Financial Statements
June 30, 2015

National Joint Powers Alliance®
Staples, Minnesota

Name	Elected Position	Term Expires
Mike Wilson - Sub-Region IV	Chairperson	12/31/2017
Barbara Neprud - Sub-Region II	Vice-Chairperson	12/31/2015
Scott Veronen - Sub-Region I	Clerk	12/31/2018
Mary Freeman - Sub-Region I	Treasurer	12/31/2017
Colleen Seelen - Sub-Region III	Director	12/31/2016
Sara Nagel - Sub-Region II	Director	12/31/2018
John Poston - Sub-Region IV	Director	12/31/2016

	Management
Dr. Chad Coauette	Executive Director
Mike Carlson	Director of Finance
Michael Brandt, CPA	Controller

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors of
National Joint Powers Alliance®
Staples, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of National Joint Powers Alliance® (NJPA®), Staples, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise NJPA®'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of NJPA®, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 10 to the financial statements, NJPA® has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability, and schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of American, which consisted of inquiries of management about the methods or 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise NJPA®'s basic financial statements. The official directory, schedule of expenditures of federal awards and uniform accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and uniform accounting and reporting standards compliance table are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The official directory has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2015, on our consideration of NJPA®'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 NJPA®'s internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
November 9, 2015

This section of National Joint Powers Alliance®'s annual financial report presents our discussion and analysis of NJPA®'s financial performance during the fiscal year that ended on June 30, 2015.

Financial Highlights

Key financial highlights for the 2014-2015 fiscal year:

- Net position increased by $5,600,644 over the prior year. This includes a $1,093,240 net position increase to the governmental activities (General) after transfers and a $4,507,404 net position increase to the business-type activities (Risk Management and Cooperative Purchasing) after transfers.
- The Governmental Funds fund balance increased by $770,809.
- The total Governmental Funds fund balance as of June 30, 2015 is $1,534,755.
- The Business-Type Funds net position increase is summarized below:

Risk Management	$ (1,989,802)
Cooperative Purchasing	6,497,206
Total Business-Type Funds	$ 4,507,404

The total Business-Type Funds net position as of June 30, 2015 are $31,019,283.

Overview of the Financial Statements

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

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about NJPA®'s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of NJPA®, reporting NJPA®'s operations in more detail than Government-wide statements.
- The governmental funds statements tell how basic services such as General Administration, Special Education and Community Services were financed in the short term as well as what remains for future spending. They also include the Capital Projects activity related to the construction of the new administration building.
- The proprietary funds statements tell how business-like services 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. The following outline shows how the various parts of this annual report are arranged and related to one another.

1. Management's Discussion and Analysis

2. Basic Financial Statements
   - Government-Wide Financial Statements
   - Fund Financial Statements

3. Additional Reports
   - Schedule of Expenditures of Federal Awards

Footnote 1 summarizes the major features of NJPA®'s financial statements, including the portion of NJPA®'s activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-Wide Statements

Government-wide statements report information about NJPA® as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of NJPA®'s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 Government-wide statements report NJPA®'s net position and how they have changed. Net position – the difference between NJPA®'s assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure NJPA®'s financial health or position.

- Over time, increases or decreases in NJPA®'s net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of NJPA® you need to consider additional non-financial factors such as changes in NJPA®'s membership base, the number of contracts awarded as well as other programs and services offered.

In the Government-wide financial statements NJPA®'s activities are shown in two categories:

- Governmental activities – All of NJPA®'s basic services are included here, such as administration, educational services, and student academic programs. Local support, state grants, and federal grants finance most of these activities.

- Business-type activities – NJPA®'s business-like activities are included here which consists of a self-insured health insurance pool as well as other risk management programs and cooperative purchasing activities. Interest income, drug rebates, and fees for service finance these activities.

Fund Financial Statements

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

- NJPA® establishes several funds to control and manage money for particular purposes (e.g., insurance services) or to show that it is properly using certain revenues (e.g., federal and state grants).

NJPA® has two kinds of funds:

- Governmental Funds – All of NJPA®'s basic services are included in governmental funds, which generally focus on:

    - how cash and other financial assets that can readily be converted to cash flow in and out and

    - 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 NJPA®'s programs. Because this information does not encompass the additional long-term focus of Government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- Business-Type Funds – NJPA®'s business-like activities include a self-insured health insurance pool as well as other risk management programs and cooperative purchasing activities. NJPA® provides these services on a fee for service basis. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the business-type funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members and the agency.

Financial Analysis of NJPA® as a Whole

Net position. NJPA®'s combined net position was a positive $34,942,631 on June 30, 2015.

Statement of Net Position
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current assets	$ 1,870,623	$ 1,003,526	$ 47,398,264	$ 45,181,264	$ 49,268,887	$ 46,184,790
Capital assets	4,876,658	4,680,911	-	-	4,876,658	4,680,911
Total assets	6,747,281	5,684,437	47,398,264	45,181,264	54,145,545	50,865,701
Deferred Outflows of Resources	522,565	-	293,326	-	815,891	-
Liabilities						
Current liabilities	456,331	239,580	14,787,414	17,067,578	15,243,745	17,307,158
Long-term liabilities	2,278,290	236,030	1,490,059	26,669	3,768,349	262,699
Total liabilities	2,734,621	475,610	16,277,473	17,094,247	19,012,094	17,569,857
Deferred Inflows of Resources	611,877	-	394,834	-	1,006,711	-
Net Position						
Investment in capital assets	4,876,658	4,680,911	-	-	4,876,658	4,680,911
Restricted	-	-	119,888	128,345	119,888	128,345
Unrestricted	(953,310)	527,916	30,899,395	27,958,672	29,946,085	28,486,588
Total net position	$ 3,923,348	$ 5,208,827	$ 31,019,283	$ 28,087,017	$ 34,942,631	$ 33,295,844

*Due to the implementation of GASB 68 in the current year, figures may not be comparable to prior year for some areas of the financial statements.

Statement of Activities
Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for service	$ 1,523,996	$ 1,354,792	$ 104,740,330	$ 116,796,555	$ 106,264,326	$ 118,151,347
Operating grants and contributions	694,119	715,217	-	-	694,119	715,217
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Unrestricted investment earnings (losses)	10,781	2,711	522,491	196,970	533,272	199,681
Miscellaneous	73,724	53,397	-	-	73,724	53,397
Total revenues	2,302,620	2,126,117	105,262,821	116,993,525	107,565,441	119,119,642
Expenses						
Administration	8,385	22,017	-	-	8,385	22,017
District support services	2,009,745	279,611	-	-	2,009,745	279,611
Instructional Support Services	893,761	632,459	-	-	893,761	632,459
Regular instruction	262,736	170,766	-	-	262,736	170,766
Special education instruction	935,686	918,221	-	-	935,686	918,221
Pupil support services	741,218	705,224	-	-	741,218	705,224
Sites and buildings	-	208,494	-	-	-	208,494
Fiscal and other fixed cost programs	29,611	23,603	-	-	29,611	23,603
Risk management	-	-	30,134,575	47,807,737	30,134,575	47,807,737
Cooperative purchasing	-	-	63,262,173	59,330,332	63,262,173	59,330,332
Total expenses	4,881,142	2,960,395	93,396,748	107,138,069	98,277,890	110,098,464
Closing of MPPA fund	-	-	(3,686,907)	-	(3,686,907)	-
Transfers In (Out)	3,671,762	600,000	(3,671,762)	(600,000)	-	-
Change in Net Position	1,093,240	(234,278)	4,507,404	9,255,456	5,600,644	9,021,178
Net Position - Beginning, as restated for 2015	2,830,108	5,443,105	26,511,879	18,831,561	29,341,987	24,274,666
Net Position - Ending	$ 3,923,348	$ 5,208,827	$ 31,019,283	$ 28,087,017	$ 34,942,631	$ 33,295,844

* Due to the implementation of GASB 68 in the current year, figures may not be comparable to prior year for some areas of the financial statements.

Changes in Net Position. NJPA®'s total revenues were $107,565,441 for the year ended June 30, 2015. The majority of revenue is derived from business-like service programs.

The total cost of all programs and services was $98,277,890. NJPA®'s expenses are predominantly related to providing necessary services to members.

The decrease in the June 30, 2015 revenues and expenses compared to June 30, 2014, is the result of a decrease in MPPA insurance pool premiums and related claims associated with the closure of the MPPA fund.

Total revenues surpassed expenses, increasing net position $5,600,644.

Financial Analysis of NJPA®'S Funds

The financial performance of NJPA® as a whole is reflected in its governmental funds as well. As NJPA® completed the year; its governmental funds reported a combined fund balance of $1,534,755. Revenues for NJPA®'s governmental funds were $2,297,947, while total expenses were $5,198,900.

The financial position of NJPA® continues to remain strong. Cooperative purchasing agreements generated administrative fees of $17,280,000 up from $13,471,905 the previous fiscal year. In addition, NJPA® continues to actively market the insurance pool and anticipates growth in this area over the next fiscal year.

General Fund

The General Fund includes the primary operations of the NJPA® in providing services to our members. Since 1995, NJPA® has experienced an increase in membership due a change in legislation allowing NJPA® to offer services to Cities, Counties, and Other Governmental Agencies. We anticipate growth in that membership base over the coming years.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of	Percent
	2015	2014	Increase (Decrease)	Increase (Decrease)
Other local sources	$ 1,411,864	$ 1,306,395	$ 105,469	8.1%
Federal sources	886,083	895,124	(9,041)	-1.0%
Total General Fund revenues	$ 2,297,947	$ 2,201,519	$ 96,428	4.4%

Total General Fund Revenue increased by $96,428 or 4.4% from the previous year. General fund revenue is determined by membership fees and state, federal and local grants and miscellaneous local revenues received from services. An internal transfer between the cooperative purchasing fund and the general fund accounts for membership fees. No membership fees are actually collected from the member. The increase was primarily due to growth in regional services programming.

The following schedule presents a summary of General Fund Expenditures:

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Administration	$ 810,105	$ 412,644	$ 397,461	96.3%
District support services	6,132,081	2,985,021	3,147,060	105.4%
Regular instruction	262,736	170,766	91,970	53.9%
Instructional Support Services	893,761	601,312	292,449	
Special education instruction	918,538	900,492	18,046	2.0%
Pupil support services	731,218	695,224	35,994	5.2%
Sites and buildings	721,509	419,732	301,777	71.9%
Fiscal and other fixed cost programs	29,611	23,603	6,008	25.5%
Indirect expenditures charged to business-type activities	(5,493,296)	(3,444,656)	(2,048,640)	59.5%
Total General Fund expenditures	$ 5,006,263	$ 2,764,138	$ 2,242,125	81.1%

Total General Fund expenditures increased by $2,242,125 or 81.1% from the previous year is due primarily to overall member focused value-added program growth in regional services, inclusive of innovation funding.

General Fund Budgetary Highlights

NJPA® adopted its original budget in June by state of Minnesota statute, and revised the budget in June when the federal and state grant and aid funding levels were available.

NJPA®'s final General Fund results when compared to the revised budget are:

- Actual revenues were $78,787 more than expected due to growth in regional services.
- The actual expenditures were $228,142 less than budget because of district support services.

Major Proprietary Fund Highlights

Expenditures exceeded revenues in Risk Management by $1,917,976 and revenues exceeded expenditures before transfers in Cooperative Purchasing by $9,574,651. The decrease in Risk Management expenditures is due primarily to the closure of the MPPA fund. The increase in Cooperative Purchasing is due to an increase in the number of contracts offered and utilized by members, thus increasing the administrative revenues received. Cooperative Purchasing transferred $3,280,235 to the general fund to support new programs and $192,637 to the capital projects fund to eliminate a fund balance deficit.

Capital Assets

By the end of 2015, NJPA® had net investments of $4,876,658 in capital assets consisting of land, work in progress, buildings, and equipment. Total depreciation expense for the year was $471,236. More detailed information about NJPA®'s capital assets is presented in Note 4 in the financial statements.

Long-Term Liabilities

At June 30, 2015, NJPA had $247,488 in compensated absences and severance payable. Also at year end, NJPA® has $3,655,719 in net pension liability due to the implementation of GASB Statement No. 68, which required the reporting of the liability as well as other pension amounts on the statement of activities.

Factors Bearing on NJPA®'S Future

Because NJPA® is financed primarily through investment earnings, state and federal grants and aids, and administrative fees, it is important that we maintain a level of loyalty from our members by continuing to offer necessary programs and services to our membership base. Most of our finances depend on our membership and vendor contract participation, maintaining our health insurance pools, and future legislative changes.

In addition, when the economy weakens, NJPA® programs and purchasing contracts become more valuable to our members. As the economy improves, it will be NJPA®'s goal to maintain the value we offer to our members.

Contacting NJPA®'S Financial Management

This financial report is designed to provide the NJPA®'s members, customers, and creditors with a general overview of NJPA®'s finances and to demonstrate NJPA®'s accountability for the money it receives. If you have any questions about this report or would like additional financial information, contact Mike Carlson, Director of Finance, at the National Joint Powers Alliance®, 202 12th Street NE, Staples, MN 56479.

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 1,483,148	$ 38,034,533	$ 39,517,681
Receivables			
Accounts receivable	9,893	9,010,149	9,020,042
Less allowance for doubtful accounts	-	(130,302)	(130,302)
Due from other governmental units	348,113	425,554	773,667
Prepaid items	29,469	58,330	87,799
Capital assets, net of accumulated depreciation where applicable			
Land	261,542	-	261,542
Work in progress	198,637	-	198,637
Buildings	3,330,182	-	3,330,182
Equipment	1,086,297	-	1,086,297
Total assets	6,747,281	47,398,264	54,145,545
Deferred Outflows of Resources			
Pension plans	522,565	293,326	815,891
Liabilities			
Accounts payable	248,158	12,219,371	12,467,529
Payroll deductions	12,918	7,753	20,671
Salaries payable	74,792	45,895	120,687
Health claims payable	-	2,500,000	2,500,000
Long-term liabilities			
Due within one year - compensated absences and severance	120,463	14,395	134,858
Due in more than one year - compensated absences and severance	83,839	28,791	112,630
Due in more than one year - net pension liability	2,194,451	1,461,268	3,655,719
Total liabilities	2,734,621	16,277,473	19,012,094
Deferred Inflows of Resources			
Pension plans	611,877	394,834	1,006,711
Net Position			
Investment in capital assets	4,876,658	-	4,876,658
Restricted	-	119,888	119,888
Unrestricted	(953,310)	30,899,395	29,946,085
Total net position	$ 3,923,348	$ 31,019,283	$ 34,942,631

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Total
Governmental activities						
Administration	$ 8,385	$ -	$ -	$ (8,385)	$ -	$ (8,385)
District support services	2,009,745	476,654	-	(1,533,091)	-	(1,533,091)
Instructional Support Services	893,761	-	-	(893,761)	-	(893,761)
Regular instruction	262,736	19,570	-	(243,166)	-	(243,166)
Special education instruction	935,686	248,405	694,119	6,838	-	6,838
Pupil support services	741,218	741,223	-	5	-	5
Sites and buildings	-	38,144	-	38,144	-	38,144
Fiscal and other fixed cost programs	29,611	-	-	(29,611)	-	(29,611)
Total governmental activities	4,881,142	1,523,996	694,119	(2,663,027)	-	(2,663,027)
Business-type activities						
Risk management	30,134,575	31,903,513	-	-	1,768,938	1,768,938
Cooperative purchasing	63,262,173	72,836,817	-	-	9,574,644	9,574,644
Total business-type activities	93,396,748	104,740,330	-	-	11,343,582	11,343,582
Total	$ 98,277,890	$ 106,264,326	$ 694,119	(2,663,027)	11,343,582	8,680,555
General Revenues and Transfers						
Sale of equipment				-	-	-
Unrestricted investment earnings				10,781	522,491	533,272
Miscellaneous				73,724	-	73,724
Closing of MPPA fund				-	(3,686,907)	(3,686,907)
Transfers in (out)				3,671,762	(3,671,762)	-
Total general revenues and transfers				3,756,267	(6,836,178)	(3,079,911)
Change in Net Position				1,093,240	4,507,404	5,600,644
Net Position - Beginning, as restated (Note 10)				2,830,108	26,511,879	29,341,987
Net Position - Ending				$ 3,923,348	$ 31,019,283	$ 34,942,631

The Notes to Financial Statements are an integral part of this statement.

Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Capital Projects	Total
Assets			
Cash and investments	$ 1,457,308	$ 25,840	$ 1,483,148
Receivables			
Accounts	9,893	-	9,893
Due from other governmental units	348,113	-	348,113
Prepaid items	29,469	-	29,469
Total assets	$ 1,844,783	$ 25,840	$ 1,870,623
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 222,318	$ 25,840	$ 248,158
Payroll deductions	12,918	-	12,918
Salaries payable	74,792	-	74,792
Total liabilities	310,028	25,840	335,868
Fund balance			
Nonspendable for prepaid items	29,469	-	29,469
Unassigned	1,505,286	-	1,505,286
Total fund balance	1,534,755	-	1,534,755
Total liabilities and fund balance	$ 1,844,783	$ 25,840	$ 1,870,623

Total Fund Balance - Governmental Funds	$ 1,534,755
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.	4,876,658
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds	(89,312)
Long-term liabilities, including severance payable, compensated absences, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	(2,398,753)
Total Net Position - Governmental Activities	$ 3,923,348

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015

	General Fund	Capital Projects	Total
Revenues			
Other local and county revenues	$ 1,411,864	$ -	$ 1,411,864
Revenue from federal sources	886,083	-	886,083
Total revenues	2,297,947	-	2,297,947
Expenditures			
Current			
Administration	799,063	-	799,063
District support services	6,132,081	-	6,132,081
Regular instruction	262,736	-	262,736
Instructional support services	893,761	-	893,761
Special education instruction	918,538	-	918,538
Pupil support services	731,218	-	731,218
Sites and buildings	258,205	-	258,205
Fiscal and other fixed cost programs	29,611	-	29,611
Indirect expenditures charged to business-type activities	(5,493,296)	-	(5,493,296)
Capital outlay			
Administration	11,042	-	11,042
Equipment, sites and buildings	463,304	192,637	655,941
Total expenditures	5,006,263	192,637	5,198,900
Deficiency of Revenues Under Expenditures	(2,708,316)	(192,637)	(2,900,953)
Other Financing Sources			
Transfer in	3,479,125	192,637	3,671,762
Net Change in Fund Balance	770,809	-	770,809
Fund Balance, Beginning of Year	763,946	-	763,946
Fund Balance, End of Year	$ 1,534,755	$ -	$ 1,534,755

Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balance - Governmental Funds	$ 770,809
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	195,747
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	94,956
In the statement of activities severance payable and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	31,728
Change in Net Position of Governmental Activities	$ 1,093,240

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual

Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Other local and county revenues	$ 2,219,160	$ 1,411,864	$ (807,296)
Revenue from federal sources	-	886,083	886,083
Total revenues	2,219,160	2,297,947	78,787
Expenditures			
Current			
Administration	944,530	799,063	145,467
District support services	7,618,278	6,132,081	1,486,197
Regular instruction	204,615	262,736	(58,121)
Instructional Support Services	1,047,705	893,761	153,944
Special education instruction	995,843	918,538	77,305
Pupil support services	690,880	731,218	(40,338)
Sites and buildings	352,750	258,205	94,545
Fiscal and other fixed cost programs	30,000	29,611	389
Indirect expenditures charged to business-type activities	(7,318,221)	(5,493,296)	(1,824,925)
Capital Outlay			
Administration	500	11,042	(10,542)
Equipment	667,525	463,304	204,221
Total expenditures	5,234,405	5,006,263	228,142
Deficiency of Revenues Under Expenditures	(3,015,245)	(2,708,316)	306,929
Other Financing Sources			
Transfer in	3,280,235	3,479,125	198,890
Net Change in Fund Balance	$ 264,990	770,809	$ 505,819
Fund Balance, Beginning of Year		763,946	
Fund Balance, End of Year		$ 1,534,755	

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Assets			
Cash and investments	$ 8,219,058	$ 29,815,475	$ 38,034,533
Accounts receivable	248,272	8,761,877	9,010,149
Less allowance for doubtful accounts	-	(130,302)	(130,302)
Due from other governmental units	425,554	-	425,554
Prepaid items	-	58,330	58,330
Total assets	8,892,884	38,505,380	47,398,264
Deferred Outflows of Resources			
Pension plans	30,626	262,700	293,326
Liabilities			
Accounts payable	350,437	11,868,934	12,219,371
Payroll deductions	741	7,012	7,753
Salaries payable	4,471	41,424	45,895
Health claims payable	2,500,000	-	2,500,000
Long-term liabilities			
Due within one year - compensated absences	1,015	13,380	14,395
Due in more than one year - compensated absences	2,031	26,760	28,791
Due in more than one year - net pension liability	152,646	1,308,622	1,461,268
Total liabilities	3,011,341	13,266,132	16,277,473
Deferred Inflows of Resources			
Pension plans	41,245	353,589	394,834
Net Position			
Restricted for PSIP	119,888	-	119,888
Unrestricted	5,751,036	25,148,359	30,899,395
Total net position	$ 5,870,924	$ 25,148,359	$ 31,019,283

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Operating Revenues			
Sales	$ -	$ 55,556,823	$ 55,556,823
Cost of sales	-	53,785,246	53,785,246
Gross profit	-	1,771,577	1,771,577
Contributions from participants	31,416,215	-	31,416,215
Administrative fees	114,484	17,280,000	17,394,484
Drug rebates	372,814	-	372,814
Total operating revenues	31,903,513	19,051,577	50,955,090
Operating Expenses			
Salaries and wages	181,877	1,664,087	1,845,964
Employee benefits	40,208	396,509	436,717
Purchased services	6,100	289,432	295,532
Supplies and materials	-	15,245	15,245
Travel	19,657	199,553	219,210
Indirect costs from governmental activities	152,500	5,340,796	5,493,296
Marketing	-	264,645	264,645
Membership rebates and revenue sharing	-	1,189,124	1,189,124
Insurance claims, premiums, and expenses	29,728,163	-	29,728,163
Closing of MPPA fund	3,686,907	-	3,686,907
Other expenses	6,077	117,535	123,612
Total operating expenses	33,821,489	9,476,926	43,298,415
Operating Income (Loss)	(1,917,976)	9,574,651	7,656,675
Nonoperating Revenues			
Investment income	127,064	395,427	522,491
Change in Net Position Before Transfers	(1,790,912)	9,970,078	8,179,166
Transfers Out	(198,890)	(3,472,872)	(3,671,762)
Change in Net Position After Transfers	(1,989,802)	6,497,206	4,507,404
Net Position, Beginning of Year, as restated (Note 10)	7,860,726	18,651,153	26,511,879
Net Position , End of Year	$ 5,870,924	$ 25,148,359	$ 31,019,283

The Notes to Financial Statements are an integral part of this statement.

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Operating Activities			
Receipts from sales to customers	$ 114,484	$ 72,521,816	$ 72,636,300
Receipts from participants	31,441,167	-	31,441,167
Receipts from insurance company	372,814	-	372,814
Payments to suppliers for goods and services	(6,100)	(54,921,810)	(54,927,910)
Payments made to employees	(225,250)	(2,057,133)	(2,282,383)
Payments for insurance claims and administration	(31,334,593)	-	(31,334,593)
Payments made to close MPPA fund	(3,686,907)	-	(3,686,907)
Payments for other operating expenses	(178,234)	(6,729,473)	(6,907,707)
Net cash from (used for) operating activities	(3,502,619)	8,813,400	5,310,781
Capital and Related Financing Activities			
Net pension liability and related deferred inflows and outflows of resources	(1,276)	(11,086)	(12,362)
Transfer to other funds	(198,890)	(3,472,872)	(3,671,762)
Net cash used for capital and related financing activities	(200,166)	(3,483,958)	(3,684,124)
Investing Activity			
Investment income	127,064	395,427	522,491
Net Change in Cash and Investments	(3,575,721)	5,724,869	2,149,148
Cash and Investments, July 1	11,794,779	24,090,606	35,885,385
Cash and Investments, June 30	$ 8,219,058	$ 29,815,475	$ 38,034,533
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating Activities			
Operating income (loss)	$ (1,917,976)	$ 9,574,651	$ 7,656,675
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Changes in assets and liabilities			
Accounts receivable	(84,535)	(315,007)	(399,542)
Due from other governmental units	351,023	-	351,023
Prepaid items	-	(19,333)	(19,333)
Accounts payable	(631,430)	(430,374)	(1,061,804)
Payroll deductions	(3,403)	(27,344)	(30,747)
Unearned revenue	(241,536)	-	(241,536)
Salaries payable	682	13,846	14,528
Health claims payable	(975,000)	-	(975,000)
Compensated absences	(444)	16,961	16,517
Net cash from (used for) operating activities	$ (3,502,619)	$ 8,813,400	$ 5,310,781

Note 1 - Summary of Significant Accounting Policies

A. Organization

National Joint Powers Alliance® (NJPA®), a Minnesota Service Cooperative, is a public corporation and agency chartered as an educational institution on January 12, 1978, and operates pursuant to applicable *Minnesota statutes*. The governing body consists of an eight member board elected by participating school districts and other governmental unit members of NJPA® to serve four-year terms.

The primary purpose of a Service Cooperative, as stated in MN Statute Section 123A.21, subd 2, is to perform planning on a regional basis and to assist in meeting specific needs of clients in participating governmental units which could be better provided by a Service Cooperative than by the members themselves. For these purposes, NJPA® offers administrative services, teaching and learning services (including service for students with special talents and special needs), fiscal services and risk management (as described below), and cooperative purchasing services.

The financial statements of NJPA® have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise NJPA®, along with any component units.

Component units are legally separate entities for which NJPA® (primary government) 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 burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of NJPA®.

The NJPA® is also a participant in, and a sponsor of, a public entity risk pool established as a health insurance purchasing pool. Members may withdraw from the pool at any time (but at least five months prior to renewal) upon 153 days written notice to the Board and to all Providers of programs in which it participates, but to rejoin the pool the member must wait one year. Any net investment a withdrawing member has with the pool remains with the pool. The agreement for formation of the pools provides that the pool will be self-insured through member premiums and will reinsure through commercial companies for claims in excess of $200,000 for each insured event. Members are not subject to a supplemental assessment in the event of deficiencies. If the assets of the pool were to be exhausted, members would be responsible for the pool's liabilities. The pool is currently administered by HealthPartners, Inc.

The objective of the pool is to procure and manage insurance programs at lower costs. Members fund this program by remitting to NJPA® an actuarially determined premium. A fee is paid to HealthPartners on a monthly basis for administering the program. The claims portion is remitted to HealthPartners on a weekly basis. Any remaining amounts are held by pool to fund any future insurance claims.

HealthPartners, and the NJPA® on an annual basis, calculate an estimate of future claims based on claims experience and actuarial studies to determine premiums.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of NJPA®. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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. Taxes and other internally directed revenues are reported as general revenues.

The government-wide and proprietary fund 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 the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

NJPA® applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets.

D. Fund Financial Statement Presentation

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

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. For this purpose, NJPA® generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to *Minnesota Statutes*. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

NJPA® reports the following major governmental funds:

- General Fund – This is the general operating fund of NJPA® and accounts for all financial resources and transactions except those required to be accounted for in other funds.

- Capital Projects – The capital projects fund is used to account for the accumulation of resources for construction or purchase of capital facilities.

NJPA® reports the following major proprietary funds:

- Risk Management – This fund is used to account for the operation of NJPA®'s self-insured health insurance pool. All premiums collected from the participating agencies and all claims and administration charges paid by NJPA® for health insurance are accounted for in this fund. NJPA® also records expenses incurred for operating the pool in this fund.

- Cooperative Purchasing – This fund is used to account for the revenues and expenses generated by competitively solicited bids that have been awarded by NJPA® on a local, state, or national level. Revenues and expenses from vendor marketing agreements are also recorded in this fund.

With respect to proprietary activities NJPA® has adopted GASB statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside NJPA® that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of NJPA®'s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Other Significant Accounting Policies

Budgeting

Budgets are prepared for NJPA® funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level.

Cash and Cash Equivalents

NJPA® considers cash equivalents to be money market funds and other highly liquid investments with original maturities of three months or less. They are carried at fair value.

Receivables

The carrying amount of the receivables has been reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. NJPA® maintains a threshold level of $5,000 or more for capitalizing capital assets. 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 government-wide statements but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 50 years.

NJPA® 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.

Health Claims Payable

The health claims payable is an actuarial calculation prepared by HealthPartners and NJPA® based on claims incurred in the past twelve months plus a completion factor. The Pool has reserved investments in excess of the liability. Management believes the liability based on actuarial calculations from the prior year adequately reflects the estimated health claims payable for the current year ended June 30, 2015.

Other Post-Employment Benefits

NJPA® administers a single-employer defined benefit healthcare plan. The plan is required by State Statute to provide healthcare insurance for eligible retirees and their spouses through NJPA®'s group health insurance plan. Retirees are required to reimburse NJPA® for the total cost of their healthcare insurance. Currently, there is one retiree participating in the plan. As of June 30, 2015, the estimated accrued liability for benefits was determined to be not material and has not been recorded in the financial statements.

Severance Payable

The NJPA® severance benefit has been phased out with the exception of two remaining individuals who are to receive payouts. Payments are based on individual director position contracts and are paid to retirees over the course of multiple years. As of June 30, 2015, a liability has been recorded in the financial statements related to these severance payments.

Compensated Absences Payable

- Vacation – NJPA® compensates substantially all full-time employees for unused vacation upon termination. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2015, a liability has been recorded in the financial statements related to these compensated absences.

- Unable to Work Pay – Substantially all Company employees are allowed to accrue sick leave at varying amounts each year and accumulate within specified limits. Since the employees accumulating rights to receive compensation for future absences being caused by future illnesses such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded in the financial statements.

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 the 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 8.

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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of June 30, 2015, NJPA® adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 10 and the additional disclosures required by these standards are included in Note 8.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position 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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. NJPA® has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. NJPA® has one type of item that qualifies for reporting in this category. NJPA® reports changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Risk Management

NJPA® is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which NJPA® carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in NJPA®'s insurance coverage in fiscal year 2015.

NJPA® is exposed to a business concentration risk related to its Cooperative Purchasing program. During the year ended June 30, 2015, NJPA® purchased products from one vendor totaling $53,785,246 and sales of the same vendor's products were $55,556,823. This activity resulted in revenues over expenses of $1,771,577.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the NJPA®'s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the Board of Directors through a resolution.

- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed.

- Unassigned fund balance represents residual classification. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

NJPA® did not adopt a fund balance policy as of June 30, 2015 therefore there are no committed or assigned fund balances.

Premium Contributions

Contributions are made monthly by participating organizations and their respective employees. The contributions funding rates are determined by the Management team based on actuarial data provided by the reinsurance provider. Employee contribution percentages vary between organizations based on employer discretion.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits and Investments

Deposits

In accordance with *Minnesota statutes*, NJPA® maintains deposits at those depositories authorized by the Governing Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

- Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, NJPA®'s deposits may be lost.

Minnesota statutes require that all Company deposits be protected by federal deposit insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). 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 by NJPA® treasurer or in a financial institution other than that furnishing the collateral. The deposits of NJPA® are entirely insured or collateralized with securities held by NJPA® or its agent in NJPA®'s name at June 30, 2015.

Investments

Statutes authorize NJPA® to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

As of June 30, 2015, NJPA® had the following cash and investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5-10
Cash and Cash Equivalents					
Deposits	$ 4,743,370	$ 4,743,370	$ -	$ -	$ -
Investments					
Money Market	3,094,285	3,094,285	-	-	-
U.S. Government Securities	16,148,333	-	-	6,339,349	9,808,984
Certificates of Deposit	9,642,452	-	5,617,915	3,681,844	342,693
Municipal Bonds	5,889,241	-	387,310	1,614,265	3,887,666
	$ 39,517,681	$ 7,837,655	$ 6,005,225	$ 11,635,458	$ 14,039,343

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Beyond what is stated in state statutes, NJPA® does not have a formal policy to further limit its exposure to credit risk. As of June 30, 2015, all of NJPA®'s investments were not rated.

Interest Rate Risk-Investments

NJPA® does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3 - Due from other Governmental Units

Amounts receivable from other governments as of June 30, 2015, include:

Fund	Federal	State	Other	Total
General	$ 196,321	$ 5,563	$ 146,229	$ 348,113
Risk Management	-	47,532	378,022	425,554
	$ 196,321	$ 53,095	$ 524,251	$ 773,667

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2015 is a follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities				
Capital assets, not being depreciated				
Land	$ 261,542	$ -	$ -	$ 261,542
Work in progress	-	198,637	-	198,637
Total capital assets, not being depreciated	261,542	198,637	-	460,179
Capital assets being depreciated				
Buildings	3,710,772	-	-	3,710,772
Equipment	1,841,412	468,346	-	2,309,758
Total capital assets being depreciated	5,552,184	468,346	-	6,020,530
Less accumulated depreciation for				
Buildings	285,442	95,148	-	380,590
Equipment	847,373	376,088	-	1,223,461
Total accumulated depreciation	1,132,815	471,236	-	1,604,051
Capital assets being depreciated, net	4,419,369	(2,890)	-	4,416,479
Governmental activities capital assets, net	$ 4,680,911	$ 195,747	$ -	$ 4,876,658

Depreciation expense for the year ended June 30, 2015 was charged to the following functions/programs:

Governmental activities	
Sites and buildings	$ 471,236

Note 5 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2015 are as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Governmental activities					
Compensated absences	$ 81,727	$ 92,767	$ 84,428	$ 90,066	$ 30,022
Severance payable	154,303	3,023	43,090	114,236	90,441
	$ 236,030	$ 95,790	$ 127,518	$ 204,302	$ 120,463
Business -type activities					
Compensated absences	$ 26,669	$ 42,392	$ 25,875	$ 43,186	$ 14,395

- Severance Payable – This amount consists of a calculation based on years of employment, accrued vacation, and unable to work leave to qualified retirees. Severance payable is paid out of the general fund.

- Compensated Absences – This amount consists of a calculation based on accrued vacation days and employees rate of pay. Compensated absences are paid out of the general fund, risk management fund, and cooperative purchasing funds.

Note 6 - Health Claims Payable

As discussed in Note 1, NJPA® establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for NJPA® during the year ended June 30, 2015. For comparative reasons the reconciliation of unpaid claims liabilities at June 30, 2014 is also presented.

	2015	2014
Health claims payable, beginning balance	$ 3,475,000	$ 2,500,000
Incurred claims		
Provision for insured events of current year	27,426,447	45,318,649
Decrease in provision for insured events of prior years	(361,694)	(191,477)
Total incurred claims	27,064,753	45,127,172
Payments		
Claims attributable to insured events of current year	(26,014,825)	(42,412,407)
Claims attributable to insured events of prior years	(2,024,928)	(1,739,765)
Total payments	(28,039,753)	(44,152,172)
Health claims payable, ending balance	$ 2,500,000	$ 3,475,000

Note 7 - Interfund Transfers

During the year ended June 30, 2015 $3,280,235 was transferred from the Cooperative Purchasing Fund to the General Fund. The total transfer was made up of $100,000 applicable to membership fees, $920,000 was transferred to the Education Solutions Program in support of teacher education programs, and $2,260,235 was transferred for Regional Programs to support innovation funding and other services for Region 5 cities, counties, and school districts. Also, $192,637 was transferred from the Cooperative Purchasing Fund to the Capital Projects Fund to eliminate a fund balance deficit at the end of the year. In addition, $198,890 was transferred from the Risk Management Fund to the General Fund related to administrative revenues from the MPPA fund, which was closed during the year ended June 30, 2015.

Note 8 - Defined Benefit Pension Plans

Substantially all employees of NJPA® are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

A. Plan Descriptions

NJPA® participates in the following defined benefit pension plans administered by PERA and TRA. PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. 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 Fund (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of NJPA®, other than teachers, are covered by GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

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.

Teachers employed in Minnesota's public elementary and secondary school, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

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.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual post-retirement benefit will increase to 2.5%.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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. GERF Benefits

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

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

Tier1	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

With these provisions:

(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 percent 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 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent 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 Statute. 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.

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.

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, NJPA® was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. NJPA®'s contributions to the GERF for the year ended June 30, 2015, were $336,508. NJPA®'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 each fiscal year were:

	Ending June 30, 2014		Ending June 30, 2015	
	Employees	Employers	Employees	Employers
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

NJPA®'s contributions to TRA for the plan's fiscal year ended June 30, 2015, were $36,968. NJPA®'s contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, NJPA® reported a liability of $3,227,182 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. NJPA®'s proportion of the net pension liability was based on NJPA®'s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, NJPA®'s proportion was 0.0687%.

For the year ended June 30, 2015, NJPA® recognized pension expense of $239,571 for its proportionate share of GERF's pension expense.

At June 30, 2015, NJPA® reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 49,527	$ -
Changes in actuarial assumptions	332,593	-
Difference between projected and actual investment earnings	-	871,982
Employer's contributions to GERF subsequent to the measurement date	336,508	-
Total	$ 718,628	$ 871,982

$336,508 reported as deferred outflows of resources related to pensions resulting from NJPA®'s contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2016	$ (90,621)
2017	(90,621)
2018	(90,621)
2019	(217,995)
2020	-

2. TRA Pension Costs

At June 30, 2015, NJPA® reported a liability of $428,537 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. NJPA®'s proportion of the net pension liability was based on NJPA®'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. NJPA®'s proportionate share was 0.0093% at the end of the measurement period and 0.0088% for the beginning of the year.

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

Employer's proportionate share of net pension liability	$ 428,537
State's proportionate share of the net pension liability associated with the employer	$ 30,286

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.
For the year ended June 30, 2015, NJPA® recognized pension expense of $27,864. It also recognized $1,321 as an increase to pension expense for the support provided by direct aid.

At June 30, 2015, NJPA® reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 36,566	$ -
Difference between projected and actual investment earnings	-	134,728
Change in proportion and differences between contributions made and employer's proportionate share of contributions	23,729	-
Employer's contributions to TRA subsequent to the measurement date	36,968	-
Total	$ 97,263	$ 134,728

$36,968 reported as deferred outflows of resources related to pensions resulting from NJPA®'s contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2016	$ (21,094)
2017	(21,094)
2018	(21,094)
2019	(21,094)
2020	9,944

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active Member Payroll Growth	3.50% per year	3.5 - 12% based on years of service
Investment Rate of Return	7.90% per year	8.25%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2014:

- As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.25% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.25% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

G. Pension Liability Sensitivity

The following presents NJPA®'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 NJPA®'s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
Employer's proportionate share of the GERF net pension liability	$ 5,202,347	$ 3,227,182	$ 1,602,085
TRA discount rate	7.25%	8.25%	9.25%
Employer's proportionate share of the TRA net pension liability	$ 708,225	$ 428,537	$ 195,374

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at 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, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651-296-2409 or 800-657-3669.

Note 9 - Commitments and Contingencies

Construction Commitments

NJPA® has active construction projects as of June 30, 2015. The projects include the installation of motorized interior shades throughout the NJPA office building. At year end NJPA®'s commitment to this project is $6,603. The other project includes the construction of a new building addition to the north end of the existing NJPA® office building. At year end NJPA®'s commitment to this project is $7,007,363.

Note 10 - Adoption of New Standard

As of July 1, 2014, NJPA® adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Governmental Activities:

Net Position - June 30, 2014, as previously reported	$ 5,208,827
Restatement due to implementation of GASB 68	(2,378,719)
Net Position - July 1, 2014, as restated	$ 2,830,108

Proprietary Funds and Business-Type Activities:

	Risk Management	Cooperative Purchasing	Total Business-Type Activities
Net Position - June 30, 2014, as previously reported	$ 8,025,267	$ 20,061,750	$ 28,087,017
Restatement due to implementation of GASB 68	(164,541)	(1,410,597)	(1,575,138)
Net Position - July 1, 2014, as restated	$ 7,860,726	$ 18,651,153	$ 26,511,879

Note 11 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by NJPA®. The first statement issued but not yet implemented that will significantly affect NJPA® is statement No. 72, *Fair Value Measurement and Application*. This statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement will be implemented at NJPA® in the year ended June 30, 2016. The second statement issued but not yet implemented that will significantly affect NJPA® is statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45 and No. 57. This statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers, and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement will be implemented at NJPA® in the year ended June 30, 2018. Management has not yet determined the effect these pronouncements will have on NJPA®'s financial statements.

Required Supplementary Information
June 30, 2015

National Joint Powers Alliance®
Staples, Minnesota

The table below illustrates how NJPA®'s earned revenues and investment income compare to related costs of loss and other expenses assumed by NJPA® as of the end of each of the last 10 years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of NJPA® including overhead and claims expense not allocable to individual claims. (3) This line shows NJPA®'s incurred claims and allocated claim adjustment expense as reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year.

	Fiscal and Policy Year Ended									
	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15
1. Net earned required contribution and investment revenues	$ 170,540	$ 631,916	$ 127,359	$ 1,032,492	$ 1,859,996	$ 434,105	$ (1,359,385)	$ 1,690,357	$ 1,591,039	$ (526,269)
2. Unallocated expenses	283,210	433,795	360,516	410,238	475,715	382,332	424,854	398,368	409,470	407,616
3. Estimated incurred claims, both paid and accrued, end of policy year			9,895,756	8,722,396	13,261,165	15,433,839	21,548,197	21,290,530	45,318,649	27,426,447
4. Payments as of:										
End of policy year			9,687,093	9,107,584	12,674,966	15,643,177	21,555,495	19,371,439	42,412,407	26,014,825
One year later			10,632,068	10,225,424	13,743,244	17,265,498	23,284,339	22,146,866	44,053,472	
Two years later			10,629,295	10,224,848	13,772,140	17,277,454	23,219,855	21,137,123		
Three years later			10,625,602	10,224,580	13,109,824	17,209,208	21,412,512			
Four years later			10,624,932	9,128,111	13,101,547	17,277,455				
Five years later			9,747,992	9,127,950	13,109,852					
Six years later			9,747,992	9,128,111						
Seven years later			9,747,992							

* NJPA is required to present the information for the last ten fiscal years, however, limited information is available for the last ten fiscal years.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.0687%	$ 3,227,182	N/A	$ 3,227,182	$ 3,607,273	89.5%	78.8%
TRA	6/30/2014	0.0093%	$ 428,537	$ 30,286	$ 458,823	$ 467,255	98.2%	81.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, NJPA® will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employe Payroll (b/d)
PERA	6/30/2015	$ 336,508	$ 336,508	$ -	$ 4,568,033	7.4%
TRA	6/30/2015	$ 36,968	$ 36,968	$ -	$ 528,661	7.0%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, NJPA® will present information for those years for which information is available.

Other Supplementary Information
June 30, 2015

National Joint Powers Alliance®
Staples, Minnesota

Minnesota Department of Education

Fiscal Compliance Program Finance

Fiscal Compliance Report - 6/30/2015

District: REGION 5 - ECSU-5 (924-83)

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01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$2,297,947	$2,297,947	$0
Total Expenditures	$5,006,263	$5,006,264	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$29,469	$29,469	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.05 Deferred Maintenance	$0	$0	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.23 Certain Teacher Programs	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,505,286	$1,505,284	$2

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$192,637	$192,637	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$105,262,827	$105,262,827	$0
Total Expenditures	$97,083,661	$97,096,021	($12,360)
4.22 Unassigned Fund Balance (Net Assets)	$31,019,283	$32,582,060	($1,562,777)

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

The Minnesota Department of Education has requested to have Cooperatives and Regions report their data in UFARS without the effects of GASB Statement No. 68 to have consistent data among reporting entities in UFARS. This table illustrates the difference between the audited financial statements (GAAP) and UFARS.

Risk Management Fund:

	UFARS	GAAP	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Pension Plans	$ -	$ 30,626	$ 30,626
Liabilities			
Long-term liabilities			
Due in more than one year - net pension liability	-	152,646	152,646
Deferred Inflows of Resources			
Pension Plans	-	41,245	41,245
Net Position			
Unrestricted	5,914,301	5,751,036	(163,265)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Employee benefits	41,484	40,208	(1,276)

Cooperative Purchasing Fund:

	UFARS	GAAP	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Pension Plans	$ -	$ 262,700	$ 262,700
Liabilities			
Long-term liabilities			
Due in more than one year - net pension liability	-	1,308,622	1,308,622
Deferred Inflows of Resources			
Pension Plans	-	353,589	353,589
Net Position			
Unrestricted	26,547,870	25,148,359	(1,399,511)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Employee benefits	407,594	396,509	(11,085)

Federal Grantor/Pass-Through Grantor/ Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
Passed through Minnesota Department of Education:			
Special Education Cluster			
Special Education Grants to States - Regional Low Incidence	0924-83-000 Formula - 421	84.027	$ 570,324
Special Education Grants to States - CSPD	0924-83-000 Formula - 432	84.027	123,795
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 430	84.173	71,972
Total Special Education Cluster			766,091
Passed through Minnesota Department of Education:			
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 446	84.181	119,992
Total Expenditures of Federal Awards			$ 886,083

Note 1 - General

The accompanying schedule of expenditures of federal awards includes the federal funding activity of National Joint Powers Alliance® and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. NJPA® received federal awards indirectly through pass-through entities.

Note 2 - Significant Accounting Policies

Governmental fund types account for NJPA®'s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. NJPA®'s summary of significant accounting policies is presented in Note I in NJPA®'s basic financial statements.

Additional Reports
June 30, 2015

National Joint Powers Alliance®
Staples, Minnesota

Independent Auditor's 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*

The Board of Directors of
National Joint Powers Alliance®
Staples, Minnesota

We have audited, in accordance with 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, the business-type activities, and each major fund of NJPA® as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise NJPA®'s basic financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NJPA®'s internal control over financial reporting (internal control) to determine the 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 NJPA®'s internal control. Accordingly, we do not express an opinion on the effectiveness of NJPA®'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 may exist that have not yet been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-A to be a material weakness.

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.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether NJPA®'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 determination of financial statement amounts. 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*.

Response to Findings
NJPA®'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NJPA®'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
November 9, 2015

EideBailly
CPAs & BUSINESS ADVISORS

Report on *Minnesota Legal Compliance*

The Board of Directors of
National Joint Powers Alliance®
Staples, Minnesota

We have audited, in accordance with 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, each major fund, and the aggregate remaining fund information of NJPA® as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions,* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit no items came to our attention that caused us to believe that NJPA® failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions.* 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 NJPA®'s noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
November 9, 2015

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EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; Required by *OMB Circular A-133*

The Board of Directors of
National Joint Powers Alliance®
Staples, Minnesota

Report on Compliance for the Major Federal Program
We have audited NJPA®'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on NJPA®'s major federal program for the year ended June 30, 2015. NJPA®'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of NJPA®'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about NJPA®'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of NJPA®'s compliance.

Opinion on the Major Federal Program
In our opinion, NJPA® complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major Federal program for the year ended June 30, 2015.

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Report on Internal Control over Compliance
Management of NJPA® is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered NJPA®'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the NJPA®'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
November 9, 2015

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	No

Identification of major programs:

Name of Federal Program	CFDA Number
Special Education Grants to States - Regional Low Incidence	84.027
Special Education Grants to States - CSPD	84.027
Special Education Grants to States - Centers of Excellence CSPD	84.173

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Material Weakness

2015-A Preparation of Financial Statements, Including Material Adjustments

Condition – During the course of our engagement, we discovered that the MPPA fund was not closed properly in NJPA®'s accounting records. We proposed material audit adjustments to correct closing of the MPPA fund that would not have been identified as a result of NJPA®'s existing internal controls.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements to ensure the statements are materially accurate.

Effect – This deficiency could result in a material misstatement to the financial statements that is not prevented or detected.

Cause – NJPA® does not have an internal control system designed to identify all necessary adjustments and ensure the financial statements are materially accurate.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Corrective Action Plan (CAP)

1. **Actions Planned in Response to the Finding –** NJPA® will review the accounting records to ensure all items are materially accurate and being reported properly on the financial statements.

2. **Explanation of Disagreement –** There is no disagreement with the audit finding.

3. **Official Responsible for Ensuring Corrective Action –** Mike Carlson, Director of Finance.

4. **Planned Completion Date for the Corrective Action –** June 30, 2016

5. **Plan to Monitor Completion of Corrective Action –** Mike Carlson, Director of Finance, will monitor the accounting function.

Section III – Minnesota Legal Compliance Findings

None

Section IV –Federal Award Findings and Questioned Costs

None

There were no findings in the prior year in relation to the major federal award program audit.