



Financial Statements  
June 30, 2016

**National Joint Powers Alliance®**  
**Staples, Minnesota**

Official Directory (unaudited) .....	1
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis.....	5
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	13
Statement of Activities.....	14
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet .....	15
Reconciliation of Balance Sheet to the Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	18
<b>General Fund</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual.....	19
<b>Proprietary Funds</b>	
Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in Net Position.....	21
Statement of Cash Flows.....	22
Notes to Financial Statements .....	23
<b>Required Supplementary Information</b>	
Claims Development Schedule.....	45
Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions.....	46
<b>Other Supplementary Information</b>	
Uniform Accounting and Reporting Standards Compliance Table.....	47
Uniform Accounting and Reporting Standards Compliance Table.....	48
Schedule of Differences between UFARS and GAAP.....	49
Schedule of Expenditures of Federal Awards .....	51
<b>Additional Reports</b>	
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 <i>Government Auditing Standards</i> .....	52
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance .....	54
Report on <i>Minnesota Legal Compliance</i> .....	56
Schedule of Findings and Questioned Costs .....	57
Summary Schedule of Prior Audit Findings .....	59

National Joint Powers Alliance®  
Staples, Minnesota  
Official Directory (Unaudited)  
Year Ended June 30, 2016

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<u>Name</u>	<u>Elected Position</u>	<u>Term Expires</u>
Mike Wilson - Sub-Region IV	Chairperson	12/31/2017
Barbara Neprud - Sub-Region II	Vice-Chairperson	12/31/2019
Scott Veronen - Sub-Region I	Clerk	12/31/2018
Mary Freeman - Sub-Region I	Treasurer	12/31/2017
Mark Gerbi - Sub-Region III	Director	12/31/2019
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

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Management

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



## 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, 2016, 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.

## **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, 2016, 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.

## **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 America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **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 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 10, 2016, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 10, 2016

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, 2016.

**Financial Highlights**

**Key financial highlights for the 2015-2016 fiscal year:**

- Net position increased by \$10,654,482 over the prior year. This includes a \$7,833,240 net position increase to the governmental activities (General) after transfers and a \$2,821,242 net position increase to the business-type activities (Risk Management and Cooperative Purchasing) after transfers.
- The Governmental Funds fund balance increased by \$983,202.
- The total Governmental Funds fund balance as of June 30, 2016 is \$2,517,957.
- The Business-Type Funds net position increase is summarized below:

Risk Management	\$ 897,118
Cooperative Purchasing	1,924,124
	2,821,242
Total Business-Type Funds	\$ 2,821,242

The total Business-Type Funds net position as of June 30, 2016 are \$33,840,525.

**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 District Support 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:
  - o how cash and other financial assets that can readily be converted to cash flow in and out and
  - o 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 \$45,597,113 on June 30, 2016.

Statement of Net Position  
June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 4,590,087	\$ 1,870,623	\$ 51,009,996	\$ 47,398,264	\$ 55,600,083	\$ 49,268,887
Capital assets	12,262,310	4,876,658	-	-	12,262,310	4,876,658
Total assets	16,852,397	6,747,281	51,009,996	47,398,264	67,862,393	54,145,545
Deferred Outflows of Resources	1,119,472	522,565	478,142	293,326	1,597,614	815,891
Liabilities						
Current liabilities	2,195,608	456,331	15,823,181	14,787,414	18,018,789	15,243,745
Long-term liabilities	3,310,475	2,278,290	1,487,857	1,490,059	4,798,332	3,768,349
Total liabilities	5,506,083	2,734,621	17,311,038	16,277,473	22,817,121	19,012,094
Deferred Inflows of Resources	709,198	611,877	336,575	394,834	1,045,773	1,006,711
Net Position						
Investment in capital assets	12,262,310	4,876,658	-	-	12,262,310	4,876,658
Restricted	-	-	326,136	119,888	326,136	119,888
Unrestricted	(505,722)	(953,310)	33,514,389	30,899,395	33,008,667	29,946,085
Total net position	\$ 11,756,588	\$ 3,923,348	\$ 33,840,525	\$ 31,019,283	\$ 45,597,113	\$ 34,942,631

National Joint Powers Alliance®  
Staples, Minnesota  
Management's Discussion and Analysis  
June 30, 2016

Statement of Activities  
Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues						
Charges for service	\$ 1,432,886	\$ 1,523,996	\$ 104,860,839	\$ 104,740,330	\$ 106,293,725	\$ 106,264,326
Operating grants and contributions	627,545	694,119	-	-	627,545	694,119
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Unrestricted investment earnings	45,064	10,781	1,112,149	522,491	1,157,213	533,272
Miscellaneous	103,689	73,724	-	-	103,689	73,724
<b>Total revenues</b>	<b>2,209,184</b>	<b>2,302,620</b>	<b>105,972,988</b>	<b>105,262,821</b>	<b>108,182,172</b>	<b>107,565,441</b>
<b>Expenses</b>						
Administration	51,895	8,385	-	-	51,895	8,385
District support services	5,160,526	2,009,745	-	-	5,160,526	2,009,745
Instructional Support Services	1,343,787	893,761	-	-	1,343,787	893,761
Regular instruction	61,548	262,736	-	-	61,548	262,736
Special education instruction	789,989	935,686	-	-	789,989	935,686
Pupil support services	790,557	741,218	-	-	790,557	741,218
Sites and buildings	61,769	-	-	-	61,769	-
Fiscal and other fixed cost programs	27,065	29,611	-	-	27,065	29,611
Risk management	-	-	29,939,702	30,134,575	29,939,702	30,134,575
Cooperative purchasing	-	-	59,300,852	63,262,173	59,300,852	63,262,173
<b>Total expenses</b>	<b>8,287,136</b>	<b>4,881,142</b>	<b>89,240,554</b>	<b>93,396,748</b>	<b>97,527,690</b>	<b>98,277,890</b>
<b>Other Financing Sources (Uses)</b>						
Closing of MPPA fund	-	-	-	(3,686,907)	-	(3,686,907)
Transfers In (Out)	13,911,192	3,671,762	(13,911,192)	(3,671,762)	-	-
<b>Total other financing sources (uses)</b>	<b>13,911,192</b>	<b>3,671,762</b>	<b>(13,911,192)</b>	<b>(7,358,669)</b>	<b>-</b>	<b>(3,686,907)</b>
<b>Change in Net Position</b>	<b>7,833,240</b>	<b>1,093,240</b>	<b>2,821,242</b>	<b>4,507,404</b>	<b>10,654,482</b>	<b>5,600,644</b>
<b>Net Position - Beginning</b>	<b>3,923,348</b>	<b>2,830,108</b>	<b>31,019,283</b>	<b>26,511,879</b>	<b>34,942,631</b>	<b>29,341,987</b>
<b>Net Position - Ending</b>	<b>\$ 11,756,588</b>	<b>\$ 3,923,348</b>	<b>\$ 33,840,525</b>	<b>\$ 31,019,283</b>	<b>\$ 45,597,113</b>	<b>\$ 34,942,631</b>

*Changes in Net Position.* NJPA®'s total revenues were \$108,182,172 for the year ended June 30, 2016. The majority of revenue is derived from business-like service programs.

The total cost of all programs and services was \$97,527,690. NJPA®'s expenses are predominantly related to providing necessary services to members.

The increase in the June 30, 2016 revenues compared to June 30, 2015, is the result of growth in cooperative purchasing and investment earning.

The decrease in the June 30, 2016 expenses compared to June 30, 2015, is primarily impacted by activities in business-like service programs. NJPA's governmental activities have seen increases in the last fiscal year through the expansion of regional services to members.

Total revenues surpassed expenses, increasing net position \$10,654,482.

**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 \$2,517,957. Revenues for NJPA®'s governmental funds were \$2,209,185, while total expenses were \$15,137,175.

The financial position of NJPA® continues to remain strong. Cooperative purchasing agreements generated administrative fees of \$22,913,804 up from \$17,280,000 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 Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Other local sources	\$ 1,421,185	\$ 1,411,864	\$ 9,321	0.7%
Federal sources	788,000	886,083	(98,083)	-11.1%
<b>Total General Fund revenues</b>	<b>\$ 2,209,185</b>	<b>\$ 2,297,947</b>	<b>\$ (88,762)</b>	<b>-3.9%</b>

Total General Fund Revenue decreased by \$88,762 or -3.9% 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 decrease in General Fund revenues was primarily due to a reduction in federal grants.

The following schedule presents a summary of General Fund Expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Administration	\$ 1,039,747	\$ 810,105	\$ 229,642	28.3%
District support services	9,294,580	6,132,081	3,162,499	51.6%
Regular instruction	61,548	262,736	(201,188)	-76.6%
Instructional Support Services	1,340,284	893,761	446,523	
Special education instruction	770,174	918,538	(148,364)	-16.2%
Pupil support services	780,557	731,218	49,339	6.7%
Sites and buildings	1,232,902	721,509	511,393	70.9%
Fiscal and other fixed cost programs	27,065	29,611	(2,546)	-8.6%
Indirect expenditures charged to business-type activities	<u>(6,871,194)</u>	<u>(5,493,296)</u>	<u>(1,377,898)</u>	25.1%
Total General Fund expenditures	<u>\$ 7,675,663</u>	<u>\$ 5,006,263</u>	<u>\$ 2,669,400</u>	53.3%

Total General Fund expenditures increased by \$2,669,400 or 53.3% from the previous year and 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 \$79,684 more than expected due to growth in regional services.
- The actual expenditures were \$472,412 less than budget primarily due to district support services favorable budgetary variance.

### Major Proprietary Fund Highlights

Revenues exceeded expenditures before transfers in Risk Management by \$897,118 and revenues exceeded expenditures before transfers in Cooperative Purchasing by \$15,835,316. 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.

### **Capital Assets**

By the end of 2016, NJPA® had net investments of \$12,262,310 in capital assets consisting of land, work in progress, buildings, and equipment. Total depreciation expense for the year was \$1,008,099. More detailed information about NJPA®'s capital assets is presented in Note 4 in the financial statements.

### **Long-Term Liabilities**

At June 30, 2016, NJPA had \$331,381 in compensated absences and severance payable. Also at year end, NJPA® has \$4,615,490 in net pension liability. More detailed information about NJPA®'s long-term liabilities are presented in Notes 5 and 8 in the financial statements.

### **Factors Bearing on NJPA®'S Future**

Because NJPA® is financed primarily through 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 12<sup>th</sup> Street NE, Staples, MN 56479.

National Joint Powers Alliance®  
Staples, Minnesota  
Statement of Net Position  
June 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 4,038,222	\$ 41,315,516	\$ 45,353,738
Receivables			
Accounts receivable	7,555	8,809,922	8,817,477
Less allowance for doubtful accounts	-	(127,531)	(127,531)
Due from other governmental units	351,093	952,788	1,303,881
Prepaid items	193,217	59,301	252,518
Capital assets, net of accumulated depreciation where applicable			
Land	261,542	-	261,542
Work in progress	12,505	-	12,505
Buildings	9,291,487	-	9,291,487
Land improvements	69,713	-	69,713
Equipment	2,627,063	-	2,627,063
Total assets	<u>16,852,397</u>	<u>51,009,996</u>	<u>67,862,393</u>
<b>Deferred Outflows of Resources</b>			
Pension plans	<u>1,119,472</u>	<u>478,142</u>	<u>1,597,614</u>
<b>Liabilities</b>			
Accounts payable	1,869,265	13,224,291	15,093,556
Payroll deductions	30,544	10,252	40,796
Salaries payable	172,321	63,577	235,898
Health claims payable	-	2,500,000	2,500,000
Long-term liabilities			
Due within one year - compensated absences and severance	123,478	25,061	148,539
Due in more than one year - compensated absences and severance	132,720	50,122	182,842
Due in more than one year - net pension liability	3,177,755	1,437,735	4,615,490
Total liabilities	<u>5,506,083</u>	<u>17,311,038</u>	<u>22,817,121</u>
<b>Deferred Inflows of Resources</b>			
Pension plans	<u>709,198</u>	<u>336,575</u>	<u>1,045,773</u>
<b>Net Position</b>			
Investment in capital assets	12,262,310	-	12,262,310
Restricted	-	326,136	326,136
Unrestricted	(505,722)	33,514,389	33,008,667
Total net position	<u>\$ 11,756,588</u>	<u>\$ 33,840,525</u>	<u>\$ 45,597,113</u>

National Joint Powers Alliance®  
Staples, Minnesota  
Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
Administration	\$ 51,895	\$ -	\$ -	\$ (51,895)	\$ -	\$ (51,895)
District support services	5,160,526	433,723	-	(4,726,803)	-	(4,726,803)
Instructional Support Services	1,343,787	-	-	(1,343,787)	-	(1,343,787)
Regular instruction	61,548	18,330	-	(43,218)	-	(43,218)
Special education instruction	789,989	182,837	627,545	20,393	-	20,393
Pupil support services	790,557	766,117	-	(24,440)	-	(24,440)
Sites and buildings	61,769	31,879	-	(29,890)	-	(29,890)
Fiscal and other fixed cost programs	27,065	-	-	(27,065)	-	(27,065)
Total governmental activities	<u>8,287,136</u>	<u>1,432,886</u>	<u>627,545</u>	<u>(6,226,705)</u>	<u>-</u>	<u>(6,226,705)</u>
Business-type activities						
Risk management	29,939,702	30,597,804	-	-	658,102	658,102
Cooperative purchasing	59,300,852	74,263,035	-	-	14,962,183	14,962,183
Total business-type activities	<u>89,240,554</u>	<u>104,860,839</u>	<u>-</u>	<u>-</u>	<u>15,620,285</u>	<u>15,620,285</u>
Total	<u>\$ 97,527,690</u>	<u>\$ 106,293,725</u>	<u>\$ 627,545</u>	<u>(6,226,705)</u>	<u>15,620,285</u>	<u>9,393,580</u>
General Revenues and Transfers						
Unrestricted investment earnings				45,064	1,112,149	1,157,213
Miscellaneous				103,689	-	103,689
Transfers in (out)				13,911,192	(13,911,192)	-
Total general revenues and transfers				<u>14,059,945</u>	<u>(12,799,043)</u>	<u>1,260,902</u>
Change in Net Position				7,833,240	2,821,242	10,654,482
Net Position - Beginning				3,923,348	31,019,283	34,942,631
Net Position - Ending				<u>\$ 11,756,588</u>	<u>\$ 33,840,525</u>	<u>\$ 45,597,113</u>

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



National Joint Powers Alliance®  
 Staples, Minnesota  
 Governmental Funds  
 Balance Sheet  
 June 30, 2016

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 2,979,325	\$ 1,058,897	\$ 4,038,222
Receivables			
Accounts	7,555	-	7,555
Due from other governmental units	351,093	-	351,093
Prepaid items	193,217	-	193,217
	<u>193,217</u>	<u>-</u>	<u>193,217</u>
Total assets	<u>\$ 3,531,190</u>	<u>\$ 1,058,897</u>	<u>\$ 4,590,087</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 810,368	\$ 1,058,897	\$ 1,869,265
Payroll deductions	30,544	-	30,544
Salaries payable	172,321	-	172,321
Total liabilities	<u>1,013,233</u>	<u>1,058,897</u>	<u>2,072,130</u>
<b>Fund balance</b>			
Nonspendable for prepaid items	193,217	-	193,217
Unassigned	2,324,740	-	2,324,740
Total fund balance	<u>2,517,957</u>	<u>-</u>	<u>2,517,957</u>
Total liabilities and fund balance	<u>\$ 3,531,190</u>	<u>\$ 1,058,897</u>	<u>\$ 4,590,087</u>

National Joint Powers Alliance®  
Staples, Minnesota  
Governmental Funds  
Reconciliation of Balance Sheet to the Statement of Net Position  
June 30, 2016

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Total Fund Balance - Governmental Funds	\$ 2,517,957
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.	12,262,310
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds	410,274
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.	<u>(3,433,953)</u>
Total Net Position - Governmental Activities	<u>\$ 11,756,588</u>

National Joint Powers Alliance®  
 Staples, Minnesota  
 Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
Other local and county revenues	\$ 1,421,185	\$ -	\$ 1,421,185
Revenue from federal sources	788,000	-	788,000
Total revenues	<u>2,209,185</u>	<u>-</u>	<u>2,209,185</u>
<b>Expenditures</b>			
Current			
Administration	1,039,747	-	1,039,747
District support services	9,294,580	-	9,294,580
Regular instruction	61,548	-	61,548
Instructional support services	1,340,284	-	1,340,284
Special education instruction	770,174	-	770,174
Pupil support services	780,557	-	780,557
Sites and buildings	300,663	-	300,663
Fiscal and other fixed cost programs	27,065	-	27,065
Indirect expenditures charged to business-type activities	(6,871,194)	-	(6,871,194)
Capital outlay			
Equipment, sites and buildings	932,239	7,461,512	8,393,751
Total expenditures	<u>7,675,663</u>	<u>7,461,512</u>	<u>15,137,175</u>
Deficiency of Revenues Under Expenditures	(5,466,478)	(7,461,512)	(12,927,990)
<b>Other Financing Sources</b>			
Transfer in	6,449,680	7,461,512	13,911,192
Net Change in Fund Balance	983,202	-	983,202
Fund Balance, Beginning of Year	1,534,755	-	1,534,755
Fund Balance, End of Year	<u>\$ 2,517,957</u>	<u>\$ -</u>	<u>\$ 2,517,957</u>

National Joint Powers Alliance®  
Staples, Minnesota

Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities  
Year Ended June 30, 2016

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Net Change in Fund Balance - Governmental Funds \$ 983,202

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.

7,385,652

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.

(483,718)

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.

(51,896)

Change in Net Position of Governmental Activities

\$ 7,833,240

National Joint Powers Alliance®  
Staples, Minnesota

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual  
Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Other local and county revenues	\$ 1,341,128	\$ 1,421,185	\$ 80,057
Revenue from federal sources	788,373	788,000	(373)
Total revenues	2,129,501	2,209,185	79,684
Expenditures			
Current			
Administration	935,545	1,039,747	(104,202)
District support services	11,573,230	9,294,580	2,278,650
Regular instruction	62,195	61,548	647
Instructional Support Services	1,344,020	1,340,284	3,736
Special education instruction	772,149	770,174	1,975
Pupil support services	771,900	780,557	(8,657)
Sites and buildings	279,540	300,663	(21,123)
Fiscal and other fixed cost programs	31,275	27,065	4,210
Indirect expenditures charged to business-type activities	(8,156,779)	(6,871,194)	(1,285,585)
Capital Outlay			
Equipment	535,000	932,239	(397,239)
Total expenditures	8,148,075	7,675,663	472,412
Deficiency of Revenues Under Expenditures	(6,018,574)	(5,466,478)	552,096
Other Financing Sources			
Transfer in	6,449,680	6,449,680	-
Net Change in Fund Balance	\$ 431,106	983,202	\$ 552,096
Fund Balance, Beginning of Year		1,534,755	
Fund Balance, End of Year		\$ 2,517,957	

National Joint Powers Alliance®  
Staples, Minnesota  
Proprietary Funds  
Statement of Net Position  
June 30, 2016

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
<b>Assets</b>			
Cash and investments	\$ 8,603,860	\$ 32,711,656	\$ 41,315,516
Accounts receivable	306,579	8,503,343	8,809,922
Less allowance for doubtful accounts	-	(127,531)	(127,531)
Due from other governmental units	952,788	-	952,788
Prepaid items	41,941	17,360	59,301
Total assets	<u>9,905,168</u>	<u>41,104,828</u>	<u>51,009,996</u>
<b>Deferred Outflows of Resources</b>			
Pension plans	<u>49,527</u>	<u>428,615</u>	<u>478,142</u>
<b>Liabilities</b>			
Accounts payable	490,701	12,733,590	13,224,291
Payroll deductions	992	9,260	10,252
Salaries payable	5,787	57,790	63,577
Health claims payable	2,500,000	-	2,500,000
Long-term liabilities			
Due within one year - compensated absences	1,350	23,711	25,061
Due in more than one year - compensated absences	2,699	47,423	50,122
Due in more than one year - net pension liability	150,007	1,287,728	1,437,735
Total liabilities	<u>3,151,536</u>	<u>14,159,502</u>	<u>17,311,038</u>
<b>Deferred Inflows of Resources</b>			
Pension plans	<u>35,117</u>	<u>301,458</u>	<u>336,575</u>
<b>Net Position</b>			
Restricted for Partially Self Insured Program	326,136	-	326,136
Unrestricted	<u>6,441,906</u>	<u>27,072,483</u>	<u>33,514,389</u>
Total net position	<u>\$ 6,768,042</u>	<u>\$ 27,072,483</u>	<u>\$ 33,840,525</u>

National Joint Powers Alliance®  
Staples, Minnesota  
Proprietary Funds  
Statement of Revenues, Expenditures, and Changes in Net Position  
Year Ended June 30, 2016

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Operating Revenues			
Sales	\$ -	\$ 51,349,231	\$ 51,349,231
Cost of sales	-	49,699,518	49,699,518
Gross profit	-	1,649,713	1,649,713
Contributions from participants	30,026,041	-	30,026,041
Administrative fees	75,294	22,913,804	22,989,098
Drug rebates	496,469	-	496,469
Total operating revenues	30,597,804	24,563,517	55,161,321
Operating Expenses			
Salaries and wages	190,198	1,759,139	1,949,337
Employee benefits	19,303	192,444	211,747
Purchased services	6,100	257,779	263,879
Supplies and materials	137	6,081	6,218
Travel	20,258	166,102	186,360
Indirect costs from governmental activities	152,500	6,718,694	6,871,194
Marketing	-	191,030	191,030
Membership rebates and revenue sharing	-	110,458	110,458
Insurance claims, premiums, and expenses	29,537,358	-	29,537,358
Other expenses	13,848	199,607	213,455
Total operating expenses	29,939,702	9,601,334	39,541,036
Operating Income	658,102	14,962,183	15,620,285
Nonoperating Revenues			
Investment income	239,016	873,133	1,112,149
Change in Net Position Before Transfers	897,118	15,835,316	16,732,434
Transfers Out	-	(13,911,192)	(13,911,192)
Change in Net Position After Transfers	897,118	1,924,124	2,821,242
Net Position, Beginning of Year	5,870,924	25,148,359	31,019,283
Net Position , End of Year	\$ 6,768,042	\$ 27,072,483	\$ 33,840,525

National Joint Powers Alliance®  
Staples, Minnesota  
Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2016

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
<b>Operating Activities</b>			
Receipts from sales to customers	\$ 75,294	\$ 74,518,798	\$ 74,594,092
Receipts from participants	29,440,500	-	29,440,500
Receipts from insurance company	496,469	-	496,469
Payments to suppliers for goods and services	(6,237)	(49,448,389)	(49,454,626)
Payments made to employees	(206,931)	(1,901,975)	(2,108,906)
Payments for insurance claims and administration	(29,439,035)	-	(29,439,035)
Payments for other operating expenses	(186,606)	(6,995,254)	(7,181,860)
Net cash from operating activities	<u>173,454</u>	<u>16,173,180</u>	<u>16,346,634</u>
<b>Capital and Related Financing Activities</b>			
Net pension liability and related deferred inflows and outflows of resources	(27,668)	(238,940)	(266,608)
Transfer to other funds	-	(13,911,192)	(13,911,192)
Net cash used for capital and related financing activities	<u>(27,668)</u>	<u>(14,150,132)</u>	<u>(14,177,800)</u>
<b>Investing Activity</b>			
Investment income	<u>239,016</u>	<u>873,133</u>	<u>1,112,149</u>
Net Change in Cash and Investments	384,802	2,896,181	3,280,983
Cash and Investments, July 1	<u>8,219,058</u>	<u>29,815,475</u>	<u>38,034,533</u>
Cash and Investments, June 30	<u>\$ 8,603,860</u>	<u>\$ 32,711,656</u>	<u>\$ 41,315,516</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
<b>Operating Activities</b>			
Operating income	\$ 658,102	\$ 14,962,183	\$ 15,620,285
Adjustments to reconcile operating income to net cash from operating activities			
<b>Changes in assets and liabilities</b>			
Accounts receivable	(58,307)	255,763	197,456
Due from other governmental units	(527,234)	-	(527,234)
Prepaid items	(41,941)	40,970	(971)
Accounts payable	140,264	864,656	1,004,920
Payroll deductions	251	2,248	2,499
Salaries payable	1,316	16,366	17,682
Compensated absences	1,003	30,994	31,997
Net cash from operating activities	<u>\$ 173,454</u>	<u>\$ 16,173,180</u>	<u>\$ 16,346,634</u>



## 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 Investments**

NJPA® considers cash and investments to be money market funds and other highly liquid investments with original maturities of three months or less. In addition, investments include U.S. government securities, certificates of deposit, and municipal bonds. 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.

### **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, 2016.

### **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, 2016, 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, 2016, 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, 2016, 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. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. 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.

### **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 2016.

NJPA® is exposed to a business concentration risk related to its Cooperative Purchasing program. During the year ended June 30, 2016, NJPA® purchased products from one vendor totaling \$49,699,518 and sales of the same vendor's products were \$51,349,229. This activity resulted in revenues over expenses of \$1,649,711, and is 6.72% of the Cooperative Purchasing Fund's total operating revenues.

As of July 1, 2016, NJPA® migrated away from the sales and cost of sales operating and reporting structure with this vendor. Therefore, all future operating revenues generated from this ongoing vendor contract is reported as an administrative fee, in a consistent manner as all other NJPA® vendor awarded contracts. As of November 9, 2016, all outstanding year-end receivables related to this business process change are collected.

### **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, 2016 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, 2016.

### **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, 2016, NJPA® had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5-10
Cash and Cash Equivalents					
Deposits	\$ 3,725,597	\$ 3,725,597	\$ -	\$ -	\$ -
Investments					
Money Market	3,917,389	3,917,389	-	-	-
U.S. Government Securities	27,925,500	-	11,895,242	11,263,419	4,766,839
Certificates of Deposit	3,828,914	-	2,100,582	1,479,942	248,390
Municipal Bonds	5,956,338	-	551,146	2,516,025	2,889,167
	<u>\$ 45,353,738</u>	<u>\$ 7,642,986</u>	<u>\$ 14,546,970</u>	<u>\$ 15,259,386</u>	<u>\$ 7,904,396</u>

NJPA® categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NJPA® has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury securities of \$27,925,500 are valued using quoted market prices (Level 1 inputs)

### 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, 2016, 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, 2016, include:

Fund	Federal	State	Other	Total
General	\$ 225,934	\$ 10,609	\$ 114,550	\$ 351,093
Risk Management	-	117,372	835,416	952,788
	<u>\$ 225,934</u>	<u>\$ 127,981</u>	<u>\$ 949,966</u>	<u>\$ 1,303,881</u>

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 261,542	\$ -	\$ -	\$ 261,542
Work in progress	198,637	12,505	198,637	12,505
Total capital assets, not being depreciated	460,179	12,505	198,637	274,047
Capital assets being depreciated				
Buildings	3,710,772	6,215,834	-	9,926,606
Land Improvements	-	74,693	-	74,693
Equipment	2,309,758	2,289,356	130,897	4,468,217
Total capital assets being depreciated	6,020,530	8,579,883	130,897	14,469,516
Less accumulated depreciation for				
Buildings	380,590	254,529	-	635,119
Land Improvements	-	4,980	-	4,980
Equipment	1,223,461	748,590	130,897	1,841,154
Total accumulated depreciation	1,604,051	1,008,099	130,897	2,481,253
Capital assets being depreciated, net	4,416,479	7,571,784	-	11,988,263
Governmental activities capital assets, net	\$ 4,876,658	\$ 7,584,289	\$ 198,637	\$ 12,262,310

Depreciation expense for the year ended June 30, 2016 was charged to the following functions/programs:

Governmental activities	
Sites and buildings	\$ 1,008,099

**Note 5 - Long-Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental activities					
Compensated absences	\$ 90,066	\$ 468,444	\$ 359,430	\$ 199,080	\$ 66,360
Severance payable	114,236	33,323	90,441	57,118	57,118
	<u>\$ 204,302</u>	<u>\$ 501,767</u>	<u>\$ 449,871</u>	<u>\$ 256,198</u>	<u>\$ 123,478</u>
Business -type activities					
Compensated absences	\$ 43,186	\$ 121,936	\$ 89,939	\$ 75,183	\$ 25,061

- **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, 2016. For comparative reasons the reconciliation of unpaid claims liabilities at June 30, 2015 is also presented.

	2016	2015
Health claims payable, beginning balance	\$ 2,500,000	\$ 3,475,000
Incurred claims		
Provision for insured events of current year	26,206,513	27,426,447
Increase (decrease) in provision for insured events of prior years	1,546,998	(361,694)
Total incurred claims	<u>27,753,511</u>	<u>27,064,753</u>
Payments		
Claims attributable to insured events of current year	(25,814,147)	(26,014,825)
Claims attributable to insured events of prior years	(1,939,364)	(2,024,928)
Total payments	<u>(27,753,511)</u>	<u>(28,039,753)</u>
Health claims payable, ending balance	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

### **Note 7 - Interfund Transfers**

During the year ended June 30, 2016 \$6,449,680 was transferred from the Cooperative Purchasing Fund to the General Fund. The total transfer was made up of \$100,000 applicable to membership fees, \$2,962,570 was transferred for Regional Programs to support innovation funding and other services for Region 5 cities, counties, and school districts, \$2,187,110 was transferred to Business & Relationship Development, and \$1,200,000 was transferred to the Education Solutions Program in support of teacher education programs. Also, \$7,461,512 was transferred from the Cooperative Purchasing Fund to the Capital Projects Fund for the construction of a new building addition to the north end of the existing NJPA® office building.

### **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*

<u>Tier I</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
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. Contribution rates can only be modified by the state Legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, in fiscal year 2016. In fiscal year 2016, NJPA® was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. NJPA®'s contributions to the GERF for the year ended June 30, 2016, were \$396,850. 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, 2015		Ending June 30, 2016	
	Employees	Employers	Employees	Employers
Basic	11.0%	11.5%	11.0%	11.5%
Coordinated	7.5%	7.5%	7.5%	7.5%

NJPA®'s contributions to TRA for the plan's fiscal year ended June 30, 2016, were \$40,141. 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, 2016, NJPA® reported a liability of \$4,021,635 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, NJPA®'s proportion was 0.0776%, which was an increase of 0.0089% from June 30, 2014.

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015 measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8%. Beginning with the June 30, 2106 measurement date the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, NJPA® recognized pension expense of \$640,593 for its proportionate share of GERF's pension expense.

At June 30, 2016, 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	\$ 37,295	\$ 202,759
Changes in actuarial assumptions	250,453	-
Difference between projected and actual investment earnings	380,709	738,708
Change in proportion and differences between contributions made and employer's proportionate share of contributions	313,559	-
Employer's contributions to GERF subsequent to the measurement date	396,850	-
Total	\$ 1,378,866	\$ 941,467

\$396,850 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
2017	\$ 3,619
2018	3,617
2019	(140,255)
2020	173,568
2021	-



2. TRA Pension Costs

At June 30, 2016, NJPA® reported a liability of \$593,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 0.0096% at the end of the measurement period and 0.0093% 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	\$ 593,855
State's proportionate share of the net pension liability associated with the employer	\$ 72,994

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, 2016, NJPA® recognized pension expense of \$72,500. It also recognized \$12,904 as an increase to pension expense for the support provided by direct aid.

At June 30, 2016, 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	\$ 30,429	\$ -
Changes in actuarial assumptions	45,652	-
Difference between projected and actual investment earnings	58,886	104,306
Change in proportion and differences between contributions made and employer's proportionate share of contributions	43,640	-
Employer's contributions to TRA subsequent to the measurement date	40,141	-
Total	\$ 218,748	\$ 104,306

\$40,141 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
2017	\$ 7,846
2018	7,846
2019	7,846
2020	39,886
2021	10,877

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active Member Payroll Growth	3.25% per year	3.5 - 12% based on years of service
Investment Rate of Return	7.90% per year	8.0%

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, 2015, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2015, 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 long-term expected rate of return on pension plan investments is 7.9% for GERP and 8.0% 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 GERP and 8.0% for TRA. This is a decrease from the discount rate at the prior measurement date of 8.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2016 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was 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 GERP net pension liability	\$ 6,323,439	\$ 4,021,635	\$ 2,120,698
TRA discount rate	7.00%	8.00%	9.00%
Employer's proportionate share of the TRA net pension liability	\$ 903,924	\$ 593,855	\$ 335,093

## **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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, 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 an active construction project as of June 30, 2016. The project includes the development of land for a NW Parking Lot for employees. At year end NJPA®'s commitment to this project is \$190,313 and NJPA® has already paid \$12,505 for the project. The project was completed in October 2016.

## Note 10 - 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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This statement will be implemented at NJPA® in the year ended June 30, 2017.

The second statement issued but not yet implemented that will significantly affect NJPA® is statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. This statement will be implemented at NJPA® in the year ended June 30, 2017.

The third 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*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This statement will be implemented at NJPA® in the year ended June 30, 2018.

The fourth statement issued but not yet implemented that will significantly affect NJPA® is statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement will be implemented at NJPA® in the year ended June 30, 2017.

The fifth statement issued but not yet implemented that will significantly affect NJPA® is statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement will be implemented at NJPA® in the year ended June 30, 2017.

The sixth statement issued but not yet implemented that will significantly affect NJPA® is statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement enhance the comparability of financial statements among governments. This statement will be implemented at NJPA® in the year ended June 30, 2017.

The seventh statement issued but not yet implemented that will significantly affect NJPA® is statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary of the agreement. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. This statement will be implemented at NJPA® in the year ended June 30, 2018.

The final statement issued but not yet implemented that will significantly affect NJPA® is statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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, 2016

**National Joint Powers Alliance®**  
**Staples, Minnesota**

National Joint Powers Alliance®  
Staples, Minnesota  
Claims Development Schedule  
June 30, 2016

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									
	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16
1. Net earned required contribution and investment revenues	\$ 631,916	\$ 127,359	\$ 1,032,492	\$ 1,859,996	\$ 434,105	\$ (1,359,385)	\$ 1,690,357	\$ 1,591,039	\$ (526,269)	\$ 525,610
2. Unallocated expenses	433,795	360,516	410,238	475,715	382,332	424,854	398,368	409,470	407,616	430,012
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	26,206,513
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	25,814,147
One year later		10,632,068	10,225,424	13,743,244	17,265,498	23,284,339	22,146,866	44,053,472	26,714,911	
Two years later		10,629,295	10,224,848	13,772,140	17,277,454	23,219,855	21,137,123	44,039,282		
Three years later		10,625,602	10,224,580	13,109,824	17,209,208	21,412,512	21,135,428			
Four years later		10,624,932	9,128,111	13,101,547	17,277,455	21,412,446				
Five years later		9,747,992	9,127,950	13,109,852	14,533,886					
Six years later		9,747,992	9,128,111	13,121,638						
Seven years later		9,747,992	9,128,379							
Eight years later		9,748,711								

\* 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 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	6/30/2015	0.0776%	\$ 4,021,635	N/A	\$ 4,021,635	\$ 4,568,033	88.0%	78.2%
PERA	6/30/2014	0.0687%	\$ 3,227,182	N/A	\$ 3,227,182	\$ 3,607,273	89.5%	78.8%
TRA	6/30/2015	0.0096%	\$ 593,855	\$ 72,994	\$ 666,849	\$ 528,661	126.1%	76.8%
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-Employee Payroll (b/d)
PERA	6/30/2016	\$ 396,850	\$ 396,850	\$ -	\$ 5,336,900	7.4%
PERA	6/30/2015	\$ 336,508	\$ 336,508	\$ -	\$ 4,568,033	7.4%
TRA	6/30/2016	\$ 40,141	\$ 40,141	\$ -	\$ 535,301	7.5%
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.

**Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**

Since the last actuarial valuation as of June 30, 2014, the following have been changed:

- Changes of benefit terms: The DTRFA was merged into TRA on June 30, 2015.
- Change of assumptions: The annual COLA for the June 30, 2015 valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.



Other Supplementary Information  
June 30, 2016

**National Joint Powers Alliance®**  
**Staples, Minnesota**

**Fiscal Compliance Report - 6/30/2016**

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

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$2,209,185	<u>\$2,209,186</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$7,675,663	<u>\$7,675,660</u>	\$3	Total Expenditures	\$7,461,512	<u>\$7,461,513</u>	(\$1)
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$193,217	<u>\$193,217</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$0	<u>\$0</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint Programs	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>				
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>20 INTERNAL SERVICE</b>			
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$105,972,988	<u>\$105,972,988</u>	<u>\$0</u>
<i>Restricted:</i>				Total Expenditures	\$89,240,554	<u>\$89,507,163</u>	(\$266,609)
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$33,514,389	<u>\$35,136,692</u>	(\$1,622,303)
<i>Committed:</i>							
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<b>25 OPEB REVOCABLE TRUST</b>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>							
4.22 Unassigned Fund Balance	\$2,324,740	<u>\$2,324,741</u>	(\$1)				

National Joint Powers Alliance®  
 Staples, Minnesota  
 Uniform Accounting and Reporting Standards Compliance Table  
 Year Ended June 30, 2016

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**02 FOOD SERVICES**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

**04 COMMUNITY SERVICE**

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

**45 OPEB IRREVOCABLE TRUST**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

**47 OPEB DEBT SERVICE**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

National Joint Powers Alliance®  
 Staples, Minnesota  
 Schedule of Differences between UFARS and GAAP  
 Year Ended June 30, 2016

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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	\$ -	\$ 49,527	\$ 49,527
Liabilities			
Long-term liabilities			
Due in more than one year - net pension liability	-	150,007	150,007
Deferred Inflows of Resources			
Pension Plans	-	35,117	35,117
Net Position			
Unrestricted	6,577,503	6,441,906	(135,597)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Employee benefits	46,971	19,303	(27,668)

National Joint Powers Alliance®  
 Staples, Minnesota  
 Schedule of Differences between UFARS and GAAP  
 Year Ended June 30, 2016

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Cooperative Purchasing Fund:

	UFARS	GAAP	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Pension Plans	\$ -	\$ 428,615	\$ 428,615
Liabilities			
Long-term liabilities			
Due in more than one year -			
net pension liability	-	1,287,728	1,287,728
Deferred Inflows of Resources			
Pension Plans	-	301,458	301,458
Net Position			
Unrestricted	28,233,054	27,072,483	(1,160,571)
Statement of Revenues, Expenditures,			
and Changes in Net Position			
Operating Expenses			
Operations			
Employee benefits	431,385	192,444	(238,941)

National Joint Powers Alliance®  
Staples, Minnesota  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
<i>Passed through Minnesota Department of Education:</i>			
Special Education Cluster (IDEA)			
Special Education Grants to States - Regional Low Incidence	0924-83-000 Formula - 421	84.027	\$ 511,960
Special Education Grants to States - CSPD	0924-83-000 Formula - 432	84.027	115,585
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 430	84.173	80,223
Total Special Education Cluster (IDEA)			<u>707,768</u>
 <i>Passed through Minnesota Department of Education:</i>			
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 446	84.181	80,232
Total Expenditures of Federal Awards			<u>\$ 788,000</u>

**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 the Uniform Guidance. 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 1 in NJPA®'s basic financial statements.

The organization has elected not to use the 10% de minimis cost rate.



Additional Reports  
June 30, 2016

**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, 2016, and the related notes to the financial statements, which collectively comprise NJPA®’s basic financial statements, and have issued our report thereon dated November 10, 2016.

**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 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. 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*.

**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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
November 10, 2016



## **Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on NJPA®'s major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 10, 2016



## 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2016.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 10, 2016

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
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 Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Education Cluster (IDEA)	
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:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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None

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**Section III – Minnesota Legal Compliance Findings**

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None

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**Section IV – Federal Award Findings and Questioned Costs**

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None

**2015-A            Preparation of Financial Statements, Including Material Adjustments  
Material Weakness**

*Initial Fiscal Year Finding Occurred: 2015*

*Finding Summary:* 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.

*Status:* Corrective action was taken and the finding was fully corrected.