

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2024**



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CHARTER SCHOOL NO. 4049  
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## **INTRODUCTORY SECTION**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2024**

**SCHOOL BOARD**

<b><u>NAME</u></b>	<b><u>TERM ON BOARD EXPIRES</u></b>	<b><u>BOARD POSITION</u></b>
Jason Olson	11/30/24	Chair
Brandi Greer	11/30/24	Vice Chair
Jeff Schommer	11/30/24	Treasurer
Alyssa Dahlke	11/30/25	Secretary
Kurtis Heerema	11/30/25	Member
Jessica Henrich	11/30/25	Member
Steve Rippe	11/30/25	Member
Jolene Stolpestad	11/30/25	Member
Heidi Wold	11/30/24	Member

**ADMINISTRATION**

Peter Wieczorek	Director
Brandi Saba	Office Manager

**BUILDING COMPANY BOARD**

<b><u>NAME</u></b>	<b><u>TERM ON BOARD EXPIRES</u></b>	<b><u>BOARD POSITION</u></b>
Jason Olson	6/30/25	Chair
Mike Luger	6/30/25	Treasurer
Brad Buxton	6/30/25	Secretary

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Passage High School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Northwest Passage High School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northwest Passage High School, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northwest Passage High School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Passage High School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northwest Passage High School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Passage High School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary schedules for each major fund with an adopted budget, Teachers Retirement Association (TRA) Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, General Employees Retirement Fund (GERF) Schedule of the School's Proportionate Share of the Net Pension Liability, and GERF Schedule of School Contributions presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Passage High School's basic financial statements. The Uniform Financial Accounting Reporting Standards Compliance Table is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***


Management is responsible for the other information included in the annual report. The other information comprises the Introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated **November 20, 2024** November 4, 2024, on our consideration of Northwest Passage High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwest Passage High School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Passage High School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 4, 2024

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

This section of Northwest Passage High School – Charter School No. 4049's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the School's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2023-2024 fiscal year include the following:

- Total General Fund revenues were \$2,977,569 as compared to \$2,666,462 of expenditures.
- Total fund balance of the General Fund increased by \$311,107.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

### **School-Wide Statements**

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of activities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net position* and how they have changed. Net position – the difference between the School's assets, deferred outflows, liabilities, and deferred inflows – is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the condition of the school building and other facilities.

In the School-wide financial statements the School's activities are shown in one category:

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, administration, and community education. State and federal aids finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's *funds* – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by debt covenants.
- The School establishes other accounts and funds to control and manage money for particular purposes (e.g., repaying its long-term debts).

The School has one fund type:

- *Governmental Funds* – Most of the School's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's net position was a deficit of \$203,220 on June 30, 2024 (see Table A-1) or a 67.23% increase from fiscal 2023.

**Table A-1  
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2024	2023	
Current and Other Assets	\$ 1,179,777	\$ 946,626	24.63 %
Capital Assets	356,439	615,692	(42.11)
Total Assets	<u>1,536,216</u>	<u>1,562,318</u>	(1.67)
Deferred Outflows of Resources	399,596	601,310	(33.55)
Current Liabilities	216,656	287,824	(24.73)
Net Pension Liability	1,365,699	1,605,393	(14.93)
Long-Term Liabilities	280,789	522,686	(46.28)
Total Liabilities	<u>1,863,144</u>	<u>2,415,903</u>	(22.88)
Deferred Inflows of Resources	<u>275,888</u>	<u>367,958</u>	(25.02)
Net Position:			
Net Investment in Capital Assets	75,650	93,006	(18.66)
Restricted	28,445	-	N/A
Unrestricted	(307,315)	(713,239)	56.91
Total Net Position	<u>\$ (203,220)</u>	<u>\$ (620,233)</u>	67.23

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**Changes in Net Position**

The School's total revenues were \$2,980,595 for the year ended June 30, 2024. While \$1,444,289 of revenue was from unrestricted state aid, operating grants accounted for \$1,460,039 of the revenue for the 2023-24 school year (see Table A-2).

**Table A-2  
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2024	2023	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 266	\$ 1,388	(80.84) %
Operating Grants and Contributions	1,460,039	971,318	50.32
<u>General Revenues</u>			
Unrestricted State Aid	1,444,289	1,304,358	10.73
Investment Earnings	28,559	5,392	429.66
Other	47,442	16,259	191.79
Total Revenues	<u>2,980,595</u>	<u>2,298,715</u>	29.66
<b>Expenses</b>			
Administration	86,113	69,275	24.31
District Support Services	399,179	430,423	(7.26)
Regular Instruction	912,976	584,299	56.25
Special Education Instruction	754,690	530,447	42.27
Instructional Support Services	32,875	7,599	332.62
Pupil Support Services	173,197	158,875	9.01
Sites and Buildings	166,797	394,065	(57.67)
Food Service	-	10,757	(100.00)
Interest and Fiscal Charges on Long-Term Liabilities	37,755	19,940	89.34
Total Expenses	<u>2,563,582</u>	<u>2,205,680</u>	16.23
<b>Change in Net Position</b>	417,013	93,035	
Beginning Net Position	<u>(620,233)</u>	<u>(713,268)</u>	
Ending Net Position	<u>\$ (203,220)</u>	<u>\$ (620,233)</u>	

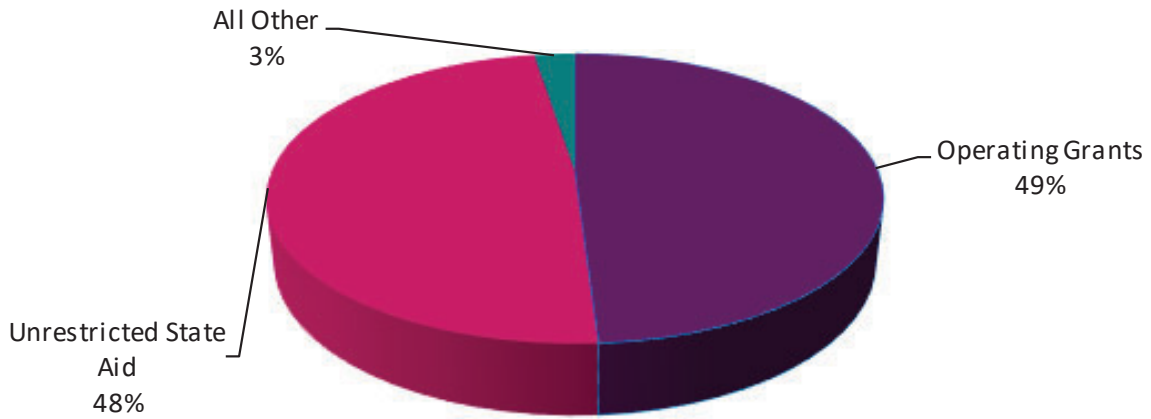
The total cost of all programs and services was \$2,563,582, which was an increase of \$357,902 from the prior year. The total increase in net position was \$417,013 for the year.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

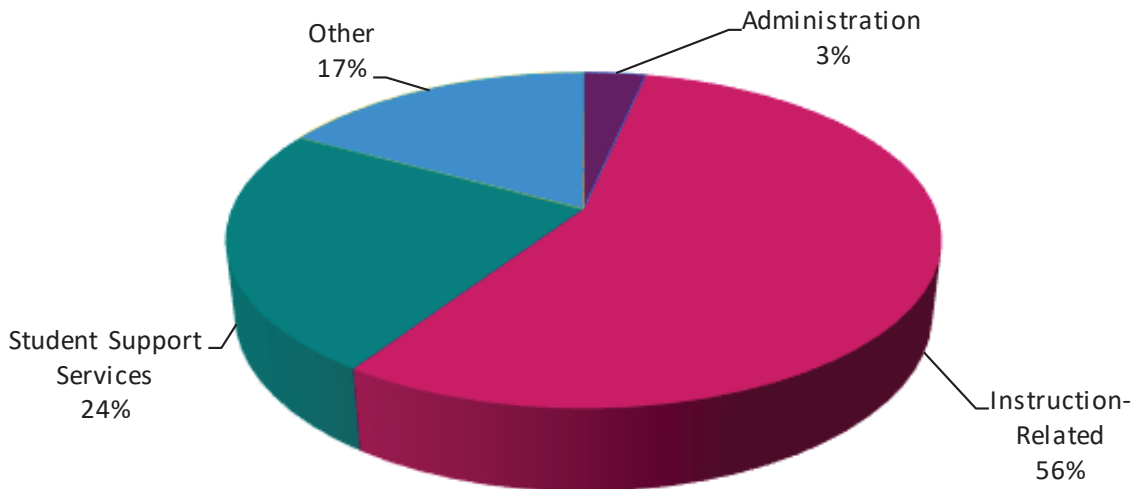
The cost of all governmental activities this year was \$2,563,569.

- Most of the School's costs (\$1,444,289) were paid for through unrestricted State aid (56.3%).
- Operating grants and contributions (\$1,460,039) paid for 56.9% of the School's costs.

**Figure A-1  
Governmental Activities Sources of Revenue**



**Figure A-2  
Use of School Governmental Activities Resources**



**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2024	2023		2024	2023	
Administration	\$ 86,113	\$ 69,275	24.31 %	\$ (253,365)	\$ (76,407)	231.60 %
District Support Services	399,179	430,423	(7.26)	399,168	429,755	(7.12)
Regular Instruction	912,976	584,299	56.25	908,434	598,914	51.68
Special Education Instruction	754,690	530,447	42.27	(136,857)	(94,837)	44.31
Instructional Support Services	32,875	7,599	332.62	32,875	7,599	332.62
Pupil Support Services	173,197	158,875	9.01	172,783	158,897	8.74
Sites and Buildings	166,797	394,065	(57.67)	(57,516)	178,464	(132.23)
Food Service	-	10,757	(100.00)	-	10,649	(100.00)
Interest and Fiscal Charges on Long-Term Liabilities	37,755	19,940	89.34	37,755	19,940	89.34
<b>Total</b>	<b>\$ 2,563,582</b>	<b>\$ 2,205,680</b>	<b>16.23</b>	<b>\$ 1,103,277</b>	<b>\$ 1,232,974</b>	<b>(10.52)</b>

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students including pupil transportation activities and capital outlay projects.

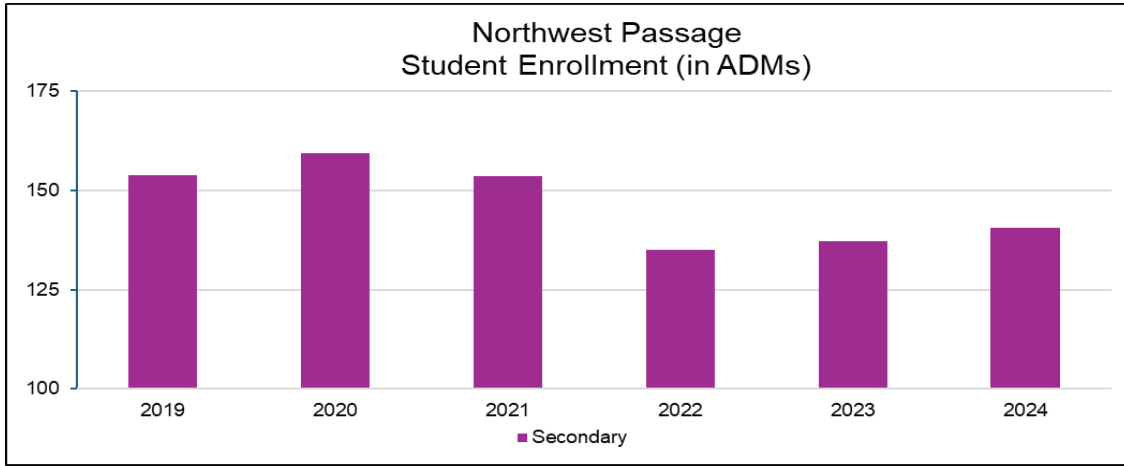
General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**ENROLLMENT**

Enrollment is a critical factor in determining revenue. The following chart shows that the number of students increased slightly in the 23-24 school year, and Northwest Passage hopes to continue that trend in the 24-25 school year with additional programming options.

**Table A-4  
Average Daily Membership (ADM)**



The steady enrollment numbers continue to provide the School with a dependable stream of revenue which allows the School to implement ambitious and innovative education programming. The administration and Board of Education recognize that enrollment is the primary source of revenue and continue to address this need through community building, marketing, and the use of social media.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 28,559	\$ 5,392	\$ 23,167	429.7 %
Other	47,708	17,539	30,169	172.0
State Sources	2,458,411	2,155,808	302,603	14.0
Federal Sources	442,891	149,627	293,264	196.0
Total General Fund Revenue	<u>\$ 2,977,569</u>	<u>\$ 2,328,366</u>	<u>\$ 649,203</u>	27.9

Total General Fund Revenue increased by \$649,203 or 27.9% from the previous year. General Fund revenue consists of general education aid, lease aid, and special education funds. Basic general education revenue is determined by a state formula, and is largely enrollment driven. State revenue increased by 14% or \$302,603. Federal revenue increased by 196% or \$293,264.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Salaries	\$ 1,321,478	\$ 1,193,672	\$ 127,806	10.7 %
Employee Benefits	342,465	397,504	(55,039)	(13.8)
Purchased Services	535,776	488,742	47,034	9.6
Supplies and Materials	121,710	72,688	49,022	67.4
Capital Expenditures	24,002	39,351	(15,349)	(39.0)
Other Expenditures	321,031	331,911	(10,880)	(3.3)
Expenditures	<u>\$ 2,666,462</u>	<u>\$ 2,523,868</u>	<u>\$ 142,594</u>	5.6

Total General Fund expenditures increased \$142,594 or 5.6% from the previous year. This increase was caused by both an increase in salaries of 10.7% or \$127,806 and an increase in supplies and materials of 67.4% or \$49,022.

Ending fund balance is the single best measure of overall financial health. The fund balance of the General Fund was \$969,909 at June 30, 2024, which represents 36.37% of General Fund expenditures.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the School revised the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Finalized staffing requirements for the school year affecting total expenses.
- Recalculated the School's entitlement based on state updates.

The School's final budget for the General Fund anticipated that revenues would exceed expenditures by \$344,892. The actual results reflected that the actual net change in fund balance was an increase of \$311,107 for a negative net variance of \$33,785.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Net capital assets decreased by \$259,253 in the 2023-24 school year. Total depreciation and amortization expense for the year was \$274,127.

**Table A-7  
The School's Capital Assets**

	2024	2023	Percentage Change
Leasehold Improvements	\$ 878,415	\$ 878,415	- %
Equipment	612,650	597,776	2.5
Leased Buildings and Improvements	975,515	975,515	-
Subscription-Based Information Technology	8,337	8,337	-
Less: Accumulated Depreciation	(1,410,414)	(1,844,351)	(23.5)
Less: Accumulated Amortization	(708,064)	(469,039)	51.0
Total School Capital Assets	\$ 356,439	\$ 615,692	(42.1)

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**Long-Term Liabilities**

The fiscal year 2024 long-term liabilities of the School reflects the amount owed for the building lease and a copier lease.

**Table A-8  
The School's Long-Term Liabilities**

	2024	2023	Percentage Change
Lease Liability	\$ 280,789	\$ 522,686	(46.3)
Net Pension Liability	1,365,699	1,605,393	(14.9)
Total Long-Term Liabilities	<u>\$ 1,646,488</u>	<u>\$ 2,128,079</u>	(22.6)
Long-Term Liabilities:			
Due Within One Year	\$ 250,128	\$ 241,897	
Due in More Than One Year	1,396,360	1,886,182	
Total	<u>\$ 1,646,488</u>	<u>\$ 2,128,079</u>	

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

The School is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. It is imperative that the School's financial management develop budgets with a surplus to be added to the unassigned fund balance in order to meet their fund balance policy requirements.

The School will strive to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Peter Wieczorek, Director, Northwest Passage High School, 11345 Robinson Drive NW, Coon Rapids, MN 55433.

## **BASIC FINANCIAL STATEMENTS**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 999,359
Receivables:	
Other Governments	143,975
Other	1,040
Prepaid Items	35,403
Capital Assets:	
Other Capital Assets, Net of Depreciation/Amortization	356,439
Total Assets	1,536,216
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows - Pensions	399,596
<b>LIABILITIES</b>	
Salaries Payable	191,200
Accounts and Contracts Payable	25,456
Long-Term Liabilities:	
Net Pension Liability	1,365,699
Other Long-Term Liabilities Due Within One Year	250,128
Other Long-Term Liabilities Due in More Than One Year	30,661
Total Liabilities	1,863,144
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Pensions	275,888
<b>NET POSITION</b>	
Net Investment in Capital Assets	75,650
Restricted for:	
School Library Aid	20,000
Student Support Personnel	8,445
Unrestricted	(307,315)
Total Net Position	\$ (203,220)

See accompanying Notes to Basic Financial Statements.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

Functions	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Administration	\$ 86,113	\$ 266	\$ 339,212	\$ 253,365
District Support Services	399,179	-	11	(399,168)
Regular Instruction	680,018	-	4,542	(675,476)
Special Education Instruction	754,690	-	891,547	136,857
Instructional Support Services	32,875	-	-	(32,875)
Pupil Support Services	173,197	-	414	(172,783)
Sites and Buildings	399,755	-	224,313	(175,442)
on Long-Term Liabilities	37,755	-	-	(37,755)
	<u>\$ 2,563,582</u>	<u>\$ 266</u>	<u>\$ 1,460,039</u>	<u>(1,103,277)</u>
<b>GENERAL REVENUES</b>				
State Aid Not Restricted to Specific Purposes				1,444,289
Earnings on Investments				28,559
Miscellaneous				47,442
Total General Revenues				<u>1,520,290</u>
<b>CHANGE IN NET POSITION</b>				
				417,013
Net Position - Beginning				<u>(620,233)</u>
<b>NET POSITION - ENDING</b>				
				<u>\$ (203,220)</u>

See accompanying Notes to Basic Financial Statements.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024**

	General	Building Company	Total
<b>ASSETS</b>			
Cash and Investments	\$ 999,359	\$ -	\$ 999,359
Receivables:			
Due from Minnesota Department of Education	69,278	-	69,278
Due from Federal through Minnesota Department of Education	74,697	-	74,697
Due from Other Funds	6,788	-	6,788
Other Receivables	1,041	-	1,041
Prepays	35,402	-	35,402
Total Assets	\$ 1,186,565	\$ -	\$ 1,186,565
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Salaries Payable	\$ 106,182	\$ -	\$ 106,182
Payroll Deductions and Employer Contributions Payable	85,018	-	85,018
Accounts and Contracts Payable	25,456	-	25,456
Due to Other Funds	-	6,788	6,788
Total Liabilities	216,656	6,788	223,444
Fund Balance:			
Nonspendable:			
Prepays	35,402	-	35,402
Restricted for:			
School Library Aid	20,000	-	20,000
Student Support Personnel	8,445	-	8,445
Unassigned	906,062	(6,788)	899,274
Total Fund Balance	969,909	(6,788)	963,121
Total Liabilities and Fund Balance	\$ 1,186,565	\$ -	\$ 1,186,565

See accompanying Notes to Basic Financial Statements.

**NORTHWEST PASSAGE HIGH SCHOOL  
 CHARTER SCHOOL NO. 4049  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2024**

**Total Fund Balance for Governmental Funds** \$ 963,121

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Equipment, Net of Accumulated Depreciation	83,985
Leased Assets, Net of Accumulated Amortization	267,451
Subscription-Based Technology Agreement	5,003

The school's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(1,365,699)
Deferred Inflows of Resources - Pensions	(275,888)
Deferred Outflows of Resources - Pensions	399,596

Long-term liabilities that pertain to governmental funds, including loans payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Long-Term Lease Payable	<u>(280,789)</u>
-------------------------	------------------

**Total Net Position of Governmental Activities** **\$ (203,220)**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2024**

	<u>General</u>	<u>Building Company</u>	<u>Total</u>
<b>REVENUES</b>			
Local Sources:			
Earnings on Investments	\$ 28,559	\$ -	\$ 28,559
Other	47,708	-	47,708
State Sources	2,458,411	-	2,458,411
Federal Sources	442,891	-	442,891
Total Revenues	<u>2,977,569</u>	<u>-</u>	<u>2,977,569</u>
<b>EXPENDITURES</b>			
Current:			
Administration	96,449	-	96,449
District Support Services Elementary and Secondary	382,774	6,788	389,562
Regular Instruction	731,671	-	731,671
Special Education Instruction	786,918	-	786,918
Instructional Support Services	30,449	-	30,449
Pupil Support Services	172,079	-	172,079
Sites and Buildings	163,163	-	163,163
Fiscal and Other Fixed Cost Programs	23,396	-	23,396
Capital Outlay	24,002	-	24,002
Debt Service:			
Principal	241,897	-	241,897
Interest and Fiscal Charges	13,664	-	13,664
Total Expenditures	<u>2,666,462</u>	<u>6,788</u>	<u>2,673,250</u>
<b>NET CHANGE IN FUND BALANCE</b>	311,107	(6,788)	304,319
<b>FUND BALANCES</b>			
Beginning of Year	<u>658,802</u>	<u>-</u>	<u>658,802</u>
End of Year	<u>\$ 969,909</u>	<u>\$ (6,788)</u>	<u>\$ 963,121</u>

See accompanying Notes to Basic Financial Statements.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

**Net Change in Fund Balance - Total Governmental Funds** **\$ 304,319**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense. The depreciation/amortization exceeded capital outlays in the current period is:

Capital Outlays	14,874
Depreciation Expense	(33,435)
Amortization on Leased Assets	(239,025)
Amortization on Subscription-Based Technology Agreement	(1,667)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources. 130,050

The governmental funds report long-term leases issued as financing sources, while lease payments are reported as expenditures. In the statement of net position, however, entering into long-term leases increases long-term liabilities and does not affect the statement of activities and payments reduce the liability. The net effect of those differences in the treatment of long-term leases is as follows:

Payments on Long-Term Leases	241,897
Total	\$ 417,013

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Charter School No. 4049 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

**B. Financial Reporting Entity**

Charter School No. 4049, also known as Northwest Passage High School (the School), is a nonprofit corporation that was formed on June 26, 1998, in accordance with Minnesota Statutes. Northwest Passage High School is sponsored by University of St. Thomas and operates under an authorizer contract extending through June 30, 2026, which allows the School to serve students who are in ninth through twelfth grade.

The primary objective of Northwest Passage High School is to offer an education to students who have left high school or are having trouble with their current school program. Northwest Passage High School utilizes small classroom sizes, vocational electives, community-based activities, and international travel as part of its education program. The board of directors must consist of at least three members, which are elected to two-year terms.

The School's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there is one organization considered to be component units of the School.

Aside from its sponsorship, University of St. Thomas has no authority, control, power, or administrative responsibilities over Northwest Passage High School. Therefore, the School is not considered a component unit of University of St. Thomas.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Continued)**

Based on these criteria, there is one organization that is considered to be a component unit of the School. Friends of Northwest Passage High School (the Building Company) is a Minnesota nonprofit corporation holding Internal Revenue Service classification as a 501(c)(3) tax-exempt organization which intends to own the real estate and building that is leased by the School for its operations. The Building Company is governed by a separate board appointed by the Board of the School. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because it is organized as a nonprofit corporation with Northwest Passage High School as the sole corporate member. No separate financial statements of the Building Company are issued. The building will be leased to Northwest Passage High School under the terms of a long-term agreement. All long-term debt related to the purchase of the building and property and all capital assets related to the school site will be the responsibility of and are under the ownership of the Building Company.

**C. Basic Financial Statement Presentation**

The School-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The school-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenues (except Investment Earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**Description of Funds**

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the school comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the funds included in this report is as follows:

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds (Continued)**

*Major Governmental Funds*

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the School, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of certain specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The School maintains the following special revenue fund:

**Food Service Fund** – Accounts for the School's food service program. Primary revenue sources in the Food Service Fund are meal sales and state and federal aids. The Food Service Fund also receives funds via a transfer from the General Fund.

**Building Company Fund** – Accounts for all activities of Friends of Northwest Passage High School Building Company.

**E. Income Taxes**

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

**F. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosures of contingent amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**G. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund and Food Service Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Budgeting (Continued)**

Procedurally, in establishing the budgetary data reflected in these financial statements, the Administrative Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be and are approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues			
General Fund	\$ 2,626,320	\$ 453,352	\$ 3,079,672
Expenditures			
General Fund	2,678,259	56,521	2,734,780

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools, which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

No budget was adopted for the Building Company Fund for fiscal year 2024 due to minimal activity in the first year of formation.

**H. Cash and Investments**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Accounts Receivable**

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary.

**J. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the periods benefitted.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources relate to pensions. See Note 6 for detail.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has deferred inflows of resources related to pensions. See Note 6 for detail.

**L. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing individual capital asset purchases, and \$5,000 or more for purchasing groups of capital assets at the same time that are all individually under the \$500 threshold. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for equipment. Leasehold improvements are depreciated over the shorter of the estimated useful life or the lease term.

The School does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Capital Assets (Continued)**

Right-to-use lease and Subscription-Based Information Technology Agreements (SBITA) assets are initially measured at the present value of payments expected to be made during the lease or SBITA term, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease and SBITA assets are amortized in a systematic and rational manner over the shorter of the lease or SBITA term or the useful life of the underlying asset.

**M. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015.

**O. Accrued Employee Benefits**

**Unpaid Sick Leave and Vacation Pay**

Unpaid sick and personal leave has not been accrued in any funds as these benefits do not vest to employees.

**403(b) Plan**

Members of certain employee groups may also elect to receive School matching contributions paid into a tax-deferred matching contribution plan established under IRC Section 403(b).

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the School Board. The School Board chose not to pass a resolution authorizing anyone to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

**Q. Net Position**

Net position represents the difference between the total of assets and deferred outflows, and the total of liabilities and deferred inflows in the School-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 2 INTERFUND TRANSACTIONS**

	Due from Other Fund	Due to Other Fund
General Fund	\$ 6,788	\$ -
Building Company Fund	-	6,788
Total	\$ 6,788	\$ 6,788

During the year, the General Fund made expenditures on the Building Company's behalf. The interfund balances between those two funds are the result of the remaining expenditures paid for by the General Fund not yet reimbursed by the Building Company.

**NOTE 3 DEPOSITS**

In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School's Board.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital Assets, Being Depreciated:					
Leasehold Improvements	\$ 878,415	\$ -	\$ -	\$ -	\$ 878,415
Furniture and Equipment	597,776	14,874	-	-	612,650
Leased Assets, Being Amortized:					
Building	951,247	-	-	-	951,247
Furniture and Equipment	24,268	-	-	-	24,268
Subscription-Based Information Technology Agreement	8,337	-	-	-	8,337
Total Capital Assets, Being Depreciated/Amortized	<u>2,460,043</u>	<u>14,874</u>	<u>-</u>	<u>-</u>	<u>2,474,917</u>
Accumulated Depreciation for:					
Leasehold Improvements	(878,415)	-	-	-	(878,415)
Furniture and Equipment	(495,230)	(33,435)	-	-	(528,665)
Accumulated Amortization for:					
Building	(465,916)	(232,958)	-	-	(698,874)
Furniture and Equipment	(3,123)	(6,067)	-	-	(9,190)
Subscription-Based Information Technology Agreement	(1,667)	(1,667)	-	-	(3,334)
Total Accumulated Depreciation/Amortization	<u>(1,844,351)</u>	<u>(274,127)</u>	<u>-</u>	<u>-</u>	<u>(2,118,478)</u>
Governmental Activities Capital Assets, Net	<u>\$ 615,692</u>	<u>\$ (259,253)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,439</u>

Depreciation and amortization expense was charged to functions of the School as follows:

<b>Governmental Activities</b>	
District Support Services	\$ 7,906
Regular Instruction	254,310
Special Education Instruction	497
Pupil Support Services	7,780
Sites and Buildings	3,634
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 274,127</u>

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. NO. 4049  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 5 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The School participates in the following cost-sharing, multiple employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

**1. General Employees Retirement Plan**

All full-time and certain part-time employees of the School, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**2. Teachers Retirement Fund (TRA)**

The Teacher's Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by Minnesota State.

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**1. GERP Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. TRA Benefits**

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

*Tier I Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. TRA Benefits (Continued)**

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

**C. Contributions**

**1. GERF Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the School was required to contribute 7.50% for Coordinated Plan members. The School's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2024 were \$23,119. The School's contributions were equal to the required contributions for each year as set by state statute.

**2. TRA Contributions**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for fiscal year 2024 were:

	2024	
	Employee	Employer
Basic	11.00%	12.75%
Coordinated	7.50%	8.75%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2024 were \$81,920. The School's contributions were equal to the required contributions for each year as set by state statute.

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs**

**1. General Employees Plan Pension Costs**

At June 30, 2024, the School reported a liability of \$218,084 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled \$6,001. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0039% at the end of the measurement period and 0.0047% for the beginning of the period.

For the year ended June 30, 2024, the School recognized pension expense of \$21,555 for its proportionate share of GERF's pension expense.

In addition, the School recognized an additional \$27 as pension expense (and grant revenue) and its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2024, the School reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 7,162	\$ 1,502
Changes in Actuarial Assumptions	35,305	59,775
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	8,156
Changes in Proportion	-	50,668
District Contributions Subsequent to the Measurement Date	23,119	-
Total	<u>\$ 65,586</u>	<u>\$ 120,101</u>

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Plan Pension Costs (Continued)**

A total of \$23,119 reported as deferred outflows of resources related to pensions resulting from School contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ (16,976)
2026	(48,937)
2027	(6,990)
2028	(4,731)

**2. TRA Pension Costs**

At June 30, 2024, the School reported a liability of \$1,147,615 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, city of Minneapolis, and Minneapolis School District. The School's proportionate share was 0.0139% at the end of the measurement period and 0.0154% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the School were as follows:

<u>Description</u>	<u>Amount</u>
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,147,615
State's Proportionate Share of the Net Pension	80,389

For the year ended June 30, 2024, the School recognized pension expense of (\$46,738). It also recognized (\$7,947) as pension expense and grant revenue for the support provided by direct aid.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. TRA Pension Costs (Continued)**

At June 30, 2024, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 11,376	\$ 16,725
Changes in Actuarial Assumptions	133,688	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	4,256
Changes in Proportion	107,026	134,806
District Contributions Subsequent to the Measurement Date	81,920	-
Total	<u>\$ 334,010</u>	<u>\$ 155,787</u>

\$81,920 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Pension Expense Amount
2025	\$ 1,008
2026	15,198
2027	133,505
2028	(30,954)
2029	(22,454)

The District's total pension expense for all plans for the year ended June 30, 2024 was (\$25,183). In addition, the school recognized pension expense of (\$7,920) for indirect aid.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0% for PERA and 7.0% for TRA. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% for PERA and 7.0% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2020 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Methods and Assumptions (Continued)**

The following changes for PERA occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

The following changes for TRA occurred in 2023:

Changes in Actuarial Assumptions:

- The 2023 Tax Finance and Policy Bill, effective July 1, 2025:
  - The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
  - The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
  - The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.
- The 2024 Omnibus Pensions and Retirement Bill:
  - The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
  - TRA's amortization date will remain the same at 2048.

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Cash Equivalents	-	-
Totals	<u>100.0 %</u>	

**G. Discount Rate**

The discount rate used to measure the PERA General Employees Plan liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.00%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

The following presents the School's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.00%	7.00%	8.00%
School's Proportionate Share of the GERF Net Pension Liability	\$ 385,807	\$ 218,084	\$ 80,124
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,830,362	\$ 1,147,615	\$ 588,704

**I. Pension Plan Fiduciary Net Position**

Detailed information about GERF's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Programs**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

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**NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**B. Employee Retention Credit**

During the year, Northwest Passage High School received funding from claiming Employee Retention Credits in the amount of \$306,250. This was received in two installments. \$170,805 for the tax year ended June 30, 2020, and \$135,445 for the tax year ending March 31, 2021. The Internal Revenue Service (IRS) reviewed the credit claims and wrote a letter to the school questioning \$150,581 of the claim from June 30, 2020. It is reasonable to assume this will lead the IRS to also question \$122,211 of the amount claimed for the tax year ending March 31, 2021. The letter from the IRS invites the school to fax them a memorandum if they disagree. School management has responded to the notice detailing out why they believe they qualify for the credits. No response has been received from the IRS prior to the issuance of these financial statements. It is possible that if the IRS does not agree with management's assessment the school would owe back an estimated total of \$272,792.14 plus any penalties and interest assessed.

**NOTE 7 LEASES**

The School (lessee) leases classroom, office, and garage space that was built to the School's specifications and leased back to the School at 11345 through 11355 Robinson Drive in Coon Rapids, Minnesota. In July 2015 a new combined lease replacing all prior agreements and covering the entire educational site was signed commencing on September 1, 2015 and extending through July 31, 2025.

For this building lease, the School is responsible for all utility costs and also for its share of common operating costs. For fiscal 2024, the School incurred MDE-approved lease costs of \$303,388. The School was entitled to charter school lease aid of \$224,431 based on a statutory cap of \$1,314 per pupil unit served. The lease aid may be prorated if the statewide appropriation is insufficient to fully pay the amounts owed.

The School leases various office equipment. The leases expire at various dates through 2027.

The future principal and interest payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 250,128	\$ 5,313	\$ 255,441
2026	27,215	526	27,741
2027	3,446	76	3,522
Total	<u>\$ 280,789</u>	<u>\$ 5,915</u>	<u>\$ 286,704</u>

**NORTHWEST PASSAGE HIGH SCHOOL  
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**NOTE 7 LEASES (CONTINUED)**

Below is a summary of changes in the lease liability:

	June 30, 2023	Additions	Retirements	June 30, 2024	Principal Due Within One Year
Building Lease	\$ 501,070	\$ -	\$ 236,287	\$ 264,783	\$ 244,082
Copier Lease	21,616	-	5,610	16,006	6,046
Total	<u>\$ 522,686</u>	<u>\$ -</u>	<u>\$ 241,897</u>	<u>\$ 280,789</u>	<u>\$ 250,128</u>

**NOTE 8 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITAS)**

Northwest Passage paid for Database software under a long-term, noncancelable agreement on July 14, 2022. The SBITA expires July 13, 2027.

The entire five years was paid upon entering the agreement, leading there to be a SBITA Right of Use Asset totaling \$8,337, no SBITA liability, and accumulated amortization of \$3,334 as of June 30, 2024.

**NOTE 9 RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers compensation and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 10 DEFINED CONTRIBUTION PLAN**

The School provides eligible employees future retirement benefits through the School's 403(b) Plan (the Plan). Employees of the School are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a School match of employee contributions up to the qualifying amount set forth in their respective employment agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The School contributions were \$13,363 for the year ended June 30, 2024.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 6,000	\$ 25,500	\$ 28,559	\$ 3,059
Other	23,250	356,098	47,708	(308,390)
State Sources	2,514,273	2,594,427	2,458,411	(136,016)
Federal Sources	82,797	103,647	442,891	339,244
Total Revenues	<u>2,626,320</u>	<u>3,079,672</u>	<u>2,977,569</u>	<u>(102,103)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	166,455	92,099	96,449	4,350
District Support Services	649,302	360,735	382,774	22,039
Elementary and Secondary Regular Instruction	1,072,535	663,552	731,671	68,119
Special Education Instruction	97,434	963,521	786,918	(176,603)
Instructional Support Services	7,000	23,522	30,449	6,927
Pupil Support Services	231,169	163,340	172,079	8,739
Sites and Buildings	100,356	108,899	163,163	54,264
Fiscal and Other Fixed Cost Programs	19,000	19,000	23,396	4,396
Capital Outlay	19,070	27,383	24,002	(3,381)
Debt Service:				
Principal	315,938	312,729	241,897	(70,832)
Interest and Fiscal Charges	-	-	13,664	13,664
Total Expenditures	<u>2,678,259</u>	<u>2,734,780</u>	<u>2,666,462</u>	<u>(68,318)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (51,939)</u>	<u>\$ 344,892</u>	311,107	<u>\$ (33,785)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>658,802</u>	
End of Year			<u>\$ 969,909</u>	

See accompanying Notes to Required Supplementary Information.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT DATES**

	Measurement Date June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0139%	0.0154%	0.0152%	0.0141%	0.0131%	0.0152%	0.0134%	0.0104%	0.0104%	0.0109%
School's Proportionate Share of the Net Pension Liability	\$ 1,147,615	\$ 1,233,151	\$ 665,197	\$ 1,041,727	\$ 834,997	\$ 952,584	\$ 3,034,196	\$ 3,196,220	\$ 643,343	\$ 502,264
State's Proportionate Share of the Net Pension Liability Associated with School	80,389	91,449	56,163	87,405	74,106	89,545	293,846	319,838	79,077	35,434
Total	<u>\$ 1,228,004</u>	<u>\$ 1,324,600</u>	<u>\$ 721,360</u>	<u>\$ 1,129,132</u>	<u>\$ 909,103</u>	<u>\$ 1,042,129</u>	<u>\$ 3,328,042</u>	<u>\$ 3,516,058</u>	<u>\$ 722,420</u>	<u>\$ 537,698</u>
School's Covered Payroll	\$ 951,463	\$ 951,463	\$ 918,893	\$ 842,273	\$ 737,795	\$ 817,013	\$ 839,293	\$ 717,800	\$ 525,733	\$ 504,971
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	120.62%	129.61%	72.39%	123.68%	113.17%	116.59%	361.52%	445.28%	122.37%	99.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.42%	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
TRA SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 81,920	\$ 76,197	\$ 79,352	\$ 74,706	\$ 66,708	\$ 56,884	\$ 61,276	\$ 62,947	\$ 53,835	\$ 39,430
Contributions in Relation to the Statutorily Required Contribution	(81,920)	(76,197)	(79,352)	(74,706)	(66,708)	(56,884)	(61,276)	(62,947)	(53,835)	(39,430)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 936,229	\$ 891,193	\$ 951,463	\$ 918,893	\$ 842,273	\$ 737,795	\$ 817,013	\$ 839,293	\$ 717,800	\$ 525,733
Contributions as a Percentage of Covered Payroll	8.75%	8.55%	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%

See accompanying Notes to Required Supplementary Information.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT DATES**

	Measurement Date June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0039%	0.0047%	0.0050%	0.0054%	0.0047%	0.0046%	0.0041%	0.0040%	0.0048%	0.0042%
School's Proportionate Share of the Net Pension Liability	\$ 218,084	\$ 372,242	\$ 213,522	\$ 323,755	\$ 259,852	\$ 255,189	\$ 261,741	\$ 324,780	\$ 248,761	\$ 197,295
State's Proportionate Share of the Net Pension Liability for State of Minnesota Special Funding Situation Associated with School	6,001	11,053	6,454	10,043	8,166	8,457	3,300	4,187	-	-
Total	<u>\$ 224,085</u>	<u>\$ 383,295</u>	<u>\$ 219,976</u>	<u>\$ 333,798</u>	<u>\$ 268,018</u>	<u>\$ 263,646</u>	<u>\$ 265,041</u>	<u>\$ 328,967</u>	<u>\$ 248,761</u>	<u>\$ 197,295</u>
School's Covered Payroll	\$ 356,467	\$ 356,467	\$ 351,107	\$ 387,840	\$ 343,453	\$ 311,347	\$ 264,760	\$ 247,160	\$ 281,166	\$ 221,517
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	61.18%	104.43%	60.81%	83.48%	75.66%	81.96%	98.86%	131.40%	88.47%	89.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%	79.06%	80.20%	79.50%	75.90%	68.90%	78.20%	78.80%

See accompanying Notes to Required Supplementary Information.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
GERF SCHEDULE OF THE SCHOOL CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 23,119	\$ 22,926	\$ 26,735	\$ 26,333	\$ 29,088	\$ 25,759	\$ 23,351	\$ 19,857	\$ 18,537	\$ 20,736
Contributions in Relation to the Statutorily Required Contribution	<u>(23,119)</u>	<u>(22,926)</u>	<u>(26,735)</u>	<u>(26,333)</u>	<u>(29,088)</u>	<u>(25,759)</u>	<u>(23,351)</u>	<u>(19,857)</u>	<u>(18,537)</u>	<u>(20,736)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 308,253	\$ 305,680	\$ 356,467	\$ 351,107	\$ 387,840	\$ 343,453	\$ 311,347	\$ 264,760	\$ 247,160	\$ 281,166
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.375%

See accompanying Notes to Required Supplementary Information.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

**2023**

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**2021**

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**2020**

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2020 (Continued)**

Changes in Actuarial Assumptions (Continued):

- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019**

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreased from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2018**

Changes in Actuarial Assumption:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2018 (Continued)**

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017**

Changes in Actuarial Assumption:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2016**

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions:

- There have been no changes since the prior valuation.

**2015**

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

**2023**

Changes in Actuarial Assumptions:

- The 2023 Tax Finance and Policy Bill, effective July 1, 2025:
  - The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
  - The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
  - The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2023 (Continued)**

Changes in Actuarial Assumptions (Continued):

- The 2024 Omnibus Pensions and Retirement Bill:
  - The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
  - TRA's amortization date will remain the same at 2048.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**2022**

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**2021**

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 7.5% to 7.0%

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**2020**

Changes in Actuarial Assumptions:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

Changes in Plan Provisions:

- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

**2019**

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2018**

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next five years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2017**

Changes in Actuarial Assumptions:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**2016**

Changes in Actuarial Assumptions:

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2016**

Changes in Actuarial Assumptions (Continued):

- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**2015**

Changes in Actuarial Assumptions:

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions:

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

## **SUPPLEMENTARY INFORMATION**

**NORTHWEST PASSAGE HIGH SCHOOL  
CHARTER SCHOOL NO. 4049  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2024**

	AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 2,977,569	\$ 2,977,569	\$ -
Total Expenditures	2,666,462	2,666,462	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	35,402	35,402	-
<i>Restricted:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
443 School Library Aid	20,000	20,000	-
448 Achievement and Integration	-	-	-
449 Sage Schools Crime Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
464 Restricted Fund Balance	-	-	-
472 Medical Assistance	8,445	8,445	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	906,062	906,062	-
<b>02 FOOD SERVICE</b>			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

## **OTHER REQUIRED REPORTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Northwest Passage High School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Northwest Passage High School's basic financial statements, and have issued our report thereon dated November 4, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northwest Passage High School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Passage High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Passage High School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.


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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northwest Passage High School’s financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwest Passage High School’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Passage High School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 4, 2024



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Northwest Passage High School as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 4, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that Northwest Passage High School failed to comply with the provisions of the uniform financial accounting and reporting standards, and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School's noncompliance with the above-referenced provisions insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 4, 2024



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