

**YINGHUA ACADEMY
Charter School No. 4140
Minneapolis, Minnesota**

COMMUNICATIONS LETTER

Year Ended June 30, 2013

YINGHUA ACADEMY
Charter School No. 4140

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**REPORT ON MATTERS IDENTIFIED AS A RESULT OF
THE AUDIT OF THE FINANCIAL STATEMENTS**

Members of the Board and Management
Yinghua Academy
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of Yinghua Academy as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 Academy's financial statements will not be prevented or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

During our audit, we also became aware of a deficiency in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. It is described in the accompanying letter under Other Deficiency.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated October 14, 2013, on such statements.



This communication is intended solely for the information and use of the Academy Board, management, others within the organization and state oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kern, DeWenter, Viere Ltd

KERN, DEWENTER, VIERE, LTD.

Bloomington, Minnesota

October 14, 2013

**YINGHUA ACADEMY
Charter School No. 4140**

**OTHER DEFICIENCY
June 30, 2013**

**REVIEW RECONCILIATION PROCEDURES OVER COMMUNITY SERVICE FUND
REVENUE**

During testing of community service revenues for after-school activities, it was noted that amounts recorded in the general ledger did not reconcile with attendance records and fee schedule for the program selected for testing. To ensure all revenue is complete and properly recorded for community service activities, we recommend a review and revision of the current receipting and reconciliation process; ensuring procedures are instituted to reconcile attendance records to revenues received and recorded in the Academy's financial system.

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**REQUIRED COMMUNICATION
June 30, 2013**

We have audited the basic financial statements of the Academy for the year ended June 30, 2013, and have issued our report dated October 14, 2013. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN
THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS***

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Academy's compliance with certain provisions of laws, regulations, contracts and grant agreements. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PLANNED SCOPE AND TIMING OF THE AUDIT

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Academy or to acts by management or employees acting on behalf of the Academy.

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**REQUIRED COMMUNICATION
June 30, 2013**

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy 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, 2013. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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 financial statements were:

Depreciation – The Academy is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits and supplies.

The disclosures in the financial statements are neutral, consistent and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no difficulties in dealing with management in performing and completing our audit.

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 did not identify and we did not notify them of any uncorrected financial statement misstatements.

DISAGREEMENTS WITH MANAGEMENT

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

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**REQUIRED COMMUNICATION
June 30, 2013**

MANAGEMENT REPRESENTATIONS

We requested certain representations from management that are included in the management representation letter.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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 Academy’s financial statements or a determination of the type of auditor’s 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.

OTHER AUDIT FINDINGS OR ISSUES

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 Academy’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

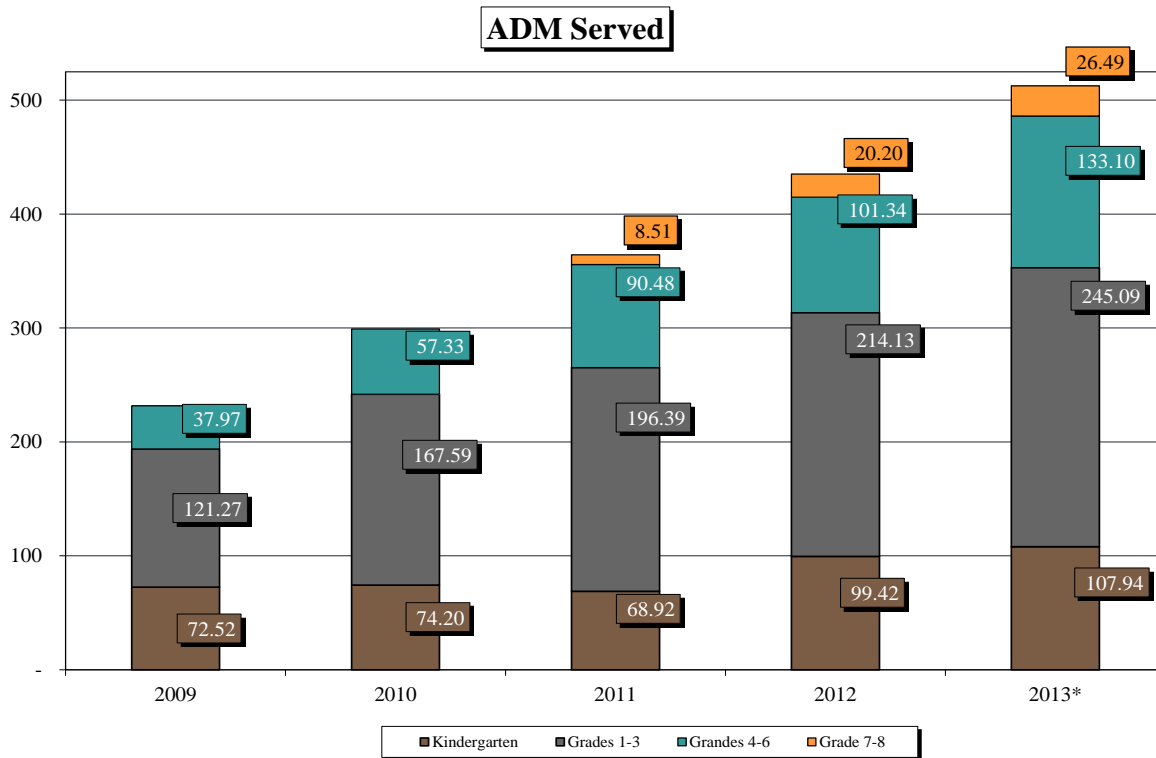
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FINANCIAL ANALYSIS
June 30, 2013

The following pages provide graphic representation of select data pertaining to the financial position and operations of the Academy for the past five years. Our analysis of each graph is presented to provide a basis for discussion.

AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS

ADM	2009	2010	2011	2012	2013*
Kindergarten	72.52	74.20	68.92	99.42	107.94
Grades 1-3	121.27	167.59	196.39	214.13	245.09
Grades 4-6	37.97	57.33	90.48	101.34	133.10
Grade 7-8	-	-	8.51	20.20	26.49
Total ADM Served	231.76	299.12	364.30	435.09	512.62



* Estimate

The chart and graph above illustrates the trend in ADM served by the Academy over the last five years of operations. The Academy has more than doubled its student count from 2009 to 2013, with the addition of one grade level per year from 2009-2012.

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FINANCIAL ANALYSIS
June 30, 2013

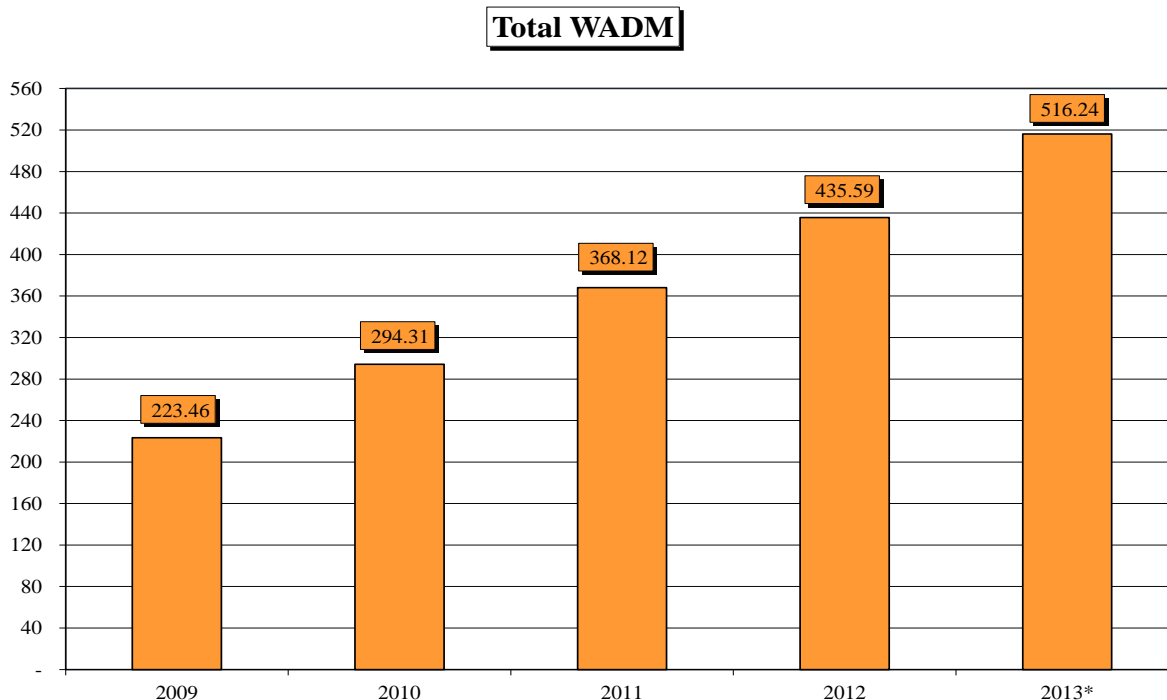
AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS

To calculate a majority of the Academy's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table below.

The total pupil units are converted to adjusted pupil units, which is used to calculate the Academy's education aids. Adjusted pupil units are calculated by multiplying 77% of current year pupil units and 23% of prior year, or 100% of current year, whichever is greater. The adjusted pupil unit data is used for districts with declining enrollment to lessen the negative impact.

Pupil Units Weighting				
	Kindergarten	Elementary Grades 1-4	Elementary Grades 4-6	Secondary
Year 2009-2013	0.612	1.115	1.060	1.300

The weighted average daily membership (WADM) served graph below converts the ADM served into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors. WADM increased over the past year given the increase in enrollment plus the higher weighting factor for students grade 7 and above.



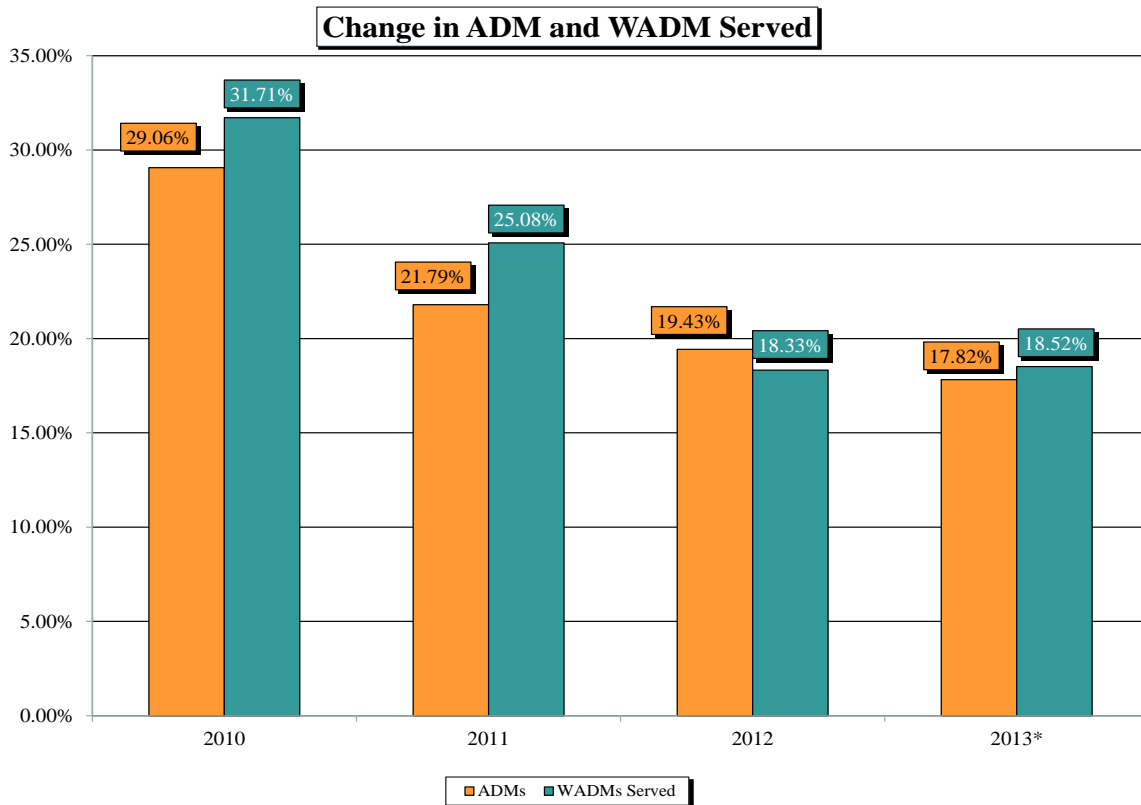
* Estimate

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**FINANCIAL ANALYSIS
June 30, 2013**

AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS

The following graph illustrates the percentage change in ADM and WADM served over the past four years, which have steadily increased. As more students are added in the secondary grades, grade 7 and up, the weighting is higher and WADM will increase at a greater rate than ADM.



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FINANCIAL ANALYSIS
June 30, 2013

GENERAL FUND OPERATIONS, BUDGET AND ACTUAL

The table below outlines the Academy's original and final budget and actual results for the General Fund. The Academy's original budget anticipated WADM of 503 and revenues would exceed expenditures by \$ 179,244. This budget was amended during the year to reflect a higher student count and grant activity. The Academy's revenues were 1.1% over this final budget and expenditures ended 1.0% under budget.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Other Local Revenues	\$ 158,669	\$ 279,450	\$ 314,478	\$ 35,028
Revenue from State Sources	3,755,805	4,000,695	3,977,488	(23,207)
Revenue from Federal Sources	68,700	223,358	262,062	38,704
Total Revenues	3,983,174	4,503,503	4,554,028	50,525
EXPENDITURES				
Administration	192,525	192,225	179,695	(12,530)
District Support Services	404,050	390,100	384,920	(5,180)
Regular Instruction	1,460,150	1,886,089	1,880,444	(5,645)
Special Education Instruction	379,450	392,897	369,222	(23,675)
Instructional Support Services	226,540	313,890	320,547	6,657
Pupil Support Services	179,840	166,700	176,869	10,169
Sites and Buildings	943,975	986,670	975,489	(11,181)
Fiscal and Other Fixed Cost Programs	17,400	19,655	16,975	(2,680)
Total Expenditures	3,803,930	4,348,226	4,304,161	(44,065)
Excess of Revenues Over (Under) Expenditures	179,244	155,277	249,867	94,590
OTHER FINANCING USE				
Transfers Out	-	-	(21,807)	(21,807)
Net Change in Fund Balances	\$ 179,244	\$ 155,277	228,060	\$ 72,783

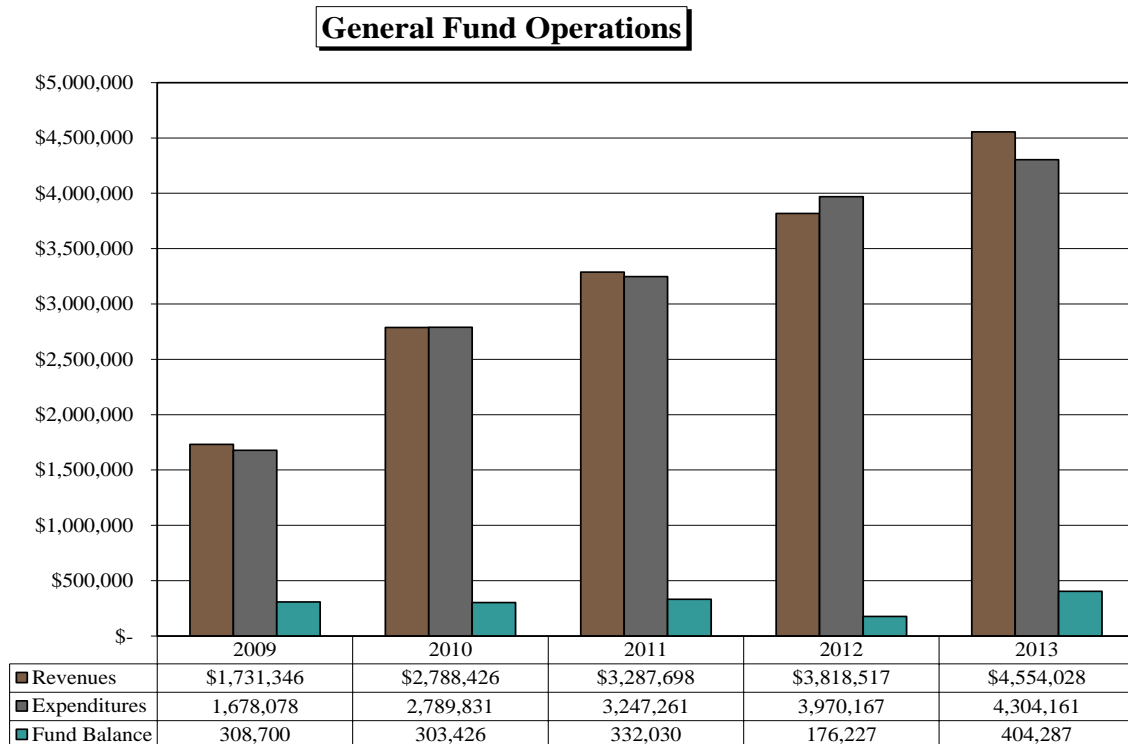
Revenue from federal sources produced the majority of the variance in revenues due to the Academy receiving the Title V, Part B – Federal Charter School Facilities Incentive Grant near year end. Special education instruction had the greatest budget variance in expenditures as the Academy budgeted for more employees than were actually added during the year.

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**FINANCIAL ANALYSIS
June 30, 2013**

GENERAL FUND OPERATIONS

The graph below presents the results of operations for the General Fund at June 30 for each of the past five years. Revenues have exceeded expenditures in only three of the last five years. As a result, fund balance as a percentage of expenditures has decreased from 2009 to 2012 but increased in 2013 due to revenues exceeding expenditures by 5.8%.



For Year End June 30	2009	2010	2011	2012	2013
Fund Balance as a % of Expenditures	18.4%	10.9%	10.2%	4.4%	9.4%

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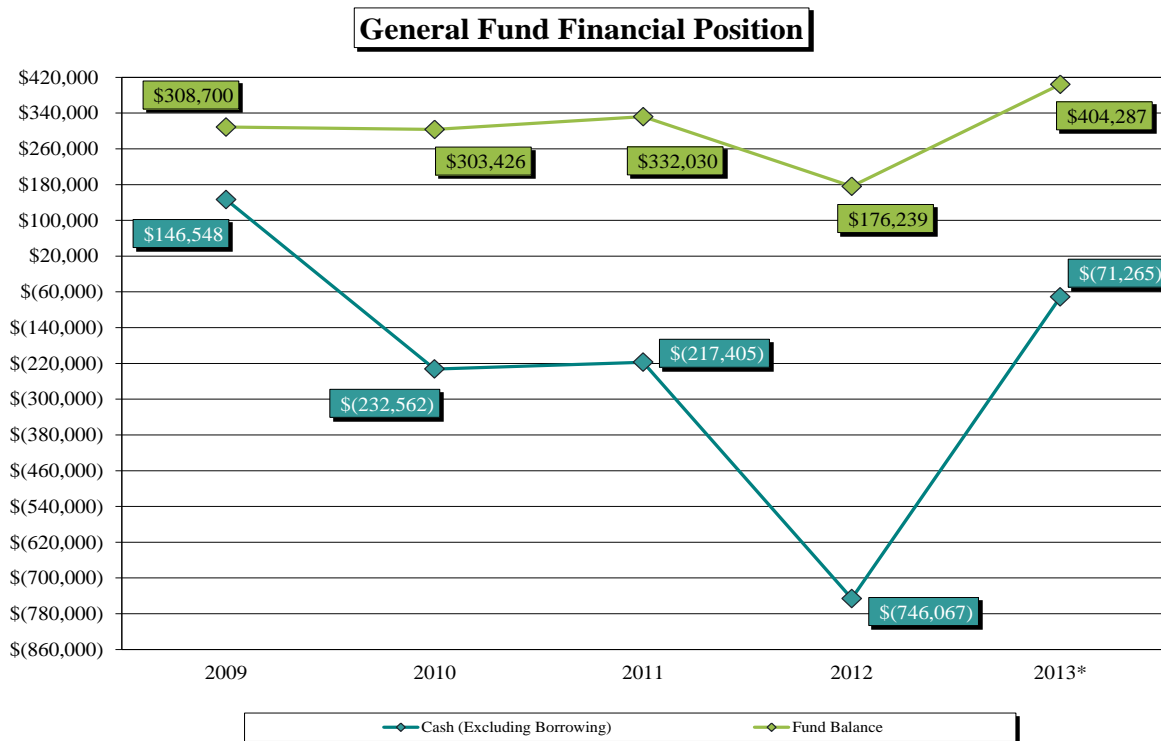
**FINANCIAL ANALYSIS
June 30, 2013**

GENERAL FUND OPERATIONS

The graph below presents the fund balance of the General Fund at June 30 for each of the past five years with cash (net of any borrowings) for the same periods.

While the State historically paid 90% of state aids, only 70% and 64% of state aids were paid prior to year-end in 2011 and 2012, respectively. In 2013, the State increased the percentage of state aids paid to schools to 86%. This resulted in a decrease in amounts due from the Department of Education from \$ 1,132,420 in 2012 to \$ 630,892 in 2013. This resulted in less cash flow pressure and less need to borrow in 2013 as the line of credit payable decreased from \$ 650,000 in 2012 to \$ 65,000 in 2013.

For the year ended June 30, 2013, the Academy had over one month of expenditures based on 2013 spending levels in its fund balance.



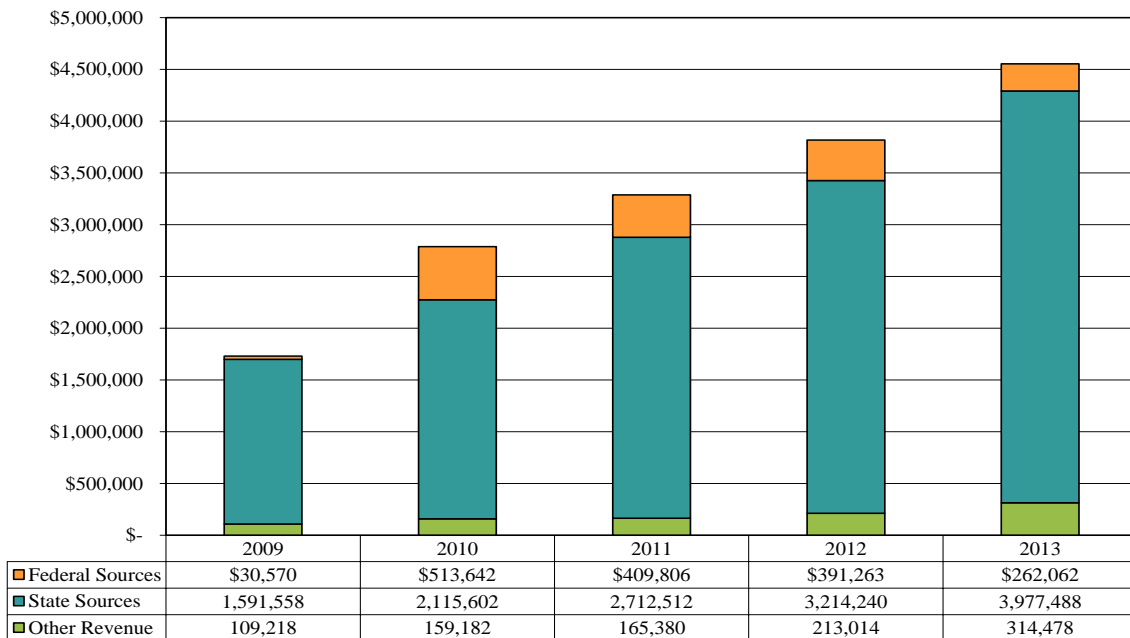
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**FINANCIAL ANALYSIS
June 30, 2013**

GENERAL FUND REVENUE

Total General Fund revenues increased by \$ 735,511, or 19.2%, to \$ 4,554,028 in 2013. The largest component of the increase in revenue was the \$ 763,248 increase in state sources. This increase was mainly due to the increase in ADM. Revenue from other sources increased because of funding received through grants and contributions. Revenue from federal sources decreased from the prior year due to the Star Talk grant that was received in 2012, this grant was not received in 2013.

General Fund Sources of Revenue



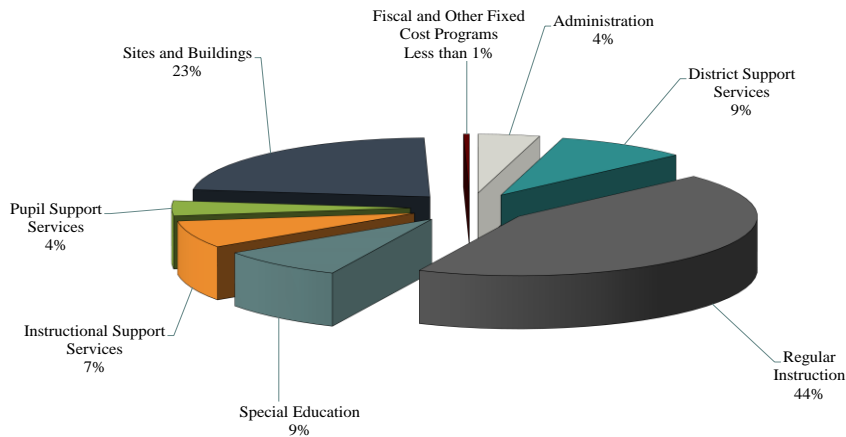
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**FINANCIAL ANALYSIS
June 30, 2013**

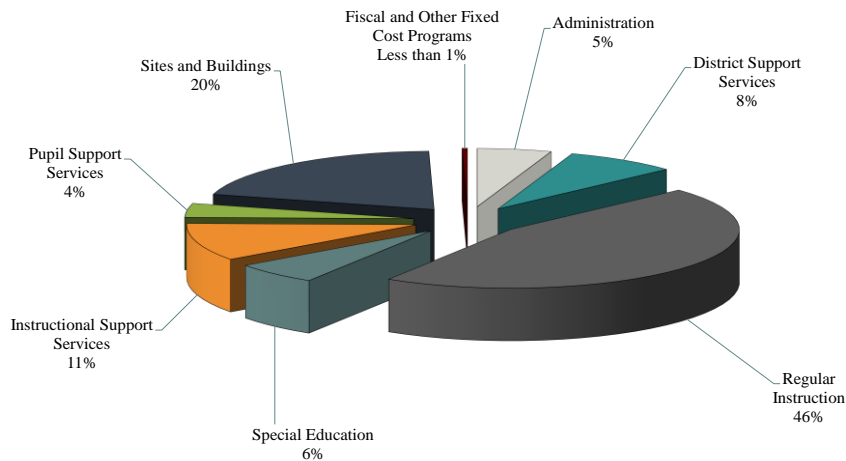
GENERAL FUND OPERATIONS

The following pie charts illustrate the breakdown of General Fund expenditures by program for the past two years.

2013 General Fund Expenditures



2012 General Fund Expenditures



As seen in the graphs above, expenditures among programs have remained fairly consistent from 2012 to 2013; but with increased enrollment, more dollars are going to sites and buildings due to lease expenditures being affected by enrollment and instruction with economies of scale savings seen in areas such as administration.

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FINANCIAL ANALYSIS
June 30, 2013

GENERAL FUND EXPENDITURES

The General Fund expenditures increased \$ 333,994, or 8%, in 2013 over the prior year.

All programs except for administration and instructional support had increases in 2013. The largest increases occurred in the programs of sites and buildings and special education. These increases were all due to the addition of teaching staff and services needed for the significant increase in ADM.

General Fund Expenditures					
	2009	2010	2011	2012	2013
Administration	\$ 151,396	\$ 244,566	\$ 266,143	\$ 208,585	\$ 179,695
District Support Services	165,398	204,006	222,669	314,219	384,920
Regular Instruction	729,842	1,240,909	1,383,393	1,815,479	1,880,444
Special Education	132,400	199,542	247,784	240,193	369,222
Instructional Support Services	132,560	212,057	308,716	412,562	320,547
Pupil Support Services	35,181	44,710	95,149	153,560	176,869
Sites and Buildings	325,400	634,791	713,864	810,633	975,489
Fiscal and Other Fixed Cost Programs	5,901	9,250	9,543	14,936	16,975
Total Expenditures	\$ 1,678,078	\$ 2,789,831	\$ 3,247,261	\$ 3,970,167	\$ 4,304,161

Below is a chart showing the Academy's expenditures per ADM served. Although expenditures significantly increased in 2013, students served increased at a greater rate causing a decrease in expenditures per ADM served. With the exception of 2011, expenditures per ADM served were below the state average per student served in the General Fund.

	2009	2010	2011	2012	2013*
General Fund	\$ 9,327	\$ 10,909	\$ 10,713	\$ 9,125	\$ 8,396
Food Service	362	378	518	317	357
Community Service	777	567	338	443	682
State General Fund Average	\$ 10,639	\$ 10,251	\$ 10,244	\$ 10,336	Unavailable

* Estimate

** Amounts listed for 2009-2012 were obtained from the Minnesota Department of Education (MDE) publication, *School District Profiles*.

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FINANCIAL ANALYSIS
June 30, 2013

FOOD SERVICE FUND

The following table presents five years of comparative operating results for the Academy's Food Service Fund.

For Year End June 30	2009	2010	2011	2012	2013
Revenues	\$ 77,218	\$ 104,006	\$ 125,848	\$ 133,841	\$ 161,254
Expenditures	79,753	107,875	137,681	137,994	183,061
Excess of Revenues Under					
Expenditures	(2,535)	(3,869)	(11,833)	(4,153)	(21,807)
Add: Transfer In	2,535	3,869	11,833	4,153	21,807
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

In all of the years presented, expenditures exceeded revenues in the Food Service Fund. The General Fund has needed to subsidize the operations of the Food Service Fund through annual transfers.

COMMUNITY SERVICE FUND

The following table presents five years of comparative operating results for the Academy's Community Service Fund. This Fund is used to track the Academy's after school program and summer school.

For Year End June 30	2009	2010	2011	2012	2013
Revenues	\$ 189,508	\$ 246,071	\$ 218,263	\$ 222,249	\$ 259,180
Expenditures	188,191	232,444	206,534	192,818	349,493
Excess of Revenues Over					
Expenditures	1,317	13,627	11,729	29,431	(90,313)
Fund Balance, July 1	91,797	93,114	106,741	118,470	147,901
Fund Balance, June 30	\$ 93,114	\$ 106,741	\$ 118,470	\$ 147,901	\$ 57,588

Revenues in the Community Service Fund increased from 2012 due to an increase in programs offered and the overall increase in students and program participants. This Fund had continued to produce operating surpluses in years 2009-2012 however in 2013 the fund had an operating deficit due to an increase in salaries, benefits, and purchased services to support program offerings as a result of an increase in enrollment. The Academy should monitor fees charged for community service programs to ensure revenues are covering costs to operate the programs.

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**LEGISLATIVE SUMMARY
June 30, 2013**

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

STATE AID APPROPRIATIONS

Total appropriations from the state general fund for E-12 education, are \$7.6 billion for 2014 and \$ 8.0 billion for 2015, or a total of \$15.6 billion for the biennium. This includes the addition of funding for all-day kindergarten, beginning in 2015.

The formula allowance for 2013 General Education Aid was increased \$ 50 to \$ 5,224. For 2014, the formula allowance will increase \$ 78 (1.5%) to \$ 5,302. For 2015 and later, the formula allowance is set at \$ 5,806, which is an increase of \$ 80 (1.5%) over 2014 after adjusting for the change in pupil unit weights and the elimination of the aid subtraction for pension rate changes. Beginning in 2015, basic revenue is calculated using adjusted pupil units with the new pupil weights rather than adjusted marginal cost pupil units.

Given the February 2013 budget forecast for the state, education appropriations have been changed from 64.3% current funding at the beginning of 2013 to 86.4% current funding at the end of 2013.

The ability of school districts and charter schools to generate extended time revenue for programs designed to accelerate grade level advancement so that students graduate before their peers is eliminated.

In 2015 the extended time revenue allowance increases from \$ 4,601 to \$ 5,017 to adjust for the change in pupil weights. Also in 2015, the gifted and talented revenue increases from \$ 12 to \$ 13 to adjust for the change in pupil weights.

For 2015 and later, alternative teacher compensation revenue (Q Comp) will be changed from a component of general education revenue to a separate categorical revenue, and adds declining enrollment revenue, pension adjustment revenue and location equity revenue as new components of general education revenue. The funding amount did not change.

Beginning in 2015, school districts are allowed to use general education revenue generated for all-day kindergarten to meet the needs of three and four year olds in the district. This does not apply to a district with a fee-based all-day kindergarten.

PUPIL ACCOUNTING REFORM

Beginning in 2015, pupil accounting reform will occur and pupil unit weights will change as follows:

Prekindergarten and Disabled	From 1.25	To 1.0
Part-time Kindergarten	From .612	To .55
All-Day Kindergarten	From .612	To 1.0
Grades 1-3	From 1.115	To 1.0
Grades 4-6	From 1.06	To 1.0
Grades 7-12	From 1.3	To 1.2

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PUPIL ACCOUNTING REFORM

To qualify for all-day kindergarten weight, a pupil must be enrolled in a free all-day every day kindergarten program that is available to all kindergarten students at the pupil's school and must include at least 850 hours of instruction.

EDUCATION EXCELLENCE

A new formula for achievement and integration is established for 2014. An eligible district's achievement and integration revenue equals the sum of the district's initial integration revenue and incentive revenue. At least 80% of a district's revenue is required to be used for innovative and integrated learning environments. Up to 20% is allowed to be used for professional and staff development. Administration expenditures can be no more than 10%.

SPECIAL EDUCATION

A new special education formula is enacted beginning in 2016. To provide for a transition to the new formula, the current special education regular formula remains in place for 2014 and 2015, but a new cross subsidy reduction aid is added for 2014 and 2015. The cross subsidy reduction aid entitlement is \$ 13 million for 2014 and \$ 30 million for 2015.

For 2014 and 2015, special education aid equals the sum of the capped regular special education aid under the old law formula, plus the cross subsidy reduction aid, plus the capped excess cost aid. Beginning in 2016, special education aid equals the sum of the new formula aid plus the new formula excess cost aid.

State total special education aid is increased by \$ 39 million for 2016 and by \$ 41 million for 2017.

Beginning in 2015, tuition billing is changed so that the resident district is responsible for 90% of unfunded costs (vs. 100% currently) and the serving district/charter school is responsible for 10% of unfunded costs for open-enrolled students. Intermediate districts, cooperatives and charter schools where at least 70% of students are eligible for special education are exempt from this provision and continue to be able to recover 100% of unfunded special education costs from the resident district. This also does not apply to students placed by the resident district (e.g. at an intermediate district), or served at a charter school with very high special education concentration.

Beginning in 2016, special education aid will be paid directly to cooperatives and intermediate districts, rather than having those aids flow through the resident district. Tuition bills will be reduced to offset the aid paid to the cooperative and intermediaries.

Special education excess cost aid will be calculated using prior year data beginning in 2014. Special education tuition receipts and expenditures will not be taken into account in excess cost aid calculations to expedite the excess cost aid calculations and eliminate circularity between tuition billing and excess cost aid.

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June 30, 2013**

PERSONNEL AND ACCOUNTING

For 2014, all districts are required to adopt and maintain an annual principal evaluation process consistent with provisions in state statutes. Principal evaluations will be a required duty of the superintendent. The MDE developed a model for this evaluation which is piloted in certain districts for the 2013 school year.

For 2015, all districts are required to adopt and maintain a teacher evaluation process consistent with provisions in state statutes. The MDE is in the process of developing a model for this evaluation, which will be piloted in certain districts for the 2014 school year.

The authority for districts to make unlimited fund transfers that do not increase state aid or levy obligations is extended to 2014 and 2015. Districts will follow the same procedures outlined for years 2012 and 2013, with one change:

- Transfers are not allowed from the food service or community service funds. The school board must adopt a resolution stating the transfer will not diminish instructional opportunities for students and the district must apply to the Commissioner to make the transfer. The application must include the amount to be transferred and the funds/accounts involved. The application must also be signed by the superintendent and approved by the school board. The change in requirements for 2014 and 2015 is that a transfer cannot be made from the reserved account for staff development revenue as the 2% set aside requirement has been reinstated for those years.

SCHOOL NUTRITION

The rate for each school lunch served increased from 12 to 12.5 cents beginning July 1, 2013.

CHARTER SCHOOLS

Charter school board member are required to attend annual training. A new board member who does not receive initial board training within six months of being seated on the board and does not complete the initial training within twelve months of being seated is automatically ineligible to continue board service.

An individual is prohibited from serving as a board member if an immediate family member is a school employee or is an individual with whom the school contracts. A teacher teaching at a school and serving as a member of the charter school board of directors is exempt from the conflict of interest provisions related to teacher compensation.

Charter contracts are required to include specific conditions for contract renewal that identify performance under the primary purpose charter schools of improving learning and student achievement as the most important factor in determining contract renewal. Closure plans in a charter contract are required to include a provision regarding information and assistance that will be provided to enable students to re-enroll in another school.

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**LEGISLATIVE SUMMARY
June 30, 2013**

CHARTER SCHOOLS

Audit reports are required to include supplemental information and an independent audit should include audited financial data of an affiliated building corporation.

Charter schools are required to implement a teacher evaluation and peer review process.

Charter schools are required to publish its lottery admissions process on its web site. Kindergarten and first grade enrollment is also limited to students who are eligible under the compulsory instruction statute, same as traditional school districts. Charter schools are allowed to enroll students earlier according to prescribed enrollment procedures if notice is published on the charter school web site and the enrollment policy conforms with kindergarten early admissions policies applicable to school boards generally.

Charter schools are required to post its annual report on the school's official web site.