



CliftonLarsonAllen LLP
CLAconnect.com

November 15, 2018

Members of the Board of Education
Northwest Passage High School
Charter School No. 4049
Coon Rapids, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements, and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the School for the courtesies, cooperation, and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

A handwritten signature in black ink that reads 'Dennis Hoogeveen'.

Dennis Hoogeveen, CPA
Principal

**NORTHWEST PASSAGE HIGH SCHOOL
CHARTER SCHOOL NO. 4049**

EXECUTIVE AUDIT SUMMARY (EAS)

JUNE 30, 2018

**NORTHWEST PASSAGE HIGH SCHOOL
CHARTER SCHOOL NO. 4049
TABLE OF CONTENTS
JUNE 30, 2018**

EXECUTIVE AUDIT SUMMARY

AUDIT FINDINGS AND RESULTS 1

FINANCIAL TRENDS 2

APPENDIX A

FORMAL REQUIRED COMMUNICATIONS 4

**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
NORTHWEST PASSAGE HIGH SCHOOL
CHARTER SCHOOL NO. 4049
YEAR ENDED JUNE 30, 2018**

AUDIT FINDINGS AND RESULTS

Audit Opinion – The financial statements are fairly stated. We issued what is known as a “clean” or unmodified audit report.

Compliance – No compliance issues were noted in our review of laws, regulations, contracts, grant agreements, or other matters that could have significant financial implications to the School.

Internal Controls – No “control deficiencies” in internal control were noted; however, deficiencies may exist that have not been identified.

Legal Compliance – No significant compliance issues were reported with respect to Minnesota Statutes related to charter schools and UFARS accounting.

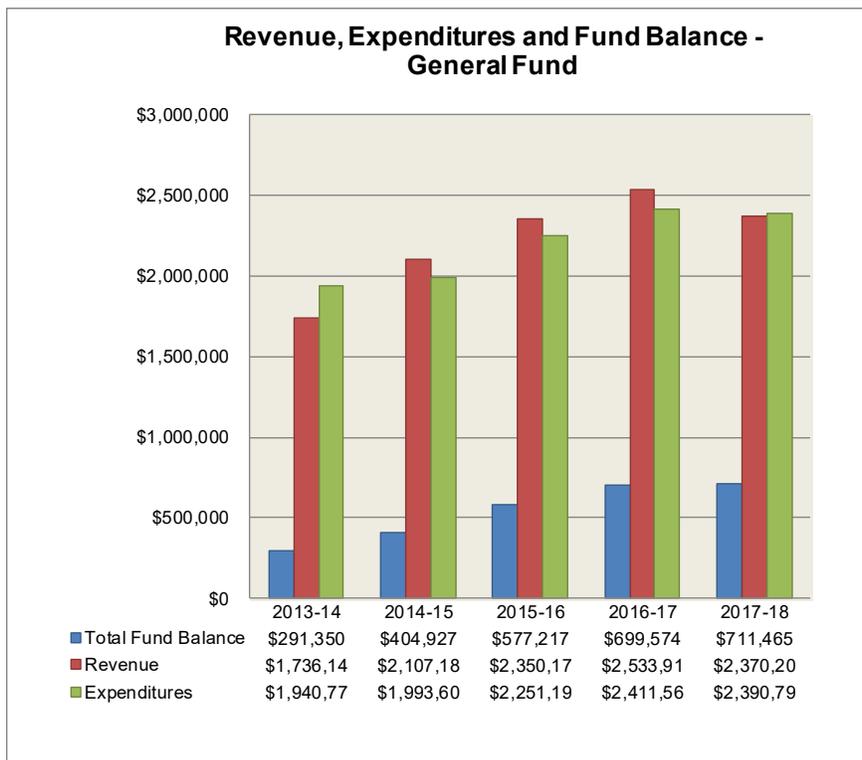
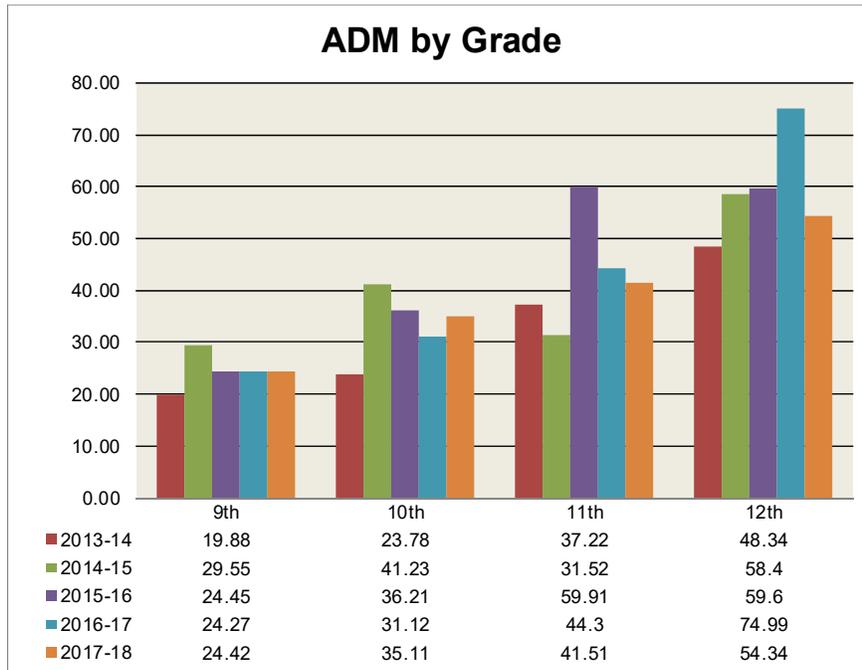
Enrollment – For fiscal 2018 Northwest Passage High School served an estimated net average daily membership of 155.38 (or 186.45 pupil units). For fiscal years 2017 and 2016, the School had served an average daily membership of 174.68 (or 209.61 pupil units) and 180.17 (or 216.20 pupil units), respectively.

Fund Balance – The School experienced an increase in General Fund balance during fiscal 2017-18 of \$11,891. This increase was \$10,037 more than had been reflected in the School's budget. The fund balance of the General Fund ended at \$711,465 as of June 30, 2018. We recommend that a charter school develop a plan that will eventually result in a target fund balance that is at least 20% to 25% of annual expenditures. The ending General Fund fund balance at June 30, 2018, for Northwest Passage High School represents 29.76% of expenditures incurred for the year (having been 29.01% of expenditures at June 30, 2017) and is an important aspect in the School's financial well being since a healthy fund balance represents things such as cashflow, as a cushion against unanticipated expenditures, enrollment declines, state aid metering changes, funding deficiencies and aid prorations at the state level and similar problems.

General Fund Budget to Actual – Total revenues on a net basis were \$5,408 (or 0.23%) higher than the budgeted amount while total expenditures were \$4,628 (or 0.19%) lower than had been budgeted. As part of any budget update initiated for fiscal 2018-19, the Board will want to take these very minor variances into consideration in order to limit budget differences to every extent possible. We recommend that budget variances in a charter school environment (which is more volatile than in a traditional school environment but on a much smaller scale) be limited to 1% to 2% on either side of zero. We recommend that the School continue to make mid-year budget amendments as necessary to update budget assumptions.

**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
NORTHWEST PASSAGE HIGH SCHOOL
CHARTER SCHOOL NO. 4049
YEAR ENDED JUNE 30, 2018**

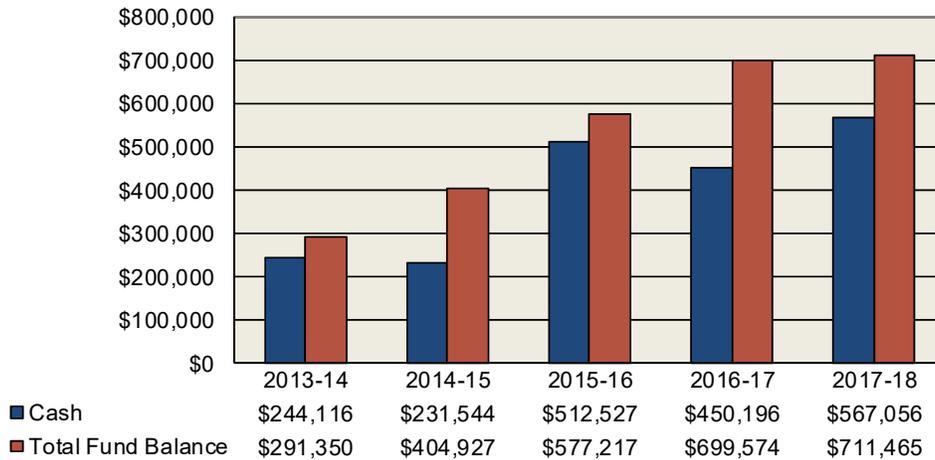
FINANCIAL TRENDS



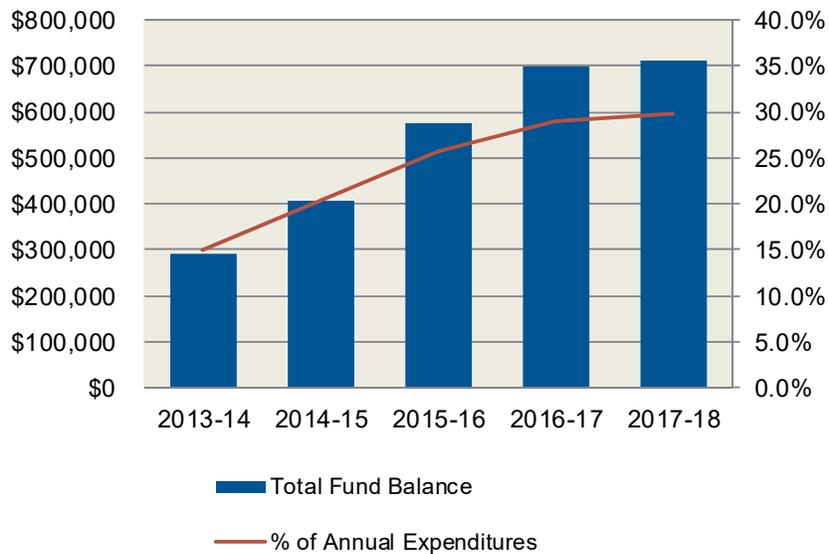
**EXECUTIVE AUDIT SUMMARY (EAS)
FOR
NORTHWEST PASSAGE HIGH SCHOOL
CHARTER SCHOOL NO. 4049
YEAR ENDED JUNE 30, 2018**

FINANCIAL TRENDS (CONTINUED)

General Fund Cash and Total Fund Balance



Total Fund Balance - General Fund



APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Board of Education
Northwest Passage High School
Charter School No. 4049
Coon Rapids, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Northwest Passage High School (the School) as of and for the year ended June 30, 2018, and have issued our report thereon dated November 13, 2018. We have previously communicated to you 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. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

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 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018.

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.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Qualitative aspects of accounting practices (continued)

Accounting estimates (continued)

The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimated proportionate share of PERA's and TRA's net pension liability

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2018. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the school. Student attendance is accumulated in a statewide database, Minnesota Automated Reporting Student System (MARSS). Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2018 is not finalized until well into the next fiscal year. MDE calculates amounts owed to the School for special education excess cost tuition billing and adds the amount to the School's special education aid. Because the tuition amounts are based on estimated information, final entitlements are not expected to be known until well into the following fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2018. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the SERVS reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of the School's proportionate share of PERA's and TRA's Net Pension Liability is based on guidance from GASB Statement No. 68 and each plan's respective allocation tables. Each plan's allocation tables allocate a portion of the plan's net pension liability based on the School's prior fiscal year contributions as a percentage of the total contributions received for the related year by the plan.

Board of Education
Northwest Passage High School
Charter School No. 4049

Qualitative aspects of accounting practices (continued)

Accounting estimates (continued)

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During our audit, we noted no uncorrected misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

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 auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2018.

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 auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Education
Northwest Passage High School
Charter School No. 4049

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement 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 engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the Uniform Financial Accounting and Reporting Standards (UFARS) table (the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, 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. We have issued our report thereon dated November 13, 2018.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the Board of Education and management of the School, and is not intended to be, and should not be, used by anyone other than these specified parties.


CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2018