion of the financial records, this requirement has not been followed resulting in late submission of the required information.

2) Budget Information and Analysis –

By law, the district is required to adopt an annual budget with enforcement at the level adopted to maintain fiscal responsibility. As you are aware, this is being done. During the audit we noted that approved budget information was not entered completely or accurately for expense control or as an analytical tool for accurate financial information on an interim basis. In addition, full compliance with the State mandated chart of accounts is not yet implemented.

We suggest and management is addressing these issues by general ledger account revision and planning the 2011 entry of current budget.

In addition, we suggest report requests be submitted to Oakland County for the development of additional management level reports to assist in the identification of unusual variations for follow-up.

3) Timely Bank Reconciliations and Allocation of interest income –

For the month ended June 2010, bank reconciliations were not timely prepared. In addition, stale checks in excess of \$19,000.00 are suspected. All bank accounts need to be timely reconciled to reduce fraud risk.

We recommend that all bank accounts be timely reconciled. If problems or other time constraints exist, it is imperative that the reconciliation be made a priority and not delayed. In order for an allocation of interest income to have any meaning so that the District complies with laws and regulations, the general ledger cash and investment accounts must be balanced to bank statements timely and prior to the allocation. In addition, balances between funds must be analyzed, adjusted to eliminate negative cash balances and reconciled on a timely basis, prior to the allocation of interest income.

4) Account Coding of Cash Receipts -

Hazel Park School District is required to follow the uniform chart of accounts and post its revenues in the State mandated chart numbering system. During the account reconciliations of grant revenue, the recording of cash receipts from federal funds was not consistent, and major reclassifications were needed to properly reflect the correct grant revenues.

Recording and disclosure in the Single Audit Reports and General Purpose Financial Statements needs to be followed for proper disclosure to the users of the financial statements. Failure to follow these guidelines leads to misstated disclosures and confusion, possibly affecting the levels of State and Federal funding.

We recommend proper training and monitoring of all personnel involved as to the proper account selection and in the coding and posting of all revenues.

5) Public Act 621

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the general purpose financial statements and the accompanying information. Material overages in the individual budgeted functions were observed in the general fund.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the School District of the City of Hazel Park's internal control to be significant deficiencies:

1) Enforcement of payroll control policies -

During the 2010 audit, we sampled 98 documents supporting payroll. In the sample, 24 items tested were for hourly employees. Of the 24 hourly employees tested, 4 instances of non-recognition / approval of the supervisor were noted; in addition, 1 of the 4 did not contain the employee signature on the time-ticket.

Hazel Park School District has established various payroll controls to insure the payment of wages to valid employees for hours worked as authorized by the board under various employment agreements. Among these controls are the requirements that all hourly employees sign their time ticket, and the supervisor provide a written sign-off of hours worked.

To be effective, payroll controls must be enforced. All hourly employees should be notified that effective immediately, time tickets without employee signatures and supervisor written approval should be rejected and processed as zero hours (a check will not be issued). In order to prevent additional work by the payroll department, this notification should indicate that any corrected time tickets will not be processed until the following payroll period. This policy should be enforced without exception.

2) Negative general ledger expense accounts -

During the analytical review of the general ledger, it was noted that certain expense accounts had negative balances. This condition arose from posting journal entries to incorrect general ledger accounts. A posting error can occur for many reasons and, as with all transactions, care must be exercised in the posting of journal entries.

The reconciliation of general ledger expenses to detail reports was reasonable for audit purposes. However, the negative balances indicate the need for management level analysis to isolate and highlight general ledger problems and variances.

We suggest report requests be submitted to Oakland County for the development of additional management level reports to assist in the identification of unusual variations for follow-up.

3) Approval of journal entries -

In a sample of 25 journal entries selected for testing and a review of the journal entry ledger, we noted that in all cases the same person created, authorized and approved the journal entry.

Segregation of duty controls should exist in all areas, including journal entries, to insure complete and accurate records as well as to minimize intentional or unintentional misclassification errors. We suggest all journal entries be approved by a responsible official of the management team prior to posting.

Management has indicated that, subsequent to year end, they have revised their policies and procedures to mitigate this condition.

4) Deficit Fund Balance -

The General Fund fund balance as of June 30, 2010 and 2009 reported a deficit fund balance of \$3,927,017 and \$1,774,492, respectively. The State of Michigan Department of Education requires all districts which have a deficit fund balance to adopt a Deficit Elimination Plan and submit it to the State Board of Education. We recommend that the school district adhere to this requirement and submit a deficit reduction plan to the state.

The School District continues to have a deficit fund balance. Continued consultation, monitoring and working with the State board of Education is required until the deficit fund balance is eliminated.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, the State of Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hanrahan, Carey & Co., P.L.C.
HANRAHAN, CAREY & CO., P.L.C.

Royal Oak, Michigan
February 11, 2011

SCHOOL DISTRICT OF THE CITY OF HAZEL PARK
MANAGEMENT LETTER
INCLUDING COMMENTS AND RECOMMENDATIONS

JUNE 30, 2010

HANRAHAN, CAREY & CO., P.L.C.
Certified Public Accountants

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RICHARD T. BARTOSKI, C.P.A.

February 11, 2010

Members of the Board of Education
School District of the City of Hazel Park

We have audited the financial statements of the governmental activities, General Fund, and the aggregate remaining fund information of the School District of the City of Hazel Park for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards in *Government Auditing Standards, and OMB Circular A-133* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2008. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standard in the United States of America and OMB Circular A-133

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the School District of the City of Hazel Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the School District of the City of Hazel Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the School District of the City of Hazel Park's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the School District of the City of Hazel Park's compliance with those requirements.

While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the School District of the City of Hazel Park's compliance with those requirements.

Significant Accounting Policies

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District of the City of Hazel Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the School District of the City of Hazel Park during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District Wide, Long Term Debt Account Group and General Fixed Assets financial statements were:

Management's estimate for the liability of employee compensated absences due upon an employee's retirement is based on the expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, certain fixed assets were originally recorded using estimates when creating the general fixed asset account group. We evaluated the key factors and assumptions used to develop the balance of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the School District of the City of Hazel Park's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed no adjustments that could, in our judgment, either individually or in the aggregate, indicate matters that could have a significant effect on the School District of the City of Hazel Park's financial reporting process.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

During the course of the audit, Hanrahan Carey and Company, CPA's had difficulty in receiving timely information in order to complete the audit. This difficulty was primarily attributed to the district's management directing their time to matters other than the preparation of information necessary to perform the audit. This included the substantial time dedicated to contract negotiations. The result of this difficulty is that the audit was delayed and, consequently, was completed after the audit due dates mandated by the State of Michigan and Federal Clearinghouse.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountant

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District of the City of Hazel Park's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2011.

Prior Year's Comments and Recommendations

The prior year Report of Comments and Recommendations recommended that action be taken in the following areas:

1) *School Internal Accounts – Bookkeeping Procedures*

In prior years, we observed instances in certain of the "School Internal Account" reports wherein the reporting system was not prepared in a complete manner through June 30 even though the information is available through the end of the school year. Continued monitoring of the individual School Internal Accounts is recommended throughout the year.

Continued monitoring of this situation is needed as during the 2009 / 2010 audit period, the "School Internal Account" reports of certain school internals continued to be reported in an incomplete manner. Additional instruction to those responsible individuals is recommended.

2) Documentation of overtime –

During the 2009 audit, we sampled 69 documents supporting the hours paid for time worked as overtime. In the sample, 18 instances of non-recognition / approval of the supervisor were noted. In order to control the payroll cost, all overtime should be acknowledged by the supervisor in order to properly budget the hours needed to complete a task.

It is our recommendation that the policies for payroll be monitored. As noted below, certain payroll controls are not being enforced which would apply to overtime as well as hourly employees.

Comments and Recommendations – Current Year

1) Enforcement of payroll control policies -

During the 2010 audit, we sampled 98 documents supporting payroll. In the sample, 24 items tested were for hourly employees. Of the 24 hourly employees tested, 4 instances of non-recognition / approval of the supervisor were noted; in addition, 1 of the 4 did not contain the employee signature on the time-ticket.

Hazel Park School District has established various payroll controls to insure the payment of wages to valid employees for hours worked as authorized by the board under various employment agreements. Among these controls are the requirements that all hourly employees sign their time ticket, and the supervisor provide a written sign-off of hours worked.

To be effective, payroll controls must be enforced. All hourly employees should be notified that effective immediately, time tickets without employee signatures and supervisor written approval should be rejected and processed as zero hours (a check will not be issued). In order to prevent additional work by the payroll department, this notification should indicate that any corrected time tickets will not be processed until the following payroll period. This policy should be enforced without exception.

2) Negative general ledger expense accounts -

During the analytical review of the general ledger, it was noted that certain expense accounts had negative balances. This condition arose from posting journal entries to incorrect general ledger accounts. A posting error can occur for many reasons and, as with all transactions, care must be exercised in the posting of journal entries.

The reconciliation of general ledger expenses to detail reports was reasonable for audit purposes. However, the negative balances indicate the need for management level analysis to isolate and highlight general ledger problems and variances.

We suggest report requests be submitted to Oakland County for the development of additional management level reports to assist in the identification of unusual variations for follow-up.

3) Budget Information and Analysis -

By law, the district is required to adopt an annual budget with enforcement at the level adopted to maintain fiscal responsibility. As you are aware, this is being done. During the audit we noted that approved budget information was not entered completely or accurately for expense control or as an analytical tool for accurate financial information on an interim basis. In addition full compliance with the State mandated chart of accounts is not yet implemented.

We suggest and management is addressing these issues by general ledger account revision and planning the 2011 entry of current budget.

In addition, we suggest report requests be submitted to Oakland County for the development of additional management level reports to assist in the identification of unusual variations for follow-up.

4) Approval of journal entries –

In a sample of 25 journal entries selected for testing and a review of the journal entry ledger, we noted that in all cases the same person created, authorized and approved the journal entry.

Segregation of duty controls should exist in all areas, including journal entries, to insure complete and accurate records as well as minimize intentional or unintentional misclassifications or errors. We suggest all journal entries be approved by a responsible official of the management team prior to posting.

5) Timely Bank Reconciliations and Allocation of interest income –

For the month ended June 2010, bank reconciliations were not timely prepared. In addition, stale checks in excess of \$19,000.00 are suspected. All bank accounts need to be timely reconciled to reduce fraud risk.

We recommend that all bank accounts be timely reconciled. If problems or other time constraints exist, it is imperative that the reconciliation be made a priority and not delayed. In order for an allocation of interest income to have any meaning so that the District complies with laws and regulations, the general ledger cash and investment accounts must be balanced to bank statements timely and prior to the allocation. In addition, balances between funds must be analyzed, adjusted to eliminate negative cash balances and reconciled on a timely basis, prior to the allocation of interest income.

6) Employee Training –

As required by auditing standards, we conduct interviews of several District employees. During these interviews the employees indicated they would report all questionable activity they encounter. Each employee had an idea of who they would contact but were not aware of any district policy or procedure that they should follow.

By establishing formal policies for reporting questionable activities and communicating those policies and procedures district-wide, the District should create a uniform definition of questionable activities and a method for employees to comply with same. We recommend that, in combination with legal counsel, management create District wide policies for reporting questionable activities and communicate the policies and procedures to all employees.

7) Account Coding of Cash Receipts -

Hazel Park School District is required to follow the uniform chart of accounts and post its revenues in the State mandated chart numbering system. During the account reconciliations of grant revenue, the recording of cash receipts from federal funds was not consistent, and major reclassifications were needed to properly reflect the correct grant revenues.

Recording and disclosure in the Single Audit Reports and General Purpose Financial Statements needs to be followed for proper disclosure to the users of the financial statements. Failure to follow these guidelines leads to misstated disclosures and confusion, possibly affecting the levels of State and Federal funding.

We recommend proper training and monitoring of all personnel involved as to the proper account selection and in the coding and posting of all revenues.

8) Deficit Fund Balance -

The General Fund fund balance as of June 30, 2010 and 2009 reported a deficit fund balance of \$3,927,017 and \$1,774,492, respectively. The State of Michigan Department of Education requires all districts which have a deficit fund balance to adopt a Deficit Elimination Plan and submit it to the State Board of Education. We recommend that the school district adhere to this requirement and submit a deficit reduction plan to the state.

The School District continues to have a deficit fund balance. Continued consultation, monitoring and working with the State board of Education is required until the deficit fund balance is eliminated.

9) Public Act 621 -

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the general purpose financial statements and the accompanying information. Material overages in the individual budgeted functions were observed in the general fund.

This information is intended solely for the use of the Members of the Board of Education and management of the School District of the City of Hazel Park and is not intended to be and should not be used by anyone other than these specified parties.

Harriman, Caray & Co., P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Dated: February 11, 2011
Royal Oak, Michigan