Financial Statements
June 30, 2017

National Joint Powers Alliance®
Staples, Minnesota

EideBailly®

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Name	Position	Term Expires
Elected		
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
Ryan Thomas - Sub-Region III	Director	12/31/2020
Sara Nagel - Sub-Region II	Director	12/31/2018
Greg Zylka - Sub-Region IV	Director	12/31/2020
Management		
Dr. Chad Coauette	Executive Director	
Mike Carlson	Director of Finance	
Michael Brandt	Controller	

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of National Joint Powers Alliance® (NJPA®), Staples, Minnesota, as of and for the year ended June 30, 2017, 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.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

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, 2017, 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 17, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NJPA®'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NJPA®'s internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
November 17, 2017

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, 2017.

Financial Highlights

Key financial highlights for the 2016-2017 fiscal year:

- Net position increased by $7,403,031 over the prior year. This includes a $1,427,906 net position increase to the governmental activities (General) after transfers and a $5,975,125 net position increase to the business-type activities (Risk Management and Cooperative Purchasing) after transfers.
- The Governmental Funds fund balance increased by $2,866,846.
- The total Governmental Funds fund balance as of June 30, 2017 is $5,384,803.
- The Business-Type Funds net position increase is summarized below:

Risk Management	$	(488,800)
Cooperative Purchasing		6,463,925
Total Business-Type Funds	$	5,975,125

The total Business-Type Funds net position as of June 30, 2017 are $39,815,650.

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:

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

    - the balances left at year-end that are available for spending.

  Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance NJPA®'s programs. Because this information does not encompass the additional long-term focus of Government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

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

Financial Analysis of NJPA® as a Whole

Net position. NJPA®'s combined net position was a positive $53,000,144 on June 30, 2017.

Statement of Net Position
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	$ 6,296,110	$ 4,590,087	$ 45,133,590	$ 51,009,996	$ 51,429,700	$ 55,600,083
Capital assets	11,685,772	12,262,310	-	-	11,685,772	12,262,310
Total assets	17,981,882	16,852,397	45,133,590	51,009,996	63,115,472	67,862,393
Deferred Outflows of Resources	3,901,780	1,119,472	1,056,635	478,142	4,958,415	1,597,614
Liabilities						
Current liabilities	991,397	2,195,608	3,868,556	15,823,181	4,859,954	18,018,789
Long-term liabilities	7,325,228	3,310,475	2,325,865	1,487,857	9,651,092	4,798,332
Total liabilities	8,316,625	5,506,083	6,194,421	17,311,038	14,511,046	22,817,121
Deferred Inflows of Resources	382,543	709,198	180,154	336,575	562,697	1,045,773
Net Position						
Investment in capital assets	11,685,772	12,262,310	-	-	11,685,772	12,262,310
Restricted	-	-	157,928	326,136	157,928	326,136
Unrestricted	1,498,722	(505,722)	39,657,722	33,514,389	41,156,444	33,008,667
Total net position	$ 13,184,494	$ 11,756,588	$ 39,815,650	$ 33,840,525	$ 53,000,144	$ 45,597,113

Statement of Activities
Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for service	$ 1,612,246	$ 1,432,886	$ 56,392,315	$ 104,860,839	$ 58,004,561	$ 106,293,725
Operating grants and contributions	647,636	627,545	-	-	647,636	627,545
General revenues						
Unrestricted investment earnings	(647)	45,064	(184,639)	1,112,149	(185,286)	1,157,213
State aid	61,298	-	-	-	61,298	-
Miscellaneous	567,164	103,689	-	-	567,164	103,689
Total revenues	2,887,697	2,209,184	56,207,676	105,972,988	59,095,373	108,182,172
Expenses						
Administration	-	51,895	-	-	-	51,895
District support services	5,204,666	5,160,526	-	-	5,204,666	5,160,526
Instructional Support Services	1,921,163	1,343,787	-	-	1,921,163	1,343,787
Regular instruction	107,806	61,548	-	-	107,806	61,548
Special education instruction	868,174	789,989	-	-	868,174	789,989
Pupil support services	778,300	790,557	-	-	778,300	790,557
Sites and buildings	827,804	61,769	-	-	827,804	61,769
Fiscal and other fixed cost programs	38,554	27,065	-	-	38,554	27,065
Risk management	-	-	27,388,059	29,939,702	27,388,059	29,939,702
Cooperative purchasing	-	-	14,557,816	59,300,852	14,557,816	59,300,852
Total expenses	9,746,467	8,287,136	41,945,875	89,240,554	51,692,342	97,527,690
Other Financing Sources (Uses)						
Closing of MPPA fund	-	-	-	-	-	-
Transfers In (Out)	8,286,676	13,911,192	(8,286,676)	(13,911,192)	-	-
Total other financing sources (uses)	8,286,676	13,911,192	(8,286,676)	(13,911,192)	-	-
Change in Net Position	1,427,906	7,833,240	5,975,125	2,821,242	7,403,031	10,654,482
Net Position - Beginning	11,756,588	3,923,348	33,840,525	31,019,283	45,597,113	34,942,631
Net Position - Ending	$ 13,184,494	$ 11,756,588	$ 39,815,650	$ 33,840,525	$ 53,000,144	$ 45,597,113

Changes in Net Position. NJPA®'s total revenues were $59,095,373 for the year ended June 30, 2017. The majority of revenue is derived from business-like service programs.

The total cost of all programs and services was $51,692,342. NJPA®'s expenses are predominantly related to providing necessary services to members.

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. Due to the nature of this business practice, these figures historically were required to be reported as gross versus net. This impact can be seen on page 21 of the June 30, 2016 financial statements.

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.

This change accounts for the appearance of reduced revenues and expenses, as cooperative purchasing operations continues to see overall growth.

Total revenues surpassed expenses, increasing net position $7,403,031.

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 $5,384,803. Revenues for NJPA®'s governmental funds were $2,887,699, while total expenses were $8,307,529.

The financial position of NJPA® continues to remain strong. Cooperative purchasing agreements generated administrative fees of $29,462,780 up from $22,989,098 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	Percent Increase
	2017	2016	(Decrease)	(Decrease)
Other local sources	$ 2,003,231	$ 1,421,185	$ 582,046	41.0%
Federal sources	823,170	788,000	35,170	4.5%
State sources	61,298	-	61,298	N/A
Total General Fund revenues	$ 2,887,699	$ 2,209,185	$ 678,514	30.7%

Total General Fund Revenue increased by $678,514 or 30.7% from the previous year. General fund revenue is determined by membership fees and state, federal and local grants and miscellaneous local revenues received from services. An internal transfer between the cooperative purchasing fund and the general fund accounts for membership fees. No membership fees are actually collected from the member. The increase in General Fund revenues was primarily due to an increase in federal grants.

The following schedule presents a summary of General Fund Expenditures:

	Year Ended June 30,		Amount of Increase	Percent Increase
	2017	2016	(Decrease)	(Decrease)
Administration	$ 428,727	$ 1,039,747	$ (611,020)	-58.8%
District support services	11,643,500	9,294,580	2,348,920	25.3%
Regular instruction	107,806	61,548	46,258	75.2%
Instructional Support Services	1,916,169	1,340,284	575,885	
Special education instruction	849,687	770,174	79,513	10.3%
Pupil support services	768,300	780,557	(12,257)	-1.6%
Sites and buildings	588,646	1,232,902	(644,256)	-52.3%
Fiscal and other fixed cost programs	38,554	27,065	11,489	42.4%
Indirect expenditures charged to business-type activities	(8,320,536)	(6,871,194)	(1,449,342)	21.1%
Total General Fund expenditures	$ 8,020,853	$ 7,675,663	$ 345,190	4.5%

Total General Fund expenditures increased by $345,190 or 4.5% 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 $1,188,046 more than expected due to an increase in revenues from federal sources.
- The actual expenditures were $1,333,219 less than budget primarily due to district support services favorable budgetary variance.

Major Proprietary Fund Highlights

Expenditures exceeded revenues before transfers in Risk Management by $449,321 and revenues exceeded expenditures before transfers in Cooperative Purchasing by $14,895,761. 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 2017, NJPA® had net investments of $11,685,772 in capital assets consisting of land, buildings, land improvements, and equipment. Total depreciation expense for the year was $1,048,932. More detailed information about NJPA®'s capital assets is presented in Note 4 in the financial statements.

Long-Term Liabilities

At June 30, 2017, NJPA had $402,539 in compensated absences and severance payable. Also at year end, NJPA® has $9,382,733 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 12th Street NE, Staples, MN 56479.

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 5,599,082	$ 43,213,571	$ 48,812,653
Receivables			
Accounts receivable	15,755	1,287,270	1,303,025
Due from other governmental units	584,775	321,692	906,467
Prepaid items	96,498	311,057	407,555
Capital assets, net of accumulated depreciation where applicable			
Land	274,048	-	274,048
Buildings	9,083,599	-	9,083,599
Land improvements	297,395	-	297,395
Equipment	2,030,730	-	2,030,730
Total assets	17,981,882	45,133,590	63,115,472
Deferred Outflows of Resources			
Pension plans	3,901,780	1,056,635	4,958,415
Liabilities			
Accounts payable	654,965	1,192,998	1,847,963
Payroll deductions	38,360	17,523	55,883
Salaries payable	217,982	103,946	321,928
Health claims payable	-	2,500,000	2,500,000
Long-term liabilities			
Due within one year - compensated absences and severance	80,090	54,089	134,180
Due in more than one year - compensated absences and severance	160,181	108,179	268,359
Due in more than one year - net pension liability	7,165,047	2,217,686	9,382,733
Total liabilities	8,316,625	6,194,421	14,511,046
Deferred Inflows of Resources			
Pension plans	382,543	180,154	562,697
Net Position			
Investment in capital assets	11,685,772	-	11,685,772
Restricted	-	157,928	157,928
Unrestricted	1,498,722	39,657,722	41,156,444
Total net position	$ 13,184,494	$ 39,815,650	$ 53,000,144

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
Administration	$ -	$ 358	$ -	$ 358	$ -	$ 358
District support services	5,204,666	575,124	-	(4,629,542)	-	(4,629,542)
Instructional Support Services	1,921,163	-	-	(1,921,163)	-	(1,921,163)
Regular instruction	107,806	19,040	-	(88,766)	-	(88,766)
Special education instruction	868,174	237,701	647,636	17,163	-	17,163
Pupil support services	778,300	775,634	-	(2,666)	-	(2,666)
Sites and buildings	827,804	4,389	-	(823,415)	-	(823,415)
Fiscal and other fixed cost programs	38,554	-	-	(38,554)	-	(38,554)
Total governmental activities	9,746,467	1,612,246	647,636	(7,486,585)	-	(7,486,585)
Business-type activities						
Risk management	27,388,059	26,938,738	-	-	(449,321)	(449,321)
Cooperative purchasing	14,557,816	29,453,577	-	-	14,895,761	14,895,761
Total business-type activities	41,945,875	56,392,315	-	-	14,446,440	14,446,440
Total	$ 51,692,342	$ 58,004,561	$ 647,636	(7,486,585)	14,446,440	6,959,855
General Revenues and Transfers						
Aids and payments from state				61,298	-	61,298
Unrestricted investment earnings				(647)	(184,639)	(185,286)
Miscellaneous				567,164	-	567,164
Transfers in (out)				8,286,676	(8,286,676)	-
Total general revenues and transfers				8,914,491	(8,471,315)	443,176
Change in Net Position				1,427,906	5,975,125	7,403,031
Net Position - Beginning				11,756,588	33,840,525	45,597,113
Net Position - Ending				$ 13,184,494	$ 39,815,650	$ 53,000,144

	General Fund
Assets	
Cash and investments	$ 5,599,082
Receivables	
Accounts	15,755
Due from other governmental units	584,775
Prepaid items	96,498
Total assets	$ 6,296,110
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 654,965
Payroll deductions	38,360
Salaries payable	217,982
Total liabilities	911,307
Fund balance	
Nonspendable for prepaid items	96,498
Unassigned	5,288,305
Total fund balance	5,384,803
Total liabilities and fund balance	$ 6,296,110

Total Fund Balance - Governmental Funds	$ 5,384,803
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.	11,685,772
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds	3,519,237
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.	(7,405,318)
Total Net Position - Governmental Activities	$ 13,184,494

	General Fund	Capital Projects	Total
Revenues			
Other local and county revenues	$ 2,003,231	$ -	$ 2,003,231
Revenue from federal sources	823,170	-	823,170
Revenue from state sources	61,298	-	61,298
Total revenues	2,887,699	-	2,887,699
Expenditures			
Current			
Administration	428,727	-	428,727
District support services	11,643,500	-	11,643,500
Regular instruction	107,806	-	107,806
Instructional support services	1,916,169	-	1,916,169
Special education instruction	849,687	-	849,687
Pupil support services	768,300	-	768,300
Sites and buildings	402,928	-	402,928
Fiscal and other fixed cost programs	38,554	-	38,554
Indirect expenditures charged to business-type activities	(8,320,536)	-	(8,320,536)
Capital outlay			
Equipment, sites and buildings	185,718	286,676	472,394
Total expenditures	8,020,853	286,676	8,307,529
Deficiency of Revenues Under Expenditures	(5,133,154)	(286,676)	(5,419,830)
Other Financing Sources			
Transfer in	8,000,000	286,676	8,286,676
Net Change in Fund Balance	2,866,846	-	2,866,846
Fund Balance, Beginning of Year	2,517,957	-	2,517,957
Fund Balance, End of Year	$ 5,384,803	$ -	$ 5,384,803

Net Change in Fund Balance - Governmental Funds	$ 2,866,846
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.	(576,538)
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.	(878,329)
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.	15,927
Change in Net Position of Governmental Activities	$ 1,427,906

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Other local and county revenues	$ 1,699,653	$ 2,003,231	$ 303,578
Revenue from federal sources	-	823,170	823,170
Revenue from state sources	-	61,298	61,298
Total revenues	1,699,653	2,887,699	1,188,046
Expenditures			
Current			
Administration	600,960	428,727	172,233
District support services	13,882,540	11,643,500	2,239,040
Regular instruction	71,995	107,806	(35,811)
Instructional Support Services	2,246,950	1,916,169	330,781
Special education instruction	-	849,687	(849,687)
Pupil support services	901,925	768,300	133,625
Sites and buildings	444,730	402,928	41,802
Fiscal and other fixed cost programs	33,474	38,554	(5,080)
Indirect expenditures charged to business-type activities	(9,516,302)	(8,320,536)	(1,195,766)
Capital Outlay			
Equipment	687,800	185,718	502,082
Total expenditures	9,354,072	8,020,853	1,333,219
Deficiency of Revenues Under Expenditures	(7,654,419)	(5,133,154)	2,521,265
Other Financing Sources			
Transfer in	8,000,000	8,000,000	-
Net Change in Fund Balance	$ 345,581	2,866,846	$ 2,521,265
Fund Balance, Beginning of Year		2,517,957	
Fund Balance, End of Year		$ 5,384,803	

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

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Assets			
Cash and investments	$ 8,383,008	$ 34,830,563	$ 43,213,571
Accounts receivable	410,803	876,467	1,287,270
Due from other governmental units	321,692	-	321,692
Prepaid items	298,323	12,734	311,057
Total assets	9,413,826	35,719,764	45,133,590
Deferred Outflows of Resources			
Pension plans	107,248	949,387	1,056,635
Liabilities			
Accounts payable	485,227	707,771	1,192,998
Payroll deductions	1,147	16,376	17,523
Salaries payable	7,185	96,761	103,946
Health claims payable	2,500,000	-	2,500,000
Long-term liabilities			
Due within one year - compensated absences	1,631	52,458	54,089
Due in more than one year - compensated absences	3,263	104,916	108,179
Due in more than one year - net pension liability	225,093	1,992,593	2,217,686
Total liabilities	3,223,546	2,970,875	6,194,421
Deferred Inflows of Resources			
Pension plans	18,286	161,868	180,154
Net Position			
Restricted for Partially Self Insured Program	157,928	-	157,928
Unrestricted	6,121,314	33,536,408	39,657,722
Total net position	$ 6,279,242	$ 33,536,408	$ 39,815,650

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Operating Revenues			
Contributions from participants	$ 26,296,582	$ -	$ 26,296,582
Administrative fees	9,203	29,453,577	29,462,780
Drug rebates	632,953	-	632,953
Total operating revenues	26,938,738	29,453,577	56,392,315
Operating Expenses			
Salaries and wages	180,685	2,634,231	2,814,916
Employee benefits	47,073	700,744	747,817
Purchased services	34,894	342,849	377,743
Supplies and materials	266	15,183	15,449
Travel	16,200	164,920	181,120
Indirect costs from governmental activities	172,500	8,148,036	8,320,536
Marketing	-	605,972	605,972
Membership rebates and revenue sharing	-	-	-
Insurance claims, premiums, and expenses	26,931,002	-	26,931,002
Other expenses	5,439	1,945,881	1,951,320
Total operating expenses	27,388,059	14,557,816	41,945,875
Operating Income (Loss)	(449,321)	14,895,761	14,446,440
Nonoperating Items			
Investment loss	(39,479)	(145,160)	(184,639)
Change in Net Position Before Transfers	(488,800)	14,750,601	14,261,801
Transfers Out	-	(8,286,676)	(8,286,676)
Change in Net Position After Transfers	(488,800)	6,463,925	5,975,125
Net Position, Beginning of Year	6,768,042	27,072,483	33,840,525
Net Position , End of Year	$ 6,279,242	$ 33,536,408	$ 39,815,650

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Operating Activities			
Receipts from sales to customers	$ 9,203	$ 36,952,922	$ 36,962,125
Receipts from participants	26,823,454	-	26,823,454
Receipts from insurance company	632,953	-	632,953
Payments to suppliers for goods and services	(35,160)	(14,931,078)	(14,966,238)
Payments made to employees	(225,360)	(3,202,648)	(3,428,008)
Payments for insurance claims and administration	(27,192,858)	-	(27,192,858)
Payments for other operating expenses	(194,139)	(8,312,956)	(8,507,095)
Net cash from (used for) operating activities	(181,907)	10,506,240	10,324,333
Capital and Related Financing Activities			
Net pension liability and related deferred inflows and outflows of resources	534	44,503	45,037
Transfer to other funds	-	(8,286,676)	(8,286,676)
Net cash used for capital and related financing activities	534	(8,242,173)	(8,241,639)
Investing Activity			
Investment income	(39,479)	(145,160)	(184,639)
Net Change in Cash and Investments	(220,852)	2,118,907	1,898,055
Cash and Investments, July 1	8,603,860	32,711,656	41,315,516
Cash and Investments, June 30	$ 8,383,008	$ 34,830,563	$ 43,213,571

	Risk Management	Cooperative Purchasing	Total Proprietary Funds
Reconciliation of Operating Income to Net Cash from (used for) Operating Activities			
Operating Activities			
Operating income (loss)	$ (449,321)	$ 14,895,761	$ 14,446,440
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Changes in assets and liabilities			
Accounts receivable	(104,224)	7,499,345	7,395,121
Due from other governmental units	631,096	-	631,096
Prepaid items	(256,382)	4,626	(251,756)
Accounts payable	(5,474)	(12,025,819)	(12,031,293)
Payroll deductions	155	7,116	7,271
Salaries payable	1,398	38,971	40,369
Compensated absences	845	86,240	87,085
Net cash from (used for) operating activities	$ (181,907)	$ 10,506,240	$ 10,324,333

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, 2017.

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, 2017, 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, 2017, 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, 2017, 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 2017.

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, 2017 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, 2017.

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, 2017, NJPA® had the following cash and investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5-10
Cash and Cash Equivalents					
Deposits	$ 4,111,883	$ 4,111,883	$ -	$ -	$ -
Investments					
Money Market	1,652,690	1,652,690	-	-	-
U.S. Government Securities	33,440,861	-	2,924,000	11,901,538	18,615,323
Certificates of Deposit	2,599,011	-	1,954,643	644,368	-
Municipal Bonds	7,008,208	-	-	2,437,950	4,570,258
	$ 48,812,653	$ 5,764,573	$ 4,878,643	$ 14,983,856	$ 23,185,581

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, 2017:

- U.S. Treasury securities of $33,440,861 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, 2017, 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, 2017, include:

Fund	Federal	State	Other	Total
General	$ 351,619	$ 21,719	$ 211,437	$ 584,775
Risk Management	-	1	321,691	321,692
	$ 351,619	$ 21,720	$ 533,128	$ 906,467

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2017 is a follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets, not being depreciated				
Land	$ 261,542	$ 12,506	$ -	$ 274,048
Work in progress	12,505	-	12,505	-
Total capital assets, not being depreciated	274,047	12,506	12,505	274,048
Capital assets being depreciated				
Buildings	9,926,606	47,868	-	9,974,474
Land Improvements	74,693	249,280	-	323,973
Equipment	4,468,217	175,245	14,208	4,629,254
Total capital assets being depreciated	14,469,516	472,393	14,208	14,927,701
Less accumulated depreciation for				
Buildings	635,119	255,756	-	890,875
Land Improvements	4,980	21,598	-	26,578
Equipment	1,841,154	771,578	14,208	2,598,524
Total accumulated depreciation	2,481,253	1,048,932	14,208	3,515,977
Capital assets being depreciated, net	11,988,263	(576,539)	-	11,411,724
Governmental activities capital assets, net	$ 12,262,310	$ (564,033)	$ 12,505	$ 11,685,772

Depreciation expense for the year ended June 30, 2017 was charged to the following functions/programs:

Governmental activities	
Sites and buildings	$ 1,048,932

Note 5 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental activities					
Compensated absences	$ 199,080	$ 160,246	$ 119,055	$ 240,271	$ 80,090
Severance payable	57,118	-	57,118	-	-
	$ 256,198	$ 160,246	$ 176,173	$ 240,271	$ 80,090
Business-type activities					
Compensated absences	$ 75,183	$ 87,085	$ -	$ 162,268	$ 54,089

- 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.

- 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.

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, 2017. For comparative reasons the reconciliation of unpaid claims liabilities at June 30, 2016 is also presented.

	2017	2016
Health claims payable, beginning balance	$ 2,500,000	$ 2,500,000
Incurred claims		
Provision for insured events of current year	23,816,547	26,206,513
Increase (decrease) in provision for insured events of prior years	601,343	1,546,998
Total incurred claims	24,417,890	27,753,511
Payments		
Claims attributable to insured events of current year	(22,069,158)	(25,814,147)
Claims attributable to insured events of prior years	(2,348,732)	(1,939,364)
Total payments	(24,417,890)	(27,753,511)
Health claims payable, ending balance	$ 2,500,000	$ 2,500,000

Note 7 - Interfund Transfers

During the year ended June 30, 2017 $8,000,000 was transferred from the Cooperative Purchasing Fund to the General Fund. The total transfer was made up of $100,000 applicable to membership fees, $6,000,000 was transferred for Regional Programs to support innovation funding and other services for Region 5 cities, counties, and school districts, and $1,900,000 was transferred to for Education Solutions. Also, $286,676 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:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

NJPA® participates in the following cost-sharing multiple employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of NJPA®, other than teachers, are covered by General Employees Retirement Fund (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.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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.

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.

GERF 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.

C. Contribution Rate

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 6.5% of pay, respectively of their annual covered salary in calendar year 2016. NJPA® was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2016. NJPA's ® contributions to the GERF for the year ended June 30, 2017, were $78,661. The NJPA's ® contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

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

Assumptions	
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for GERF was completed in 2015, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, 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%
	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current active plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Pension Costs

At June 30, 2017, NJPA® reported a liability of $6,925,937 for its proportionate share of the GERF's net pension liability. NJPA®'s net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with NJPA® totaled $90,441. The net pension liability was measured as of June 30, 2016 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, NJPA®'s proportion was 0.0853%, which was an increase of 0.0077% from June 30, 2015.

For the year ended June 30, 2017, NJPA® recognized pension expense of $1,059,723 for its proportionate share of GERF's pension expense. In addition, NJPA® recognized an additional $26,967 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2017, 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	$ 20,498	$ 562,629
Changes in actuarial assumptions	1,493,758	-
Difference between projected and actual investment earnings	773,233	-
Change in proportion and differences between contributions made and employer's proportionate share of contributions	529,071	-
Employer's contributions to GERF subsequent to the measurement date	483,359	-
Total	$ 3,299,919	$ 562,629

$483,359 reported as deferred outflows of resources related to pensions resulting from NJPA® 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, 2017. 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
2018	$ 696,662
2019	538,510
2020	768,584
2021	250,175
2022	-

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	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 9,836,883	$ 6,925,937	$ 4,528,110

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Teachers Retirement Association (TRA)

A. Plan Description

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

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 Minnesota State 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

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

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

Tier I Benefits

Tier1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.
(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

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.

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2015, June 30, 2016, and June 30, 2017 were:

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	(442,978)
Total employer contributions	354,544,518
Total non-employer contributions	35,587,410
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 390,131,928

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	4.66, from the Single Equivalent Interest Rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50 - 9.50%
Cost of living adjustment	2.00%
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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%
	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 years as required by GASB 68.

E. Discount Rate

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 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 depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

F. Pension Liability

At June 30, 2017, NJPA® reported a liability of $2,456,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. NJPA®'s proportionate share was 0.0103% at the end of the measurement period and 0.0096% 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	$ 2,456,796
State's proportionate share of the net pension liability associated with the employer	$ 245,862

There was a change in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. Power-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2017, NJPA® recognized pension expense of $371,270. It also recognized $34,331 as an increase to pension expense for the support provided by direct aid.

At June 30, 2017, 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	$ 24,066	$ 68
Changes in actuarial assumptions	1,400,958	-
Difference between projected and actual investment earnings	106,282	-
Change in proportion and differences between contributions made and employer's proportionate share of contributions	71,847	-
Employer's contributions to TRA subsequent to the measurement date	55,343	-
Total	$ 1,658,496	$ 68

$55,343 was reported as deferred outflows of resources related to pensions resulting from NJPA® 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, 2017.

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
2018	$ 321,465
2019	321,465
2020	355,493
2021	324,992
2022	279,670

G. Net Pension Liability

The following presents NJPA®'s proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	$ 3,164,967	$ 2,456,796	$ 1,880,013

NJPA®'s proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

Note 9 - 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. 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 the District in the year ended June 30, 2019.

The second statement issued but not yet implemented that will significantly affect NJPA® is statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. 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. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at NJPA® in the year ended June 30, 2021.

Management has not yet determined the effect these pronouncements will have on NJPA® financial statements.

Required Supplementary Information
June 30, 2017

National Joint Powers Alliance®
Staples, Minnesota

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

	Fiscal and Policy Year Ended										
	6/30/07	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	6/30/17
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	$ (503,137)
2. Unallocated expenses	433,795	360,516	410,238	475,715	382,332	424,854	398,368	409,470	407,616	430,012	456,522
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	23,816,547
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	22,069,158
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	28,192,765	
Two years later		10,629,295	10,224,848	13,772,140	17,277,454	23,219,855	21,137,123	44,039,282	26,685,401		
Three years later		10,625,602	10,224,580	13,109,824	17,209,208	21,412,512	21,135,428	44,038,972			
Four years later		10,624,932	9,128,111	13,101,547	17,277,455	21,412,446	21,135,389				
Five years later		9,747,992	9,127,950	13,109,822	14,533,886	21,412,434					
Six years later		9,747,992	9,128,111	13,121,638	14,533,886						
Seven years later		9,747,992	9,128,379	13,121,638							
Eight years later		9,748,711	9,128,379								
Nine 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 (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d) **	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/d) **	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2016	0.0853%	$ 6,925,937	N/A	$ 6,925,937	$ 5,336,900	129.8%	68.9%
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	6/30/2016	0.0103%	$ 2,456,796	$ 245,862	$ 2,702,658	$ 535,301	504.9%	44.9%
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	6/30/2017	$ 483,559	$ 483,559	$ -	$ 6,446,014	7.5%
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	6/30/2017	$ 55,343	$ 55,343	$ -	$ 737,900	7.5%
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

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the PERA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- Covered payroll has been retrospectively restated for all years presented to conform to the definition of covered payroll as clarified in GASB No. 82, *Pension Issues*.

**Covered payroll as restated to conform to GASB Statement No. 82.

Other Supplementary Information
June 30, 2017

National Joint Powers Alliance®
Staples, Minnesota

Fiscal Compliance Report - 6/30/2017 Help Logoff

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

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$2,887,699	$2,887,698	$1
Total Expenditures	$8,020,853	$8,020,854	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$96,498	$96,498	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$5,288,305	$5,288,304	$1
02 FOOD SERVICES			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0
04 COMMUNITY SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$286,676	$286,676	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$56,207,676	$56,207,676	$0
Total Expenditures	$41,945,875	$41,900,836	$45,039
4.22 Unassigned Fund Balance (Net Assets)	$39,815,650	$41,156,856	($1,341,206)
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
47 OPEB DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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

Risk Management Fund:

	UFARS	GAAP	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Pension Plans	$ -	$ 107,248	$ 107,248
Liabilities			
Long-term liabilities			
Due in more than one year - net pension liability	-	225,093	225,093
Deferred Inflows of Resources			
Pension Plans	-	18,286	18,286
Net Position			
Unrestricted	6,257,445	6,121,314	(136,131)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Employee benefits	46,539	47,073	534

Cooperative Purchasing Fund:

	UFARS	GAAP	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Pension Plans	$ -	$ 949,387	$ 949,387
Liabilities			
Long-term liabilities			
Due in more than one year - net pension liability	-	1,992,593	1,992,593
Deferred Inflows of Resources			
Pension Plans	-	161,868	161,868
Net Position			
Unrestricted	34,741,482	33,536,408	(1,205,074)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Employee benefits	656,240	700,744	44,504

Federal Grantor/Pass-Through Grantor/ Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
Passed through Minnesota Department of Education:			
Special Education Cluster (IDEA)			
Special Education Grants to States - Regional Low Incidence	0924-83-000 Formula - 421	84.027	$ 525,324
Special Education Grants to States - CSPD	0924-83-000 Formula - 432	84.027	122,312
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 430	84.173	93,117
Total Special Education Cluster (IDEA)			740,753
Passed through Minnesota Department of Education:			
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 446	84.181	82,427
Total Expenditures of Federal Awards			$ 823,180

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. No federal financial assistance has been provided to a subrecipient.

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, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise NJPA®'s basic financial statements, and have issued our report thereon dated November 17, 2017.

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.

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

Our consideration of internal control 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.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

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.

Eide Bailly LLP

Fargo, North Dakota
November 17, 2017

EideBailly
CPAs & BUSINESS ADVISORS

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, 2017. 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, 2017.

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.

Eide Bailly LLP

Fargo, North Dakota
November 17, 2017

EideBailly

CPAs & BUSINESS ADVISORS

Report on *Minnesota Legal Compliance*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of NJPA® as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2017.

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

In connection with our audit no items came to our attention that caused us to believe that NJPA® failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding NJPA®'s noncompliance with the above referenced provisions.

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

Eide Bailly LLP

Fargo, North Dakota
November 17, 2017

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:

Name of Federal Program	CFDA Number
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

Section II – Financial Statement Findings

None

Section III – Minnesota Legal Compliance Findings

None

Section IV –Federal Award Findings and Questioned Costs

None