

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

**MANAGEMENT LETTER**

**For the Fiscal Year Ended June 30, 2011**

**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  
Yinghua Academy  
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of Yinghua Academy, Minneapolis, Minnesota, as of and for the year ended June 30, 2011, in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 would not necessarily identify all deficiencies in internal control 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. No material weaknesses or significant deficiencies were 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 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.

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.

The accompanying memorandum also includes financial analysis and recommendations for management that came to our attention as a result of our audit of the financial statements of the Academy for the year ended June 30, 2011. 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 27, 2011, 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 27, 2011

**YINGHUA ACADEMY  
Charter School No. 4140**

**REQUIRED COMMUNICATION  
June 30, 2011**

We have audited the basic financial statements of the Academy for the year ended June 30, 2011, and have issued our report dated October 27, 2011. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED 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 U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. 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 such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

As part of obtaining reasonable assurance about whether the Academy'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.

**PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing previously communicated to you.

**QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. The Academy implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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**REQUIRED COMMUNICATION  
June 30, 2011**

**QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

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 also dependent upon ADM value; however, in addition to those, this 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.

We evaluated the key factors and assumptions used to develop the above estimates in determining they are reasonable in relation to the financial statements taken as a whole.

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, professional standards define a disagreement with management as 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.

**MANAGEMENT REPRESENTATIONS**

We requested certain representations from management which were provided to us in the management representation letter.

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**REQUIRED COMMUNICATION  
June 30, 2011**

**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 the consultant has all the relevant facts. We are not aware of any consultations by the Academy's management with other accountants during the course of our audit.

**OTHER FINDINGS**

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 INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

We have not reviewed, and it is our understanding, that no other published documents exist that contain audited financial statement information, for which we are currently auditing. As stated in our engagement letter, if you publish or reproduce the financial statements or make reference to our Firm name in relation to such documents, you agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

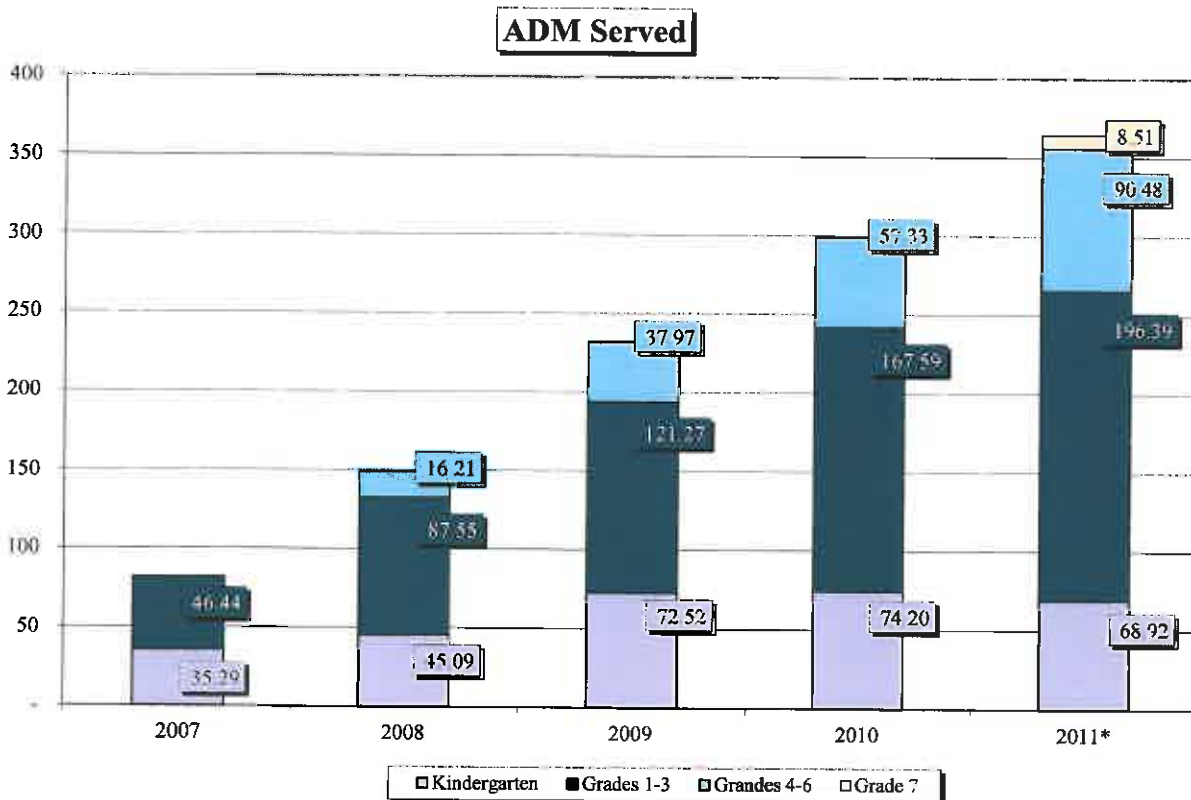
**YINGHUA ACADEMY  
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**FINANCIAL ANALYSIS  
June 30, 2011**

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

**AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS**

| ADM                     | 2007         | 2008          | 2009          | 2010          | 2011*         |
|-------------------------|--------------|---------------|---------------|---------------|---------------|
| Kindergarten            | 35.29        | 45.09         | 72.52         | 74.20         | 68.92         |
| Grades 1-3              | 46.44        | 87.55         | 121.27        | 167.59        | 196.39        |
| Grades 4-6              | -            | 16.21         | 37.97         | 57.33         | 90.48         |
| Grade 7                 | -            | -             | -             | -             | 8.51          |
| <b>Total ADM Served</b> | <b>81.73</b> | <b>148.85</b> | <b>231.76</b> | <b>299.12</b> | <b>364.30</b> |



\* Estimate

The chart and graph above illustrates the trend in ADM served by the Academy over the first five years of operations. The Academy has more than quadrupled its student count from 2007 to 2011 with the addition of 4<sup>th</sup> grade in fiscal year 2008, 5<sup>th</sup> grade in fiscal year 2009, 6<sup>th</sup> grade in fiscal year 2010 and 7<sup>th</sup> grade in fiscal year 2011.



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**FINANCIAL ANALYSIS  
June 30, 2011**

**AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS**

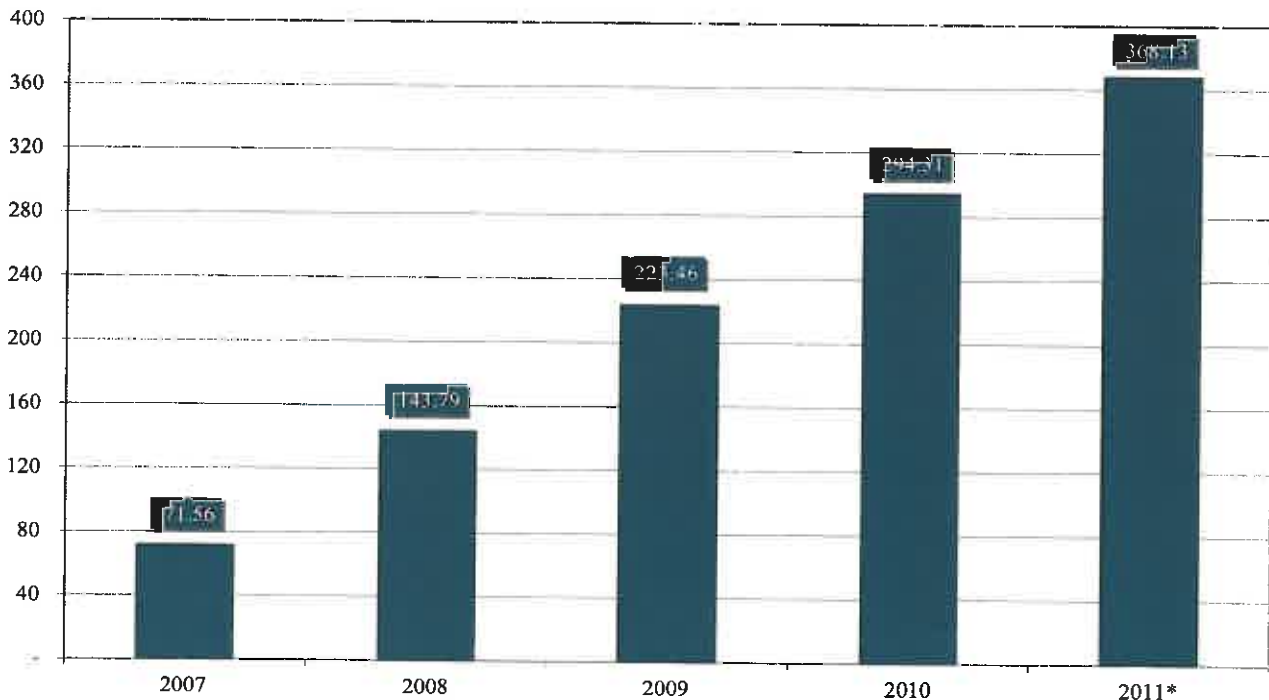
To calculate a majority of the Academy's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table below.

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<br>Grades 1-4 | Elementary<br>Grades 4-6 | Secondary |
| Fiscal Year 2007      | 0.557                 | 1.115                    | 1.060                    | 1.300     |
| Fiscal Year 2008-2011 | 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 four 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 the students in the new grade 7.

**Total WADM**



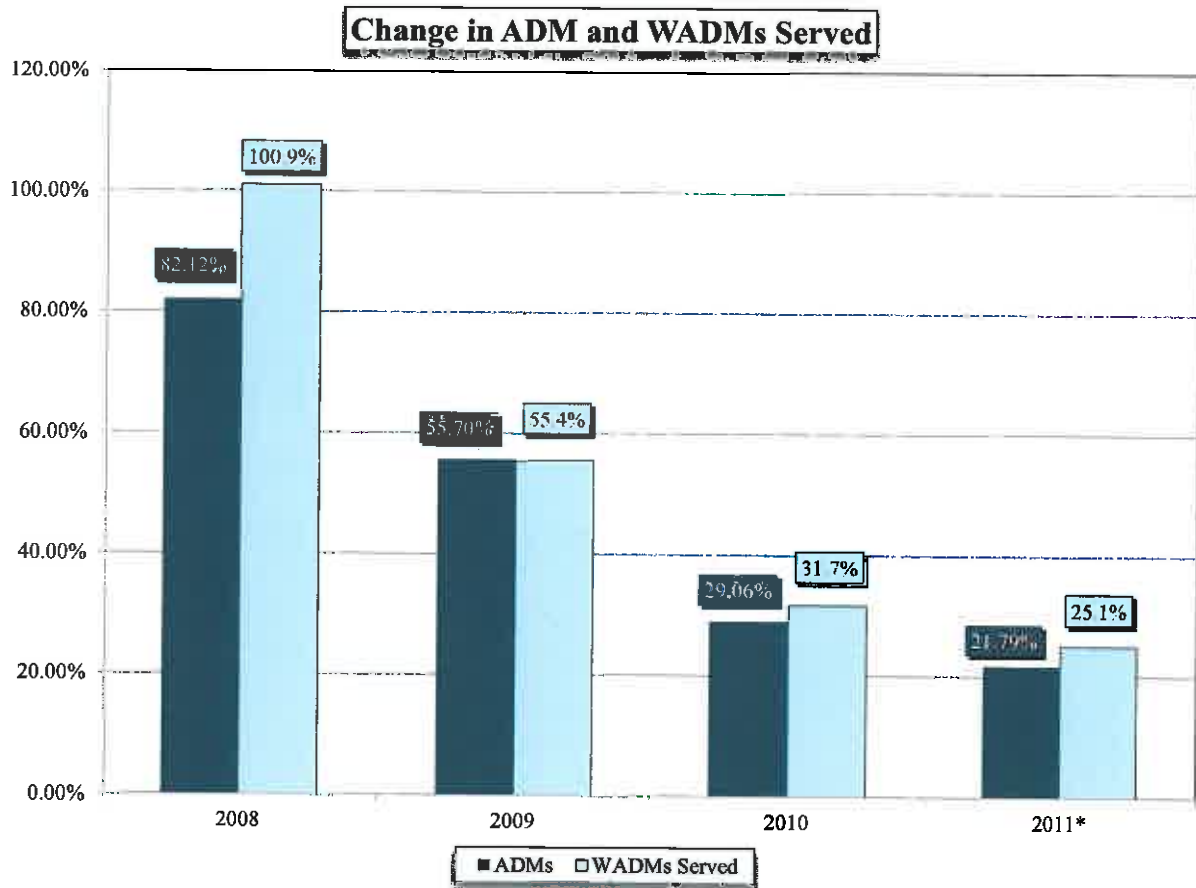
\* Estimate

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**FINANCIAL ANALYSIS  
June 30, 2011**

**AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS**

The following graph illustrates the percentage change in ADM and WADM served over the past four years. These counts have steadily increased over the past four years. As more students are added in the secondary grades, 7<sup>th</sup> grade on up, the weighting is higher and WADMs will increase at a greater rate than ADMs.



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**FINANCIAL ANALYSIS  
June 30, 2011**

**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 WADMs of 384 and expenditures would exceed revenues by \$ 73,031. With the student count coming in lower than anticipated, the revenue and expenditure budgets were decreased. In the end, the Academy's revenues were 2.3% under budget and expenditures ended 4.1% under budget.

|   | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over (Under) |
|---|------------------|------------------|-------------------|---|
|   | Original         | Final            |                   |   |
| <b>REVENUES</b>                                 |                  |                  |                   |   |
| Other Local Revenues                            | \$ 119,680       | \$ 175,982       | \$ 165,380        | \$ (10,602)                                     |
| Revenue from State Sources                      | 2,836,826        | 2,705,819        | 2,712,512         | 6,693   |
| Revenue from Federal Sources                    | 461,112          | 484,201          | 409,806           | (74,395)  |
| Total Revenues                                  | <u>3,417,618</u> | <u>3,366,002</u> | <u>3,287,698</u>  | <u>(78,304)</u>                                 |
| <b>EXPENDITURES</b>                             |                  |                  |                   |   |
| Administration                                  | 266,374          | 263,349          | 266,143           | 2,794   |
| District Support Services                       | 264,056          | 278,882          | 222,669           | (56,213)  |
| Regular Instruction                             | 1,720,080        | 1,470,563        | 1,383,393         | (87,170)  |
| Special Education Instruction                   | 235,766          | 279,100          | 247,784           | (31,316)  |
| Instructional Support Services                  | 196,503          | 284,808          | 308,716           | 23,908  |
| Pupil Support Services                          | 99,175           | 84,175           | 95,149            | 10,974  |
| Sites and Buildings                             | 699,095          | 710,126          | 713,864           | 3,738   |
| Fiscal and Other Fixed Cost Programs            | 9,600            | 13,496           | 9,543             | (3,953)   |
| Total Expenditures                              | <u>3,490,649</u> | <u>3,384,499</u> | <u>3,247,261</u>  | <u>(137,238)</u>                                |
| Excess of Revenues Over<br>(Under) Expenditures | (73,031)         | (18,497)         | 40,437            | 58,934  |
| <b>OTHER FINANCING USE</b>                      |                  |                  |                   |   |
| Transfers Out                                   | -                | -                | (11,833)          | (11,833)  |
| Net Change in Fund Balances                     | \$ (73,031)      | \$ (18,497)      | 28,604            | \$ 47,101                                       |

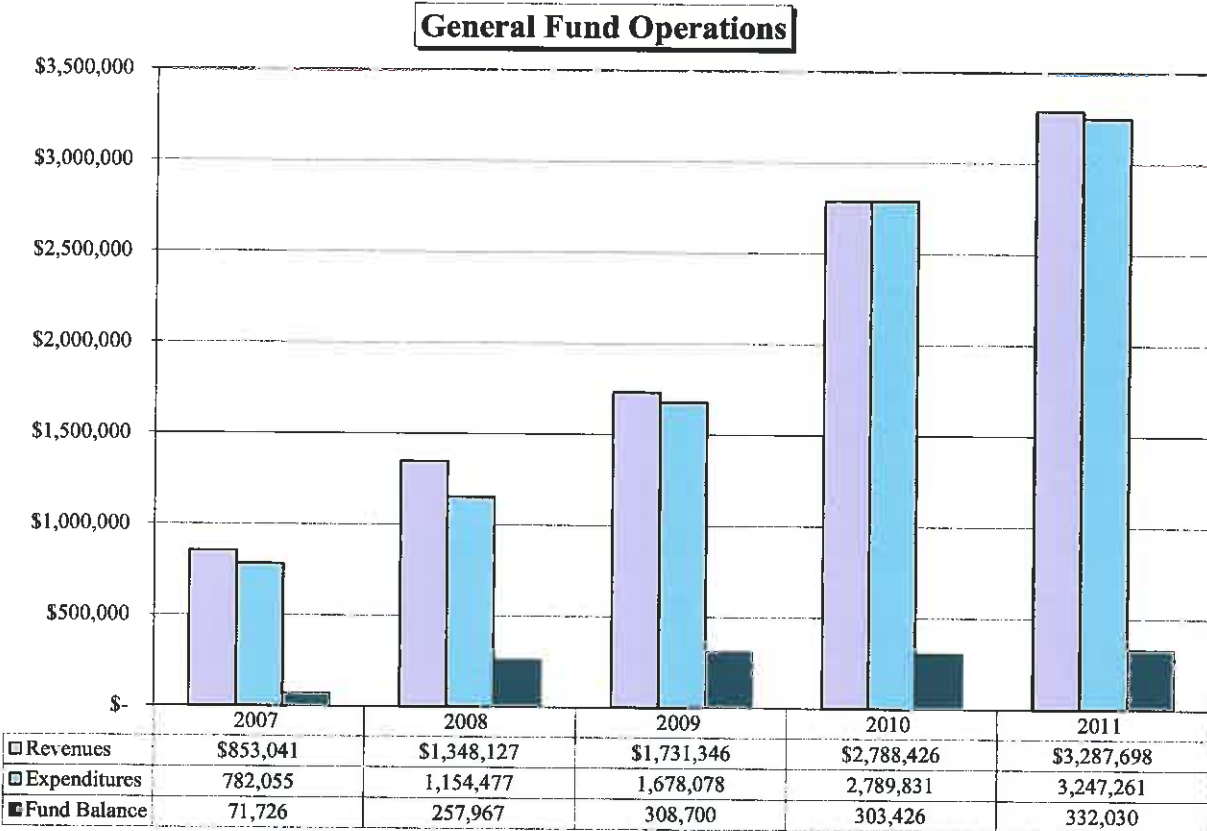
Revenue from federal sources produced the majority of the variance in revenues due to the Academy not spending all of the FLAP Grant proceeds. Regular instruction had the greatest budget variance in expenditures as the Academy budgeted for more employees than were actually added during the year. District support services were under budget due to budgeting for the FLAP Grant expenditures but not spending.

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**FINANCIAL ANALYSIS  
June 30, 2011**

**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. In four of the five years shown, revenues have exceeded expenditures.



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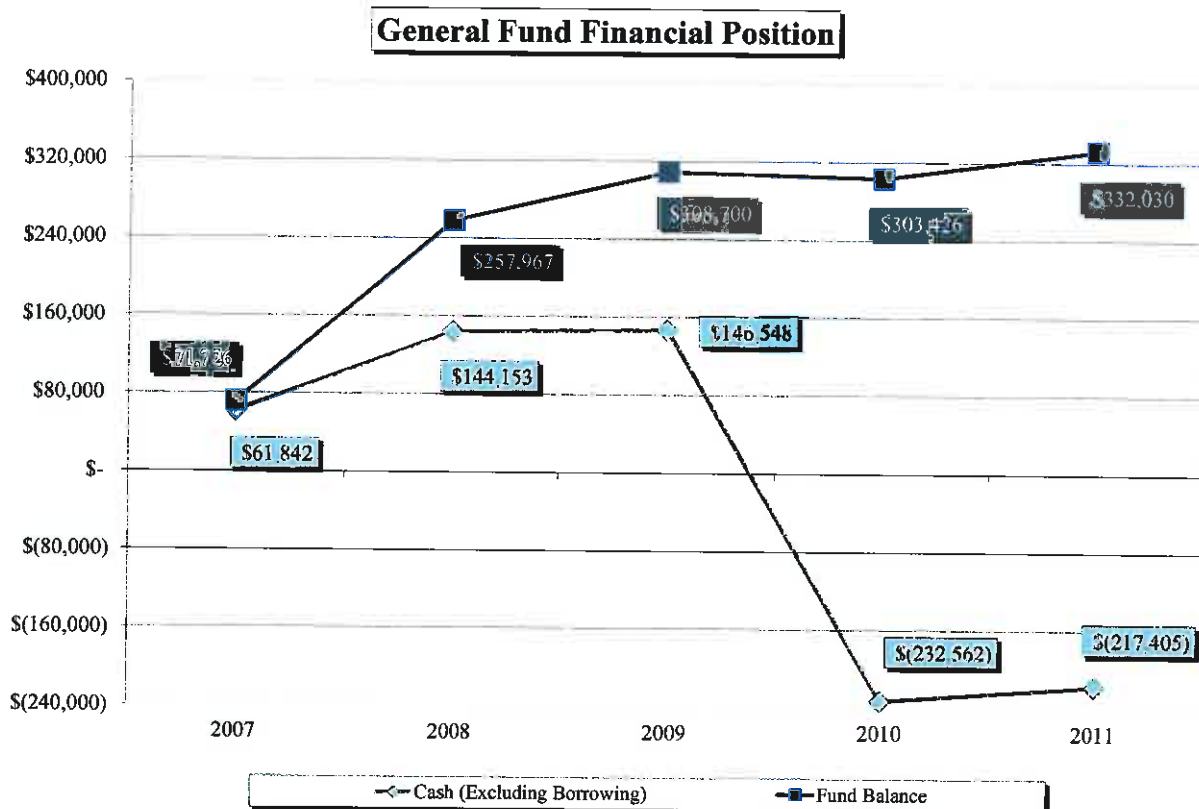
**FINANCIAL ANALYSIS  
June 30, 2011**

**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.

During 2011, the State of Minnesota experienced a shortfall in its budget and increased the hold back of state aids to schools. While the state paid 90% for the past few years, only 73% and 70% of state aids were paid prior to year-end in 2010 and 2011, respectively. The General Fund receivable from the state increased \$ 192,000 from 2010. Because of the increased proration in the last two years, the Academy exercised its line of credit during 2011. At June 30, 2011, the Academy had borrowed \$ 100,000 on the line and \$ 117,405 from the Community Service Fund. The state aids for 2012 fiscal year will be paid at 60%.

For the year ended June 30, 2011, the Academy had a little over one month of expenditures based on 2011 spending levels in its fund balance.



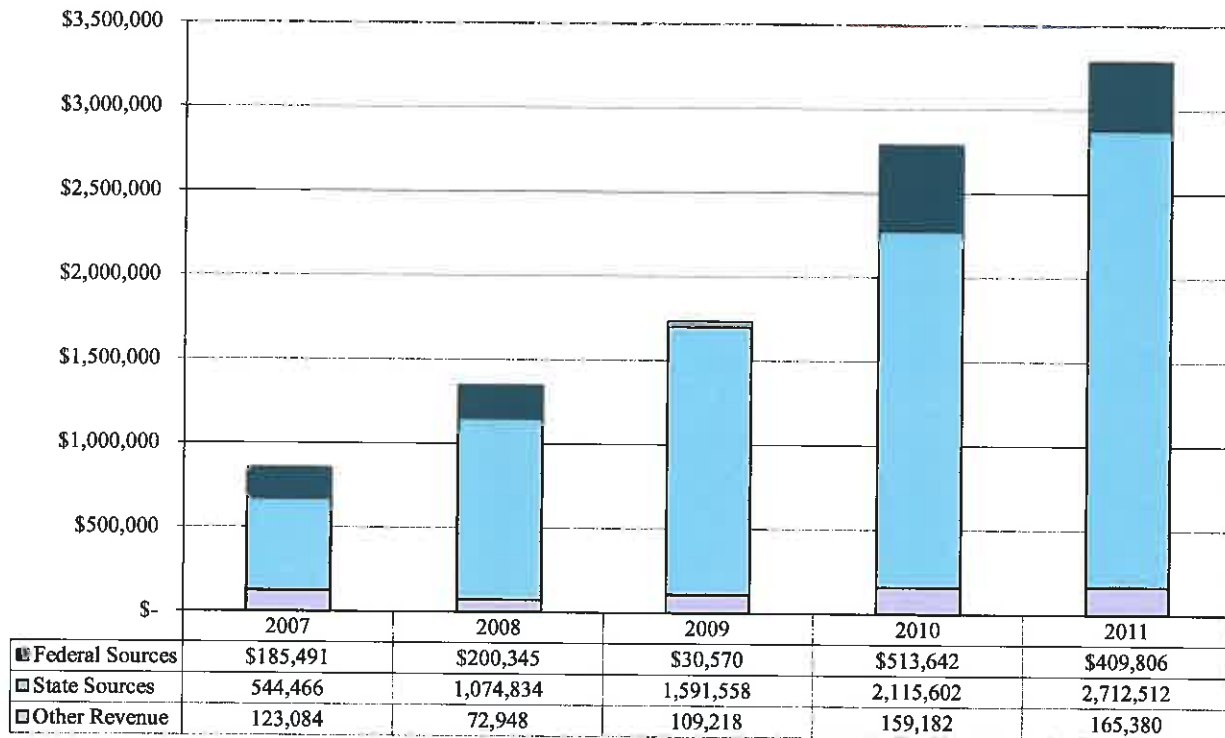
**YINGHUA ACADEMY  
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**FINANCIAL ANALYSIS  
June 30, 2011**

**GENERAL FUND REVENUE**

Total General Fund revenues increased by \$ 499,273, or 18%, to \$ 3,287,698 in 2011. The largest component of the increase in revenue was the \$ 597,000 increase in state sources. This increase was mainly due to the increase in ADM. Revenue from federal sources decreased by 20% due to the Academy losing the Mathematical Sciences Grant in 2011 and federal stimulus dollars received only in 2010. Revenue from other sources was consistent with last year.

**General Fund Sources of Revenue**



Revenues from state sources increased from 76% of total revenues in 2010 to 83% of total revenues in 2011, while revenues from federal sources decreased from 18% of total revenues in 2010 to 13% of total revenues in 2011.

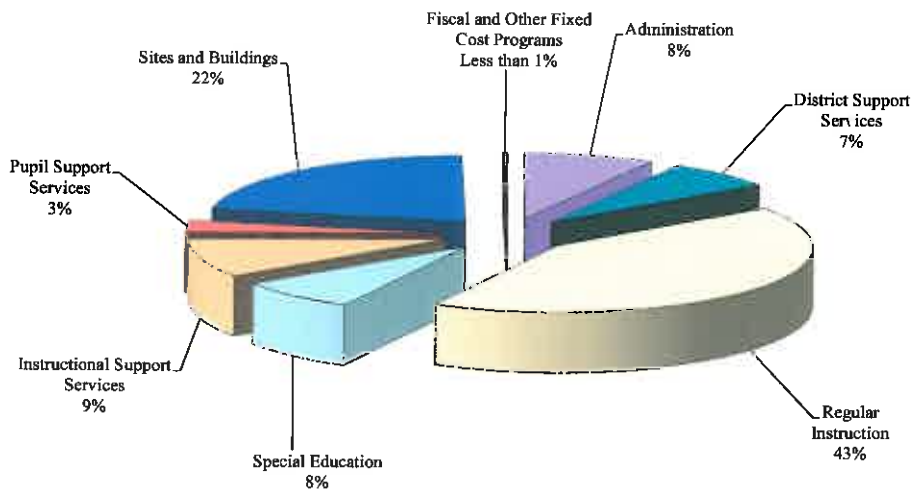
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**FINANCIAL ANALYSIS  
June 30, 2011**

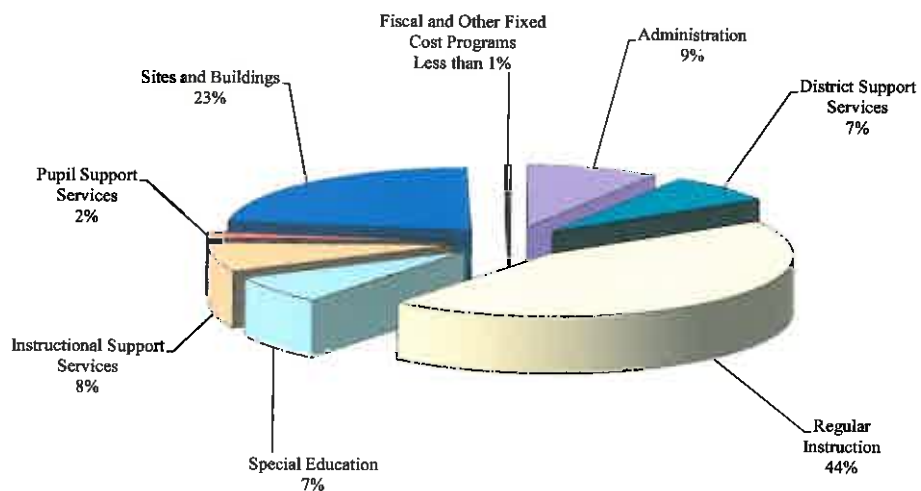
**GENERAL FUND OPERATIONS**

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

**2011 General Fund Expenditures**



**2010 General Fund Expenditures**



As seen in the graphs above, expenditures among programs have remained fairly consistent from 2010 to 2011.

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**FINANCIAL ANALYSIS  
June 30, 2011**

**GENERAL FUND EXPENDITURES**

The Academy's first school year was 2007. The General Fund expenditures increased \$ 457,431, or 16%, in 2011 over the prior year.

All programs had increases in 2011; however, the majority of this increase occurred in the programs of regular instruction, special education, support services and pupil support services. These increases were all due to the addition of teaching staff and services needed for the significant increase in ADMs.

| <b>General Fund Expenditures</b>     |                   |                     |                     |                     |                     |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
|                                      | <b>2007</b>       | <b>2008</b>         | <b>2009</b>         | <b>2010</b>         | <b>2011</b>         |
| Administration                       | \$ 132,925        | \$ 141,493          | \$ 151,396          | \$ 244,566          | \$ 266,143          |
| District Support Services            | 90,286            | 94,173              | 165,398             | 204,006             | 222,669             |
| Regular Instruction                  | 261,161           | 500,503             | 729,842             | 1,240,909           | 1,383,393           |
| Special Education                    | 14,167            | 31,376              | 132,400             | 199,542             | 247,784             |
| Instructional Support Services       | 92,274            | 102,720             | 132,560             | 212,057             | 308,716             |
| Pupil Support Services               | 2,047             | 4,323               | 35,181              | 44,710              | 95,149              |
| Sites and Buildings                  | 178,695           | 274,396             | 325,400             | 634,791             | 713,864             |
| Fiscal and Other Fixed Cost Programs | 10,500            | 5,493               | 5,901               | 9,250               | 9,543               |
| <b>Total Expenditures</b>            | <b>\$ 782,055</b> | <b>\$ 1,154,477</b> | <b>\$ 1,678,078</b> | <b>\$ 2,789,831</b> | <b>\$ 3,247,261</b> |

Below is a chart showing the Academy's expenditures per ADM served. Although expenditures significantly increased in fiscal year 2011, so did the students served. Expenditures per ADM decreased mainly as a result of 2010 spending related to additional grant awards the Academy received over and above its base funding. In 2008, 2009 and 2010 expenditures per ADM served were below the state average per student served in the General Fund.

|                                   | <b>2007**</b>   | <b>2008**</b>   | <b>2009**</b>    | <b>2010**</b>    | <b>2011*</b>       |
|-----------------------------------|-----------------|-----------------|------------------|------------------|--------------------|
| General Fund                      | \$ 9,490        | \$ 7,756        | \$ 7,241         | \$ 9,327         | \$ 8,914           |
| Food Service                      | 365             | 334             | 344              | 362              | 378                |
| Community Service                 | 403             | 503             | 812              | 777              | 567                |
| <b>State General Fund Average</b> | <b>\$ 9,364</b> | <b>\$ 9,797</b> | <b>\$ 10,639</b> | <b>\$ 10,251</b> | <b>Unavailable</b> |

\* Estimate

\*\* Amounts listed for 2007-2010 were obtained from the Minnesota Department of Education (MDE) publication, *School District Profiles*.



**YINGHUA ACADEMY**  
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**FINANCIAL ANALYSIS**  
**June 30, 2011**

**FOOD SERVICE FUND**

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

| <b>For Year End June 30</b>  |           | <b>2007</b> |           | <b>2008</b> |           | <b>2009</b> |           | <b>2010</b> |           | <b>2011</b> |
|------------------------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|
| Revenues                     | \$        | 23,346      | \$        | 42,261      | \$        | 77,218      | \$        | 104,006     | \$        | 125,848     |
| Expenditures                 |           | 29,808      |           | 49,670      |           | 79,753      |           | 107,875     |           | 137,681     |
| Excess of Revenues Under     |           |             |           |             |           |             |           |             |           |             |
| Expenditures                 |           | (6,462)     |           | (7,409)     |           | (2,535)     |           | (3,869)     |           | (11,833)    |
| Add: Transfer In             |           | 6,462       |           | 7,409       |           | 2,535       |           | 3,869       |           | 11,833      |
| Fund Balance, July 1         |           | -           |           | -           |           | -           |           | -           |           | -           |
| <b>Fund Balance, June 30</b> | <b>\$</b> | <b>-</b>    | <b>\$</b> | <b>-</b>    | <b>\$</b> | <b>-</b>    | <b>\$</b> | <b>-</b>    | <b>\$</b> | <b>-</b>    |

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 with 2011 representing the largest transfer.

**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.

| <b>For Year End June 30</b>  |           | <b>2007</b>   |           | <b>2008</b>   |           | <b>2009</b>   |           | <b>2010</b>    |           | <b>2011</b>    |
|------------------------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|----------------|-----------|----------------|
| Revenues                     | \$        | 59,432        | \$        | 140,172       | \$        | 189,508       | \$        | 246,071        | \$        | 218,263        |
| Expenditures                 |           | 32,960        |           | 74,847        |           | 188,191       |           | 232,444        |           | 206,534        |
| Excess of Revenues Over      |           |               |           |               |           |               |           |                |           |                |
| Expenditures                 |           | 26,472        |           | 65,325        |           | 1,317         |           | 13,627         |           | 11,729         |
| Fund Balance, July 1         |           | -             |           | 26,472        |           | 91,797        |           | 93,114         |           | 106,741        |
| <b>Fund Balance, June 30</b> | <b>\$</b> | <b>26,472</b> | <b>\$</b> | <b>91,797</b> | <b>\$</b> | <b>93,114</b> | <b>\$</b> | <b>106,741</b> | <b>\$</b> | <b>118,470</b> |

Revenues in the Community Service Fund decreased from 2010 due to only holding one session of summer school. Expenditures decreased also for the same reason. This Fund has continued to produce operating surpluses and had a healthy balance at year-end.

**YINGHUA ACADEMY  
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**LEGISLATIVE SUMMARY  
June 30, 2011**

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota charter schools. More detailed and extensive summaries are available from the MDE.

**STATE AID APPROPRIATIONS**

The formula allowance for fiscal years 2012 and 2013 General Education Aid was increased to \$ 5,174 and \$ 5,224, respectively.

For fiscal years 2012 and later, payments for state aids will be paid at 60% current and 40% final payment. The 60% current payments are spread over 16 payments, from July to February with no state aid payments to charter schools in March to June. Final payments to charter schools accelerated; 75% of final payment will be paid July 15 with the remaining 25% paid on October 30.

Effective for fiscal year 2012, charter schools are eligible for payments from the Endowment/Permanent School Fund. They will receive approximately \$ 12 per ADM for fiscal year 2012 and \$ 25 per ADM in fiscal year 2013.

The Integration Aid revenue statute is repealed for fiscal year 2014. A working group will be created to make recommendations for repurposing integration revenue funds to create and sustain opportunities for students to achieve improved educational outcomes. The working group will consist of six appointees by the Commissioner and six appointees by the State Legislature.

School districts are no longer subject to the January 15 teacher contract deadline.

**EDUCATION EXCELLENCE**

School boards conducting meetings may use interactive technology with an audio and visual link to conduct the meeting if the school board complies with all requirements under *Minnesota Statutes* 13D.02.

New Literacy Incentive Aid, beginning in fiscal year 2013, includes the new Proficiency Aid and Growth Aid. Proficiency Aid is the district's enrollment on October 1 of the previous year times \$ 85 times its proficiency index (percent of 3<sup>rd</sup> graders meeting or exceeding proficiency). Growth Aid is the product of a district's enrollment on October 1 of the previous year times \$ 85 times the percent of 4<sup>th</sup> graders making medium or high growth on the reading MCA. Funding in 2013 is capped at \$ 48,585,000.

Beginning with taxes payable in 2012, the career and technical levy increases to the greater of \$ 80 times the district's ADM in grades 9-12, or 35% (instead of the fiscal year 2011 amount of 25%) of the approved expenditures.

Charter School Lease Aid grandfather provision is eliminated beginning in fiscal year 2013.

Charter School Start Up Aid is repealed beginning in fiscal year 2013. Schools that opened in fiscal year 2011 will receive aid for fiscal year 2012, but new schools opening in fiscal year 2012 will not receive aid.

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**LEGISLATIVE SUMMARY  
June 30, 2011**

**SPECIAL EDUCATION**

Regular and excess cost and growth factors remained as in current law (4.6% for regular and 2.0% for excess cost).

**FACILITIES AND TECHNOLOGY**

The process for districts to apply for health and safety revenue has been streamlined and the health and safety statute has been clarified.

**NUTRITION AND ACCOUNTING**

Except where specifically authorized, state education payments shall be made only to the district or other education organizations earning state aid revenue as a result of providing education services.

**Funds Transfer:** School districts are authorized to transfer money from one fund or account to another in fiscal years 2012 and 2013 as long as the transfer does not increase state aid obligations or increase local property taxes. 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. It must also be signed by the superintendent and approved by the school board.

**STATE AGENCIES**

Due to the current economic condition of the state, the MDE budget has been reduced by 5% for fiscal years 2012 and 2013 to \$ 18,820,000.