Management Report

for

Metro Deaf School
St. Paul, Minnesota
June 30, 2011

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Metro Deaf School
St. Paul, Minnesota

We have prepared this management report in conjunction with our audit of Metro Deaf School's (the School) financial statements for the year ended June 30, 2011. The purpose of this report is to make required communications to those who have responsibility for oversight of the financial reporting process and to provide comments resulting from our audit process. We have organized this report into the following sections:

- Audit Summary
- Funding Public Education in Minnesota
- Financial Trends of Your School
- Accounting and Auditing Updates
- Legislative Summary

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

This report is intended solely for the information and use of those charged with governance, the Board, management, and those who have responsibility for oversight of the financial reporting process and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

December 6, 2011

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AUDIT SUMMARY

We hereby provide you with the following summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the Board, administration, or those charged with governance of the School.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of and for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Audit Opinion on the School's Financial Statements

We have issued an unqualified opinion on the School's financial statements. This means that after performing our audit tests and procedures, we have concluded that the basic financial statements fairly present the School's financial position and changes in financial position for the year ended June 30, 2011.

Report on Internal Controls and Compliance Over Financial Reporting

We reported no material weaknesses in the School's internal controls over financial reporting.

Our testing did not indicate any findings related to compliance over financial reporting that were required to be reported under *Government Auditing Standards*.

Report on Compliance With Minnesota Laws and Regulations

We have reported four findings based on our testing of the School's compliance with Minnesota laws and regulations.

- For 2 of 40 disbursements tested, the invoices were not paid within 35 days of the receipt of goods or services, or the invoice for goods or services, as required by state statutes.
- At year-end, the School's deposits at one bank exceeded available depository insurance by $213, and the excess was not covered by surety bond or pledged collateral, as required by state statutes.
- The School did not document the designation of the depositories used during the year in a formal action of the Board, as required by state statutes.
- The School did not document the designation of authority to make electronic funds transfers on behalf of the School in a formal action of the Board, as required by state statutes.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 of the notes to basic financial statements. For the year ended June 30, 2011, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement established new 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.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. Where applicable, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management, when applicable, were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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:

> Special education state aid includes an adjustment related to tuition billings to and from other schools for special education services which are computed using formulas derived by the Minnesota Department of Education (MDE). Because of the timing of the calculations, this adjustment for fiscal 2011 is not finalized until after the School has closed its financial records for the fiscal period. The impact of this adjustment on the receivable and revenue recorded for state special education aid is calculated using preliminary information available to the School.
>
> The School uses estimates of useful lives for the depreciation of capital assets.

We evaluated the key factors and assumptions used by management in the areas discussed above in determining that they are reasonable in relation to the financial statements taken as a whole.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

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 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 School’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 School’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 December 6, 2011.

BASIC FUNDING FOR PUBLIC EDUCATION IN MINNESOTA

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this report. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

BASIC GENERAL EDUCATION REVENUE

The largest single funding source for Minnesota school districts is basic general education aid. Each year, the Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to average daily membership (ADM).

The table below presents a summary of the formula allowance for the past decade and as approved for the next two fiscal years.

Fiscal Year Ended June 30,	Formula Allowance Amount	Formula Allowance Percent Increase
2002	$ 4,068	2.6 %
2003	$ 4,601	2.6 % (1)
2004	$ 4,601	– %
2005	$ 4,601	– %
2006	$ 4,783	4.0 %
2007	$ 4,974	4.0 %
2008	$ 5,074	2.0 %
2009	$ 5,124	1.0 %
2010	$ 5,124	– %
2011	$ 5,124	– %
2012	$ 5,174	1.0 %
2013	$ 5,224	1.0 %

(1) Percentage adjusted to eliminate changes caused by referendum reduction and rolled-in (out) aids which does not affect total school revenue.

As noted in the table above, after having been frozen at the same level for the last three years, the Legislature has added $50 to the basic formula allowance for both fiscal 2012 and 2013. In recent years, the modest increases in the formula allowance have forced many districts to continually cut expenditure budgets or seek increased referendum revenue in order to maintain programs.

The table above does not reflect temporary funding changes such as the $51 per pupil unit one-time additional general education aid to charter schools received in 2008–2009, or the technology and operating capital aid received by charter schools in 2007–2008 ($40 per pupil unit) and 2008–2009 ($55 per pupil unit). It also does not reflect the one-time replacement of a portion of a school's general education aid with federal fiscal stabilization funds in fiscal 2010.

STATE OUTLOOK AND EFFECT ON INTERNAL CONTROLS

The 2011 legislative session began with the Governor and Legislature facing a projected budget deficit of $6.2 billion (later revised down to $5.0 billion in the February 2011 Economic Forecast) for the 2012–2013 biennium. In addition, the 2010 election had dramatically changed the state's political landscape. A Democratic Governor was in power for the first time since 1991, while the Republicans had majority control of both the House and the Senate for the first time since 1971. Predictably, as the session progressed it became clear that the Governor and Legislature were having difficulty agreeing on a state budget for the next biennium. Shortly after the 2011 regular session ended, the Governor vetoed eight major state appropriation bills and the omnibus tax bill passed by the Legislature, which left the majority of state agencies without a budget for the next fiscal year. This resulted in a shutdown of "nonessential" state agencies that began July 1, 2011 and effectively ended with the passing of appropriation bills in a special session on July 19 and 20, 2011.

The large projected budget deficit facing the 2011 Legislature was typical of the financial challenges the state has experienced in recent years. Unfavorable economic conditions have caused a steady deterioration of the state's financial condition, which has resulted in series of cuts and holdbacks in state aids to local governments and other entities. As was the case in the last biennium, the adopted state budget for 2012–2013 utilized several large "accounting shifts" in an attempt to minimize the need for tax increases or state aid cuts to balance the budget. The accounting shifts, further explained in the Legislative Summary section of this report, included delaying an even higher percentage of estimated state aid payments to school districts and charter schools, and a small expansion of the "tax shift," which accelerates the recognition of K–12 school district tax levy revenue with an off-setting reduction in state aid. Both of these types of shifts significantly reduce the amount of operating cash available to Minnesota school districts and charter schools, but are intended to be revenue neutral. While these shifts have spared school districts and charter schools from deeper aid cuts in the short-term, some argue that their use does not address the state's budget woes, but only delays them. If the economy remains sluggish, further state budget shortfalls are likely.

These circumstances have resulted in a sustained cycle of budget reductions for many Minnesota school districts and charter schools, forcing many to make significant staffing cuts or reassignments. In some cases, such measures have weakened internal controls by reducing the segregation of accounting duties or delaying the performance of key control procedures. Unfortunately, the economic downturn has also placed additional financial strain on many individuals, elevating the risk of fraud and theft. Recent communications from the Minnesota Office of the State Auditor have reported a substantial increase in incidents of fraud and theft involving local governments. A comprehensive and functioning system of internal controls is critical to safeguarding public assets and producing the accurate and timely financial information necessary to effectively manage a charter school. When faced with difficult budgetary decisions, we encourage our clients to be mindful of these factors and to continue to make sound financial controls a priority.

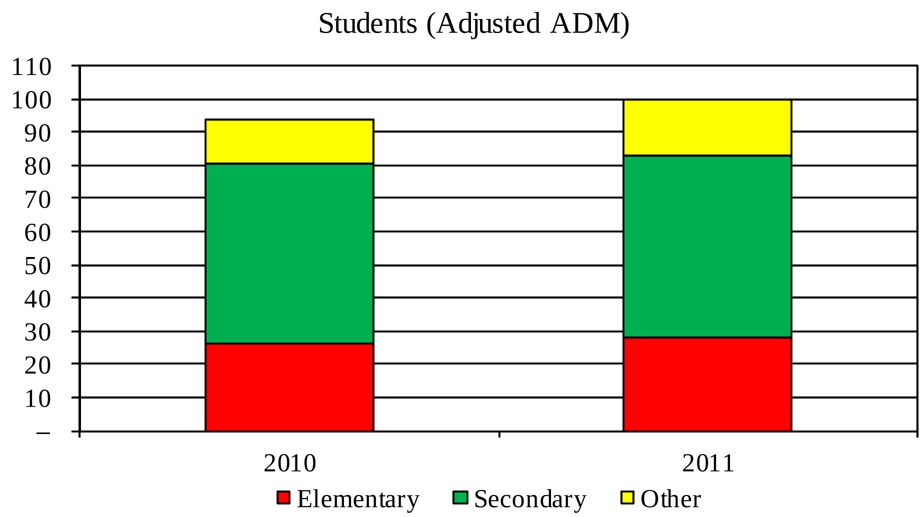
METERING OF STATE AID PAYMENTS

In order to help reduce the state budget deficit, the 2009 and 2010 Legislature changed the metering of state aid payments to Minnesota school districts and charter schools beginning in 2009–2010. In past years, charter schools have been paid 90 percent of their estimated state aid entitlements by June 30 each year, with the remaining 10 percent paid out in the following fiscal year. In 2009–2010, the state paid only 73 percent of estimated state aid entitlements by year-end, with the remaining 27 percent to be paid out in the following fiscal year. In 2010–2011, the state paid only 70 percent of estimated state aid entitlements by year-end, with the remaining 30 percent to be paid out in the following fiscal year. This change did not affect the accrual based revenue recorded by charter schools for the year, but had a significant impact on their cash flow, greatly increasing the need for short-term cash flow borrowing among charter schools. The holdback will increase to 40 percent of estimated state aids in fiscal 2012.

FINANCIAL TRENDS OF YOUR SCHOOL

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

The following graph summarizes the ADM served by the School for the last two years:

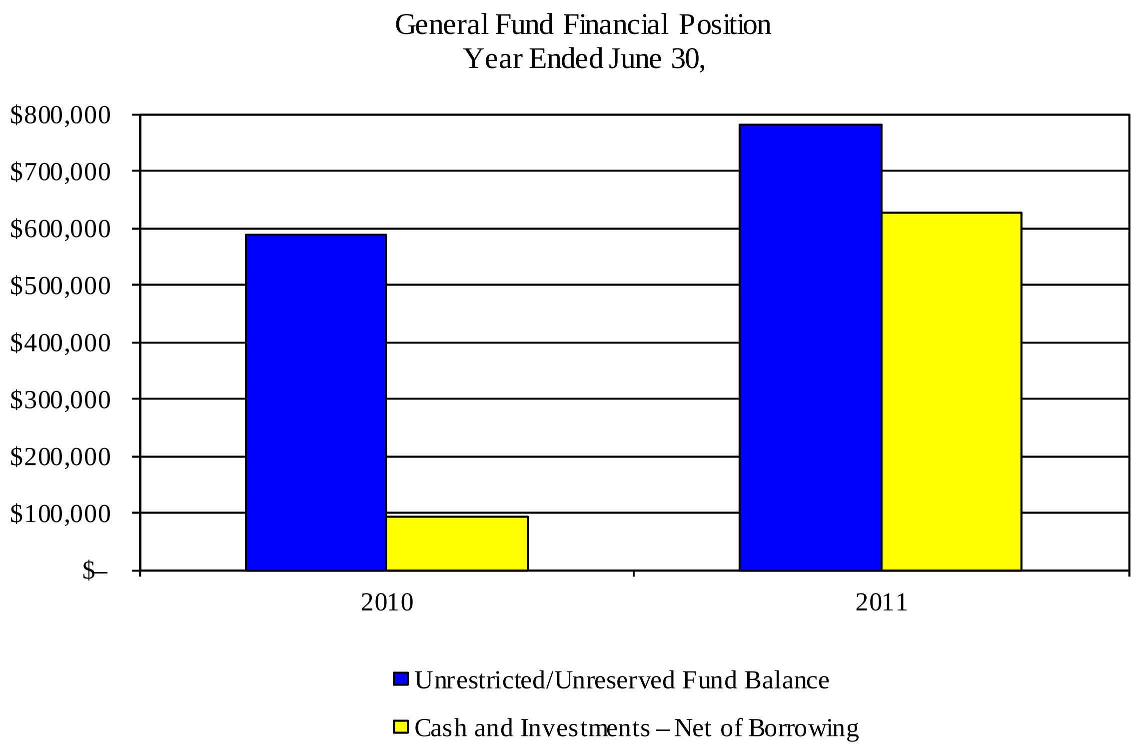


The School's ADM served for 2011 is estimated to be 100, an increase of 6 ADM (6.8 percent) from the previous year.

ADM is a measure of students attending class, which is converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts are not finalized until around January of the following year. When viewing revenue budget variances, one needs to consider these ADM changes and the impact of prior year final adjustments which affect the current year's revenue.

GENERAL FUND OPERATIONS AND FINANCIAL POSITION

The following graph displays the School's General Fund financial position for the last two years:

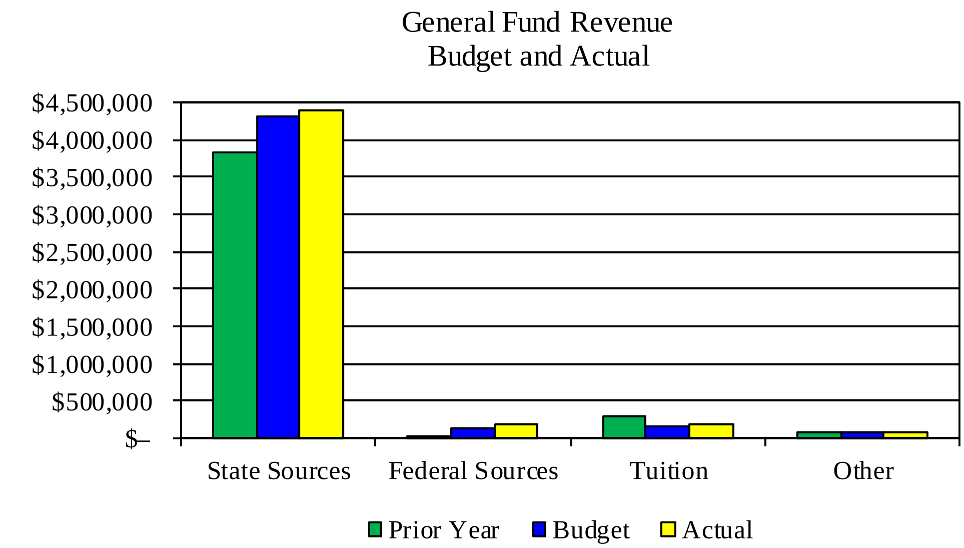


The School's General Fund ended 2011 with an unrestricted fund balance of $780,151, an increase of $191,487 from the prior of the year, and $230,688 higher than projected in the budget. The General Fund cash and investments balance at year-end, net of borrowing, was $627,841, an increase of $534,342 from the prior year.

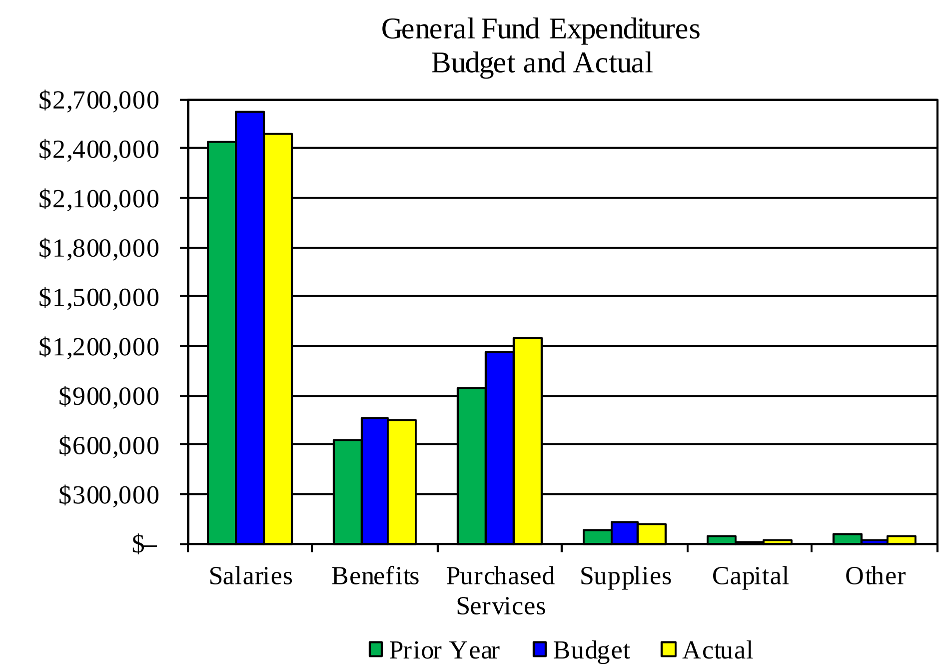
Unrestricted/unreserved fund balance as a percentage of expenditures is one key measure of school's financial health. The resources represented by this fund balance are critical to a school's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls. For the School, this ratio was 16.8 percent at the end of 2011.

GENERAL FUND REVENUE AND EXPENDITURES

The following graphs summarize the School's General Fund revenue and expenditures for 2011 and the prior fiscal year:



Total General Fund revenues for 2011 were $4,853,613, an increase of $606,497, and $176,682 over budget. Tuition was over budget by $39,596. The amounts to be billed to other Minnesota and Wisconsin districts were not known at the time the budget was approved; therefore, the School made a conservative estimate. State and federal revenues were over budget by $72,750 and $44,330, respectively, as the School earned more state and federal special education funding then projected.



Total General Fund expenditures for 2011 were $4,650,307, an increase of $461,826 from the prior year, but $55,384 under budget. The increase from the prior year is mainly due to increased costs of health insurance benefits and increased purchased services due to the Employment Endeavors Program. The budget variance was mainly due to lower personnel costs due to the failure to fill open administrative positions in the current year.

FOOD SERVICE SPECIAL REVENUE FUND

In 2011, the School's Food Service Special Revenue Fund expenditures exceeded revenues by $13,075, and the fund balance was $0 at year-end. The Food Service Special Revenue Fund was supported by the General Fund with a transfer in of $11,819. It is important that the Food Service Special Revenue Fund be as self-sustaining as possible so it does not place an additional burden on the General Fund.

BUILDING COMPANY SPECIAL REVENUE FUND

The Building Company Special Revenue Fund is used to account for 1House2Hands, Inc. (the Building Company), which is considered to be a component unit of the School. The fund ended the year with a fund balance of $77,990. The Building Company increased rent to eliminate an accumulated deficit of $76,412 from the previous year.

ENTITY-WIDE FINANCIAL STATEMENTS

The School's financial statements include fund-based information that focuses on budgetary compliance and sufficiency of the School's current assets to finance its current liabilities. The Governmental Accounting Standards Board (GASB) Statement No. 34 reporting model also requires the inclusion of two entity-wide financial statements designed to present a clear picture of the School as a single, unified entity. These entity-wide statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net assets represent the resources the School has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how the resources can be used. Therefore, the statement divides net assets into three components: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The following table presents a summarized conversion of the School's governmental fund balances (as individually discussed earlier) to net assets and separate components for the year:

	June 30, 2010	June 30, 2011
Net assets – governmental activities		
Total fund balances – governmental funds	$ 513,508	$ 858,141
Total capital assets, net of accumulated depreciation	4,359,372	4,149,567
Total long-term debt	(4,281,185)	(4,114,814)
Total net assets – governmental activities	$ 591,695	$ 892,894
Net assets		
Invested in capital assets, net of related debt	$ 78,187	$ 34,753
Restricted	1,256	77,990
Unrestricted	512,252	780,151
Total net assets	$ 591,695	$ 892,894

Net assets increased $301,199 from the beginning of the year, due to the improvement in the financial positions of both the School's General Fund and the Building Company Special Revenue Fund.

ACCOUNTING AND AUDITING UPDATES

GASB STATEMENT NO. 61 – THE FINANCIAL REPORTING ENTITY: OMNIBUS

This statement amends the current guidance in GASB Statement No. 14, "The Financial Reporting Entity," for identifying and presenting component units. This statement changes the fiscal dependency criterion for determining component units. Potential component units that meet the fiscal dependency criterion for inclusion in the financial reporting entity under existing guidance will only be included if there is also "financial interdependency" (an ongoing relationship of potential financial benefit or burden) with the primary government. This statement also clarifies the types of relationships that are considered to meet the "misleading to exclude" criterion for inclusion as a component unit; changes the criteria for blending component units; gives direction for the determination and disclosure of major component units; and adds a requirement to report an explicit, measurable equity interest in a discretely presented component unit in a statement of position prepared using the economic resources measurement focus. The requirements of this statement must be implemented for periods beginning after June 15, 2012, with earlier implementation encouraged.

GASB STATEMENT NO. 63 – FINANCIAL REPORTING OF DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources; which are defined as the consumption or acquisition of net assets, respectively, applicable to a future reporting period. The statement amends certain reporting requirements in GASB Statement No. 34 and related pronouncements, providing a format for a new Statement of Net Position, which reports deferred outflows of resources and deferred inflows of resources separately from assets and liabilities. It also renames the residual of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as net position, rather than net assets. The requirements of this statement must be implemented for periods beginning after December 15, 2011, with earlier implementation encouraged.

GASB PENSION EXPOSURE DRAFTS

In June 2011, GASB issued two exposure drafts on accounting and reporting for pensions, one for the reporting of pension benefits within the financial statements of participating employers and the other for pension plan financial reporting. These two exposure drafts are intended to update or replace the current guidance for pension reporting in GASB Statement Nos. 25 and 27.

The exposure drafts propose a variety of changes in financial statement presentation, measurement, and required disclosures relating to pension benefits. Included are proposed major changes in how employers that participate in cost-sharing defined benefit pension plans, such as TRA and PERA, account for pension benefit expenses and liabilities. Currently, employers participating in such plans recognize pension expenses and liabilities only to the extent of their contractually required annual contributions to the plan. The exposure draft proposes that those employers recognize their proportionate share of the collective net pension liability and collective pension expense for all participating employers. If adopted, this guidance could have a significant impact on the financial statements of the participating employers, as participants in plans with a substantial unfunded liability would be required to report their proportionate share of the unfunded liability in their government-wide financial statements.

The proposed effective dates for both exposure drafts are for periods beginning after June 15, 2012, if certain conditions are met, otherwise for periods beginning after June 30, 2013.

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (TRANSPARENCY ACT)

Effective October 1, 2010, the Transparency Act requires federal award recipients to report specific data, including compensation data in certain circumstances, related to subawards. One of the key requirements of the Transparency Act was the creation of a single, searchable website that provides the public with greater access to information on federal spending. The Transparency Act requires recipients to report first-tier subaward and executive compensation data for new federal grants as of October 1, 2010, if the initial award is equal to or over $25,000. Pass-through entities (primary recipients) must report subaward data through the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) by the end of the month following the month in which the subaward obligation is made. For a more detailed discussion of the Transparency Act see Part 3, Section L of the 2011 Office of Management and Budget (OMB) A-133 Compliance Supplement available at www.whitehouse.gov/omb. The OMB has issued several documents that provide guidance on the Transparency Act, including "Open Government Directive – Federal Spending Transparency and Subaward and Compensation Data Reporting," available at www.whitehouse.gov/omb/open.

LEGISLATIVE SUMMARY

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

Basic General Education Revenue – The per pupil basic general education formula allowance for fiscal year (FY) 2011 was $5,124. The allowance will increase $50 each of the next two years, to $5,174 for FY 2012, and $5,224 for FY 2013.

State Aid Payments and Payment Deferrals – State aids normally paid on a 90–10 schedule were changed to a 73–27 schedule for FY 2010 and 70–30 for FY 2011. Beginning in FY 2012, these aids will be paid on a 60–40 payment schedule, which will also apply to charter schools. An exception was allowed for charter schools in which at least 90 percent of the enrollment receives special education services, accelerating regular special education aid payments only to a 90–10 payment schedule.

State law changed the payment schedule for charter schools for the current fiscal year to 16 payments rather than 24 payments if the current aid payment percentage is less than 90 percent. Under this schedule, charter schools will receive accelerated payments between July and February (equivalent to what they would have received with 90–10 funding). By the end of February, charter schools will have received current payments equal to 60 percent of estimated annual aid entitlements, and will not receive current payments during March–June.

New laws also require the commissioner of education to accelerate a charter school's final payment adjustment (clean-up payment). The new law requires payment to charter schools of 75 percent of the clean-up payment on July 15 and 25 percent on October 30 instead of the school district payment schedule that pays school districts on four dates spread out from July through October.

New laws also require a charter school to have a valid, signed contract on file with the MDE at least 15 days before the MDE makes the first state aid payment to the charter school in the fiscal year. It also requires state aid entitlements to be computed only for the portion of the school year for which a charter contract exists.

Early Graduation Programs – Two programs were created that provide students that graduate early with awards between $2,500 and $7,500, depending on how many semesters early they graduate. Students qualifying for the Early Graduation Achievement Scholarship Program receive a scholarship award that may be used at any accredited higher education institution, and students qualifying for the Early Graduation Military Service Award Program receive a cash award equivalent to the scholarship program awards. Beginning in FY 2012, school districts and charter schools will no longer generate pupil units and the associated funding for early graduates participating in these programs.

Literacy Incentive Aid – For FY 2013 and later, a new literacy incentive aid is available to school districts and charter schools. Only school sites that enroll students in Grades 3 and 4, with reading Minnesota Comprehensive Assessment (MCA) test results from the prior year, generate revenue. There is no requirement for the funds to be spent at the school generating the revenue. The aid may be used for any General Fund purpose.

Literacy incentive aid is the sum of two components, proficiency aid and growth aid. Proficiency aid equals $85 times the school's enrollment from October 1 of the previous year times the school's proficiency index (the percent of third graders meeting or exceeding proficiency on the reading MCA test, averaged across the previous three test administrations). Growth aid equals $85 times the school's enrollment on the previous October 1 times the percentage of fourth graders making medium or high growth on the reading MCA, averaged across the previous three test administrations.

Integration Aid – The current integration rule remains in effect with no sunset. However, the current integration aid funding formula remains in place only for FY 2012 and FY 2013. The integration revenue statute is repealed in FY 2014, and the base appropriation for a new program is established for FY 2014 and FY 2015. The Commissioner of Education will convene a 12-member Integration Revenue Replacement Advisory Task Force to develop recommendations for repurposing integration revenue funds to create and sustain opportunities for students to achieve improved educational outcomes.

PERA and TRA Rates – Contribution rates for employers and employees of the PERA Coordinated Plan increased by 0.25 percent effective January 1, 2011. Contribution rates for employers and employees for both the TRA Basic and Coordinated Plans increase by 0.5 percent each year through FY 2015. There is no additional aid to help fund these increases.

Minnesota Department of Education (MDE) Budget – The MDE budget has been reduced by 5.0 percent annually for FY 2012 and FY 2013.

Charter School Board – New laws require school board elections to be held during the school year, which excludes days when the school is closed for the holidays or vacations. This law clarifies that the parent member of the school board of directors must not be a school employee. The law also allows the chief financial officer and chief administrator of a charter school to serve as ex-officio nonvoting boardmembers only and precludes charter school employees from serving on a charter school board unless they serve in their capacity as a licensed teacher employed at the school or as a licensed teacher providing instruction at the school under a contract between a cooperative and the charter school. This law also prohibits contractors providing facilities, goods, or services to a charter school from serving on a charter school board.

Charter School Contract – A new law adds to the terms of a charter school contract a requirement that the charter school operator agree to indemnify and hold harmless the commissioner of education and the authorizer and their officers, agents, and employees from any suit, claim, or liability arising from operating the charter school.

Affiliated Nonprofit Building Corporation – This law change strikes the requirement that the charter of a school operating for at least five school years must have been renewed for a five-year term before the charter school organizes an affiliated nonprofit building corporation to renovate or purchase an existing facility to serve as a school.

Causes for Nonrenewal or Termination of Charter School Contract – This new law requires a charter school authorizer to notify a charter school board of directors within 60 business days of its intent to not renew or terminate the charter contract. It also clarifies that an informal hearing is available before the authorizer acts to renew or not renew a charter contract.

This law also allows a transfer of authorizers when an authorizer and a charter school board of directors mutually agree to terminate or not renew a charter contract. This law requires the proposed authorizer to identify any outstanding issues and have the charter school agree to resolve those issues before the commissioner of education determines whether to approve a transfer of authorizers.

This new law also allows that after providing reasonable notice and an opportunity for a public hearing, the commissioner of education may terminate a charter school contract if the commissioner of education establishes that the charter school failed to meet state pupil performance requirements, among other grounds.

This new law also strikes the commissioner of education's obligation to provide information about other eligible authorizers to a charter school when the commissioner terminates the charter contract of an authorizer that fails to fulfill statutory requirements.

Building Lease Aid – This law removes the grandfather clause for charter school building lease aid. This new law is effective for FY 2013 and later.

Repealer on Charter School Startup Aid – A new law repeals Minnesota Statutes, Sections 124D.11, Subd. 8 (on charter school startup aid), effective for FY 2013 and later.