

***Job Service North Dakota***

***Financial Report  
For the Years Ending  
June 30, 2010 and 2009***

***Prepared by:  
Job Service North Dakota  
Finance Department***

***David G. Krebsbach  
Finance Manager***

# JOB SERVICE NORTH DAKOTA

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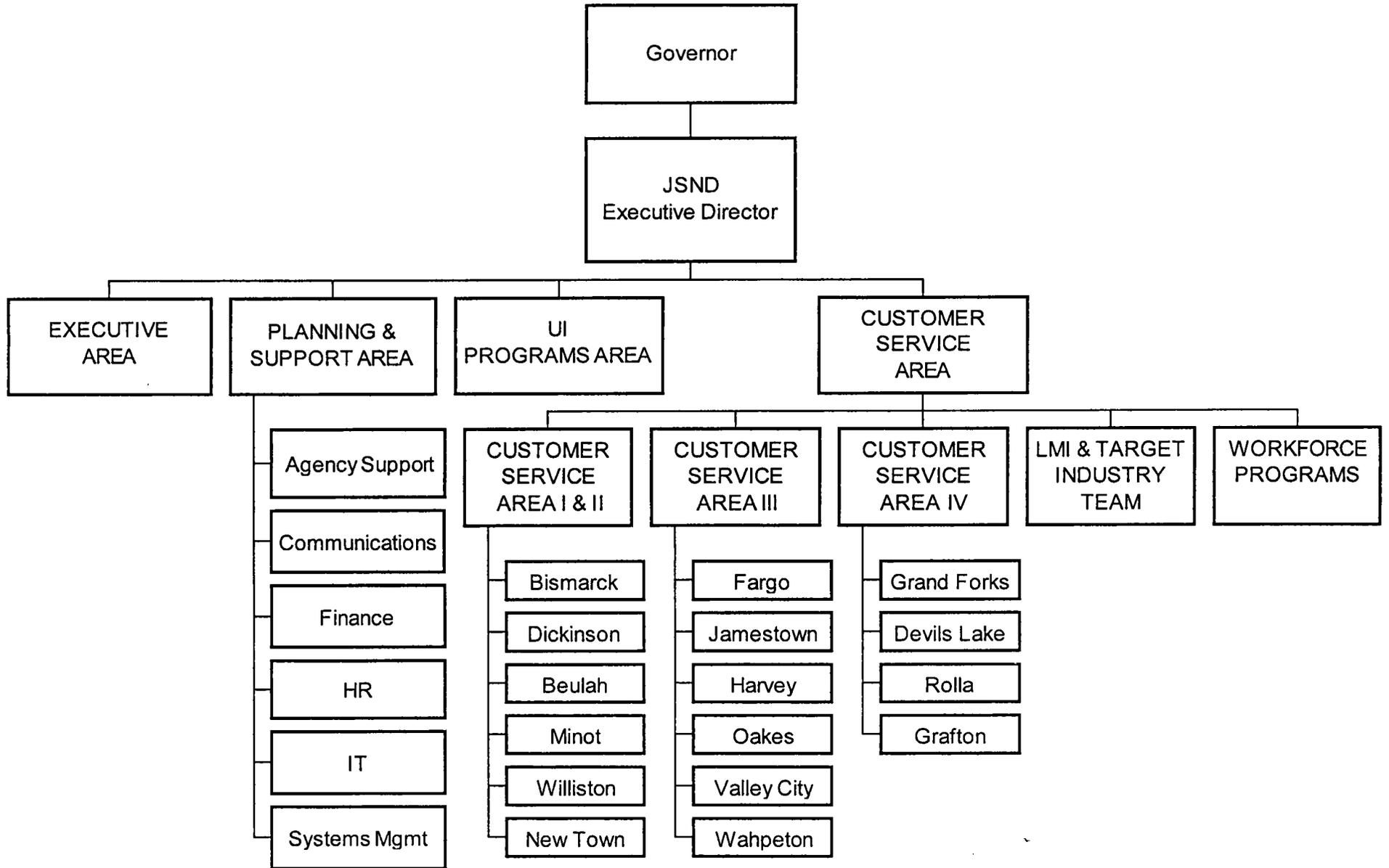
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# JOB SERVICE NORTH DAKOTA



# **Independent Auditors' Report**



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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Governor John Hoeven  
The Legislative Assembly

Maren L. Daley, Executive Director  
**Job Service North Dakota**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Job Service North Dakota**, a department of the State of North Dakota, as of and for the years ended June 30, 2010 and 2009, which collectively comprise **Job Service North Dakota's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Job Service North Dakota's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the **Job Service North Dakota** are intended to present the financial position, the change in net assets, change in financial position, and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of North Dakota that is attributable to the transactions of the **Job Service North Dakota**. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2010 and 2009, and the changes in its financial position, changes in net plan assets and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the June 30, 2010 and 2009 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of **Job Service North Dakota** as of June 30, 2010 and 2009 and the respective changes in net assets, change in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued a report dated November 18, 2010 on our consideration of the Job Service North Dakota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 1 through 13 and the Schedule of Funding Progress – Pension Trust Fund, Schedule of Employer Contributions – Pension Trust Fund, and Notes to Required Supplementary Schedules – Pension Trust Fund on pages 48 through 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Job Service North Dakota's** basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and capital assets used in operation of governmental funds 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Job Service North Dakota**. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and capital assets used in the operation of governmental funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Bismarck, North Dakota  
November 18, 2010

# **Management's Discussion and Analysis**

# **Management's Discussion and Analysis**

## **June 30, 2010**

As management of Job Service North Dakota (Agency), we offer readers of the Agency's financial statements this narrative and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010 with comparison to the fiscal year ended June 30, 2009.

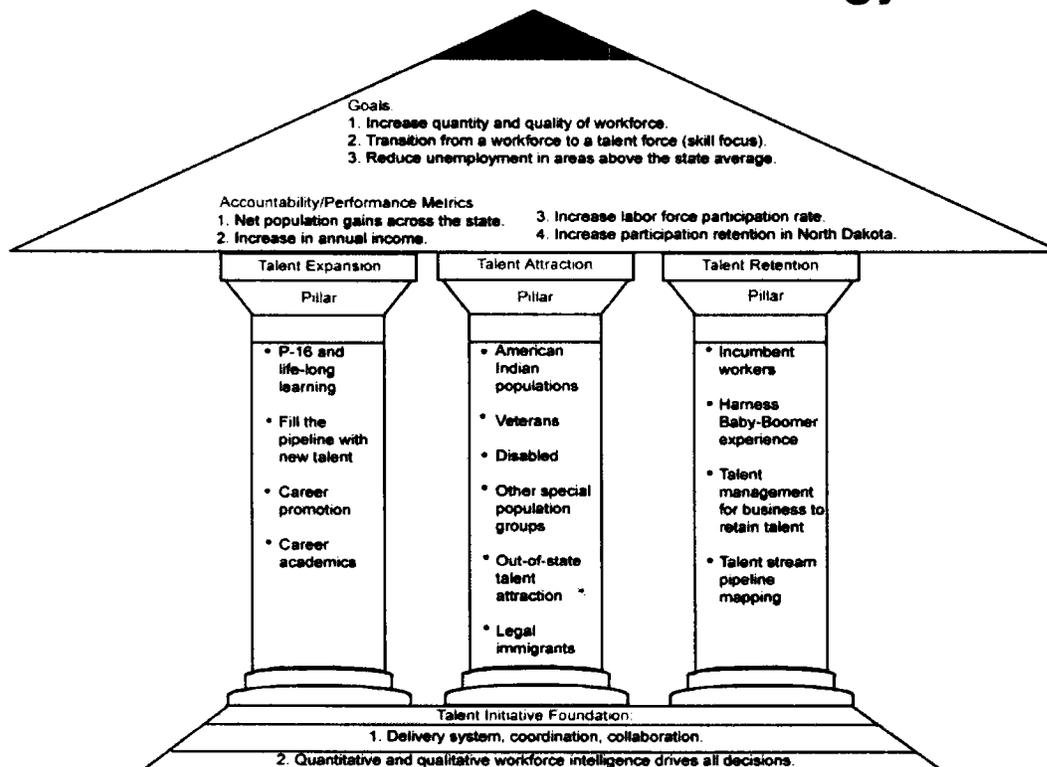
Job Service North Dakota became a part of government when a public labor exchange was created in 1935 with the signing of the Social Security Act. Through the years, our role in providing Unemployment Insurance, Labor Market Information, and Workforce Development services to the public has continued to expand. Today, we continue to provide numerous services to both job seekers and employers; our role as a provider of labor market information has been expanded to new levels; and we are at the heart of the economic development movement in the state.

One of the primary focal points for Job Service North Dakota is providing excellence in customer service. We continuously focus on service excellence to our customers by proactive planning which provides us the direction and flexibility to provide those services that best meet the needs of our customers.

The future direction of Job Service and services we provide are addressed in our current strategic business plan. This plan is a living document, which allows us to review it on an ongoing basis and to change it to reflect current circumstances. Our plan provides us with direction for the future through the use of technology, collaborative efforts with other entities, and by restructuring our method of operations.

The major collaborative effort with other entities is bringing Governor Hoeven's Talent Strategy to fruition. The Talent Strategy is a joint effort between the Commerce Department, Job Service North Dakota and others to partner with companies to recruit and train workers. We are all working to develop a more skilled workforce to satisfy the needs of a growing and diversified economy. In order to succeed in our tasks, Job Service North Dakota has undergone a transformation in our workflow. Job Service North Dakota works closely with job seekers to assess their skills and determine what, if any, training is needed to make them more qualified candidates for high wage/high demand positions. We base our decisions on the data we obtain from the employers, as to the skills that are needed to succeed. Our Business Consultants and Target Industry Liaisons visit with employers and associations to collect business and economic information (workforce intelligence) that allow us to better serve both employers and seekers. The Talent Strategy foundation, pillars, accountability/performance measures and goals are summarized in the following visual:

## **North Dakota Talent Strategy**



The Talent Strategy is clearly in line with Job Service North Dakota's mission statement:

***Job Service North Dakota provides  
customer-focused services to meet the current and emerging  
workforce needs of the state.***

### ***Financial Highlights***

- ❑ The assets of Job Service North Dakota exceeded its liabilities at the close of the most recent fiscal year by \$106.92 million (net assets).
- ❑ The Agency's total net assets decreased by \$16.96 million over the previous year statements. Almost all of this decrease is attributable to increased unemployment claims of the business-type activity of the Unemployment Insurance Trust Fund.
- ❑ As of the close of the current fiscal year, the Agency's governmental funds reported combined ending net assets of \$7.4 million, an increase of approximately \$.46 million in comparison with the prior year. Approximately 39% of this total amount, \$2.90 million, is classified as unrestricted net assets, however, this funds are limited in use to activities specified by the grant agreements.
- ❑ As of the close of the current fiscal year, the Agency's business-type funds reported combined ending net assets of \$99.52 million, a decrease of \$17.43 million in comparison with the prior year. These net assets are fully restricted for specific purposes.
- ❑ The Agency's total noncurrent liabilities decreased by \$.63 million during the current fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Job Service North Dakota. The basic financial statements of Job Service North Dakota are comprised of three components:

1. *Government-wide financial statements,*
2. *Fund financial statements, and*
3. *Notes to the financial statements.*

Other supplementary information is also included in this report in addition to the basic financial statements.

#### ***Government-wide financial statements.***

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's financial activity and status, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities with the difference between the two reported as *net assets*. Comparative information is presented for June 30, 2010 and June 30, 2009. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Job Service North Dakota is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the year ending June 30, 2010 and June 30, 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Unemployment Insurance contributions and earned but unused vacation and sick leave.)

Both of the government-wide financial statements distinguish functions of Job Service North Dakota that are principally supported by grants and intergovernmental revenues (governmental activities) from those other functions that are intended to recover all or a significant portion of their costs through employer assessed taxes and program interest (business-type activities). The governmental activities of the Agency include federal grants, fee-for-service contracts, and a general fund appropriation from the State of North Dakota. The only business-type activity is the Unemployment Insurance Trust Fund.

The government-wide financial statements include only Job Service North Dakota itself; there are no component units reporting to the Agency.

The government-wide financial statements can be found on pages 14-16 of this report.

***Fund financial statements.***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Job Service North Dakota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide, as a separate schedule, a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*. These reconciliations can be found on pages 18 & 20 of this report.

Job Service North Dakota maintains seven individual governmental funds. In the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, financial information is presented for the federal fund, which is considered to be the only major fund. Data from the other six governmental funds are combined into a single, aggregated presentation for *nonmajor governmental funds*. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Agency is appropriated a biennial budget from the North Dakota Legislature for its general, federal, and nonfederal funds. A budgetary comparison statement has been provided on page 24 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary Fund**

Job Service North Dakota maintains one type of proprietary fund. An *enterprise fund* is used to report the same function presented as a *business-type activity* in the government-wide financial statements. The Agency uses an enterprise fund to account for the Unemployment Insurance Trust fund and its tax collection and benefit payment operations.

The Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Fiduciary Funds**

*Fiduciary funds* are used to account for resources held for the benefit of parties outside of the Agency. *Fiduciary funds* are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support Job Service North Dakota programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Agency did not maintain any fiduciary funds for the financial periods included in this report.

***Notes to the financial Statements.***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statement presentations.

The notes to the financial statements can be found on pages 25-47 of this report.

***Required Supplementary Information.***

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Retirement Plan for Employees of Job Service North Dakota (Plan). This supplementary information discusses the Plan's progress in funding its obligation to provide pension benefits to plan participants. Required supplementary information concerning the Plan can be found on pages 48-53.

**Combining and Individual Fund Statements and Schedules.**

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information on the pension trust fund. Combining and individual fund statements and schedules can be found on pages 54-57 of this report.

**Capital Assets Used in the Operation of Governmental Funds.**

Job Service North Dakota's investment in capital assets is detailed in schedules by source, function, and activity. These schedules can be found on pages 58-60 of this report.

**Schedule of Expenditures of Federal Awards.**

The *Economic Development & Assistance* expenses of the Agency are primarily funded by federal grants from the Department of Labor to administer a labor exchange program, an unemployment insurance system, and training related programs for select segments of the state's population. This schedule provides federal expenditure information by federal agency and the Catalog of Federal Domestic Assistance number assigned to the funding. This schedule can be found on pages 61-63 of this report.

**Government-wide Financial Analysis**

As previously mentioned, net assets may serve as a useful indicator of a government's financial position. For Job Service North Dakota, assets exceeded liabilities by \$106.92 million at the close of the Agency's fiscal year. As discussed above, the Agency is primarily funded by federal grants from the Department of Labor. The largest portion of the Agency's net assets reflects the business-type activity of the Unemployment Insurance Trust Fund. These net assets will be discussed in further detail under the business-type activity section and the discussion of the proprietary fund.

**Job Service North Dakota's Net Assets**  
**June 30**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,816,423	\$ 7,469,040	\$ 104,194,819	\$ 124,014,613	\$ 111,011,242	\$ 131,483,653
Capital assets	7,034,808	7,259,605	-	-	7,034,808	7,259,605
<b>Total assets</b>	<b>\$ 13,851,231</b>	<b>\$ 14,728,645</b>	<b>\$ 104,194,819</b>	<b>\$ 124,014,613</b>	<b>\$ 118,046,050</b>	<b>\$ 138,743,258</b>
Noncurrent liabilities	\$ 3,790,776	\$ 4,417,286	\$ -	\$ -	\$ 3,790,776	\$ 4,417,286
Other liabilities	2,658,186	3,375,847	4,676,564	7,068,903	7,334,750	10,444,750
<b>Total liabilities</b>	<b>\$ 6,448,962</b>	<b>\$ 7,793,133</b>	<b>\$ 4,676,564</b>	<b>\$ 7,068,903</b>	<b>\$ 11,125,526</b>	<b>\$ 14,862,036</b>
<b>Net Assets:</b>						
Invested in capital assets net of related debt	\$ 4,500,728	\$ 4,100,580	\$ -	\$ -	\$ 4,500,728	\$ 4,100,580
Restricted	-	-	99,518,255	116,945,710	99,518,255	116,945,710
Unrestricted	2,901,541	2,834,932	-	-	2,901,541	2,834,932
<b>Total net assets</b>	<b>\$ 7,402,269</b>	<b>\$ 6,935,512</b>	<b>\$ 99,518,255</b>	<b>\$ 116,945,710</b>	<b>\$ 106,920,524</b>	<b>\$ 123,881,222</b>

The net assets of \$106.92 million as of June 30, 2010 and \$123.88 million as of June 20, 2009 include \$4.5 (4.2 percent) and \$4.1 (3.3 percent) million, respectively, as the investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide its services to the citizens of North Dakota. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining net assets reflect the restricted and unrestricted net assets of the governmental activities. They will be discussed in further detail in the governmental activities and governmental funds sections.

**Governmental activities.**

The net assets for 2010 and 2009, related to governmental activities, are \$7.40 million and \$6.94 million, respectively. For 2010 and 2009, \$4.5 million and \$4.1 million represent investments in capital assets, net of related debt.

The remaining \$2.90 million is reflected as unrestricted net assets and represents numerous operating grants administered by the Agency less the liability for compensated absences. Of this amount, \$1.86 million of unrestricted assets are related to the unexpended resources of the Federal Advance Interest Repayment Account (FAIRA). North Dakota Century Code 52-04-22 initially established this account for the single purpose of paying the interest charges on any Title XII advances to the Unemployment Insurance Trust Fund. Through subsequent legislation, additional uses have been implemented into the law. Another \$1.64 million of unrestricted assets are related to the Net Pension Obligation (NPO) as calculated for the Retirement Plan for Employees of Job Service North Dakota and \$.08 million represents prepaid assets. Lastly, \$.70 million of unrestricted assets relate to special funds received by the Agency that may be expended on Agency activities, \$.19 million relates to deferred revenue. The remaining (\$1.57 million) represents the liability for compensated absences (\$1.26 million), which will be paid over future periods as employees of the Agency terminate employment, (\$.28 million) relating to the Net OPEB Obligation and (\$.02 million) represents interest payable. The liability will be paid with federal resources.

**Job Service North Dakota's Changes in Net Assets  
For the Year Ended June 30**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ -	\$ -	\$ 115,951,800	\$ 75,137,232	\$ 115,951,800	\$ 75,137,232
Operating grants and Contributions	27,807,535	24,010,583	4,094,375	6,023,243	31,901,910	30,033,826
<b>Total revenues</b>	<b>27,807,535</b>	<b>24,010,583</b>	<b>120,046,175</b>	<b>81,160,475</b>	<b>147,853,710</b>	<b>105,171,058</b>
<b>Expenses:</b>						
Economic Development & Assistance	28,017,714	25,226,831	-	-	28,017,714	25,226,831
Interest on long-term debt	137,267	163,085	-	-	137,267	163,085
Unemployment Compensation Funds	-	-	137,473,630	106,475,262	137,473,630	106,475,262
<b>Total expenses</b>	<b>28,154,981</b>	<b>25,389,916</b>	<b>137,473,630</b>	<b>106,475,262</b>	<b>165,628,611</b>	<b>131,865,178</b>
Change in net assets before transfers and special items	(347,446)	(1,379,333)	(17,427,455)	(25,314,787)	(17,774,901)	(26,694,120)
Special Item - gain(loss) on disposal of fixed assets	237,708	(360,976)	-	-	237,708	(360,976)
Transfers	576,495	1,092,145	-	-	576,495	1,092,145
<b>Change in net assets</b>	<b>466,757</b>	<b>(648,164)</b>	<b>(17,427,455)</b>	<b>(25,314,787)</b>	<b>(16,960,698)</b>	<b>(25,962,951)</b>
Net assets - Beginning of year	6,935,512	7,583,676	116,945,710	142,260,497	123,881,222	149,844,173
<b>Net assets - End of year</b>	<b>\$ 7,402,269</b>	<b>\$ 6,935,512</b>	<b>\$ 99,518,255</b>	<b>\$ 116,945,710</b>	<b>\$ 106,920,524</b>	<b>\$ 123,881,222</b>

***Business-type activity.***

The only business-type activity of the Agency is the operation of the Unemployment Insurance Trust Fund. The purpose of this activity is to collect employer taxes and pay unemployment benefits. In addition, any federally authorized unemployment benefit program administered by the Agency uses this fund for the federal revenue and federal benefit expenses. The restricted net assets of \$99.52 million and \$116.95 million at June 30, 2010 and June 30, 2009, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of 86.10 million at June 30, 2010 and \$102.96 million at June 30, 2009 represent the balance of unexpended resources in the Unemployment Insurance Trust Fund that may only be expended for unemployment benefits.

Restricted assets for Unemployment Insurance Benefits and/or Other Purposes of \$13.42 million at June 30, 2010 and \$13.99 million at June 30, 2009, represent the Department of Labor distribution of Reed Act resources into each state's trust fund that remains unexpended as of the end of the fiscal year. Federal law governs how the distribution may be expended. The distribution is available for the payment of Unemployment Insurance benefits to claimants and/or, if specifically appropriated by the Legislative Assembly, the administration of the state's Unemployment Insurance and Employment Service programs.

***Financial Analysis of the Government's Funds***

As noted earlier, Job Service North Dakota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The chart on page 12 of this report compares the program revenues of Job Service North Dakota for the last 6 years since implementation of GASB 34. Revenues are grouped in the following categories: Charges for Services, Operating Grants and Contributions, and Other General revenues. The chart on page 13 of this report compares the GASB 34 expenses of the Agency for the same time periods grouped in the following categories: Unemployment Compensation Funds, Economic Development & Assistance and Interest on Long-term Debt.

***Governmental funds.***

As discussed previously, Job Service North Dakota maintains six individual governmental funds. The federal fund is considered to be the only major fund. Federal Grants revenue is accrued to equal the federal Economic Development & Assistance expenditures accrued through the fiscal year end.

The five nonmajor governmental funds include the 303-OASIS Fund, 362-Job Service Special Fund, 392-Insurance Recovery Fund, the 001-General Fund (Workforce 20/20), and the Federal Advance Interest Repayment Account. The net assets for the governmental activities decreased by 8.5% from 2009 to 2010.

The Workforce 20/20 Fund represents a state appropriation of general fund resources to the Agency to administer the Workforce 20/20 program. This program was enacted by the 1991 Legislative Assembly and is designed to fill gaps in federally funded training programs. Workforce 20/20 can provide a match to employers to help cover some of the direct training cost when they provide training or upgrade training to their current workforce in order to meet the demands which are brought about by the introduction of new technologies and work methods.

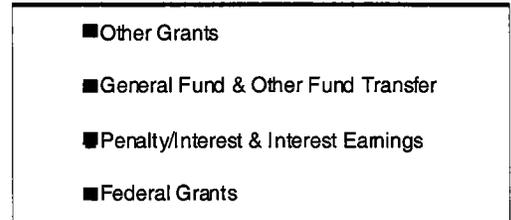
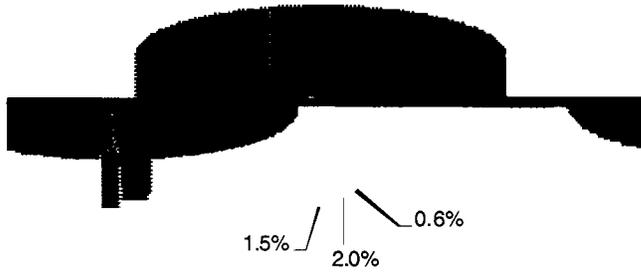
The OASIS Fund represents expenditures by the Agency from the OASIS Trust Fund for those services as defined in NDCC 52-10.

The Job Service Special Fund represents contracts and cooperative agreements with outside parties for the provision of employment and training related services to targeted groups or areas.

The Insurance Recovery fund represents proceeds from insurance claims to fund repairs to equipment and buildings.

The Federal Advance Interest Repayment Account contains the penalty and interest revenue collected on delinquent Unemployment Insurance contribution reports. These revenues are used to pay any interest due on federal and nonfederal obligations of the Unemployment Insurance Trust fund. In addition, North Dakota Century Code 52-04-22 authorizes specific other purposes for which these revenues may be expended.

**Governmental Funds  
Revenue and other Finance Sources  
For the FY ended June 30, 2010**

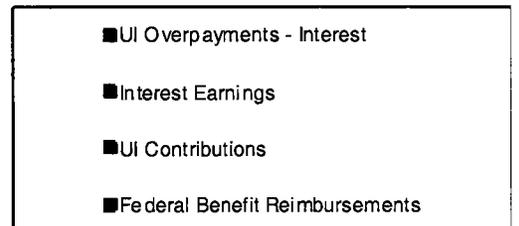


**Proprietary fund.**

Job Service North Dakota maintains the Unemployment Insurance Trust Fund as its only proprietary fund. The primary revenue source for this fund is the collection of the state Unemployment tax. The nonoperating revenue for this fund is the interest earned on these collected taxes that is on deposit with the United State Treasury. The federal government reimburses this fund for any federal benefit expenditures that are paid through this fund and this revenue source is reported as Federal Benefit Reimbursements. June 30, 2010 charges for service revenue increased by \$40.9 million over the prior year due to \$23.4 million increase in Federal Benefit Reimbursements, \$18.5 million increase in Unemployment Insurance contributions, offset by \$1 million reduction in Reed Act distributions. The federal benefit reimbursement increase is a result of the extended unemployment benefit program and the Unemployment Insurance contribution increase is due to a combination of factors including a higher taxable wage base, tax rate adjustments and collection of benefits paid from other states.

Expenditures for this fund are primarily the unemployment benefits paid under the applicable state or federal benefit laws. The net assets of the proprietary fund decreased by 14.9% from the previous year. This decrease was primarily a result of higher overall unemployment leading to increased unemployment claims and thus, increased payouts from the trust fund. This decrease in the proprietary fund net assets is a reflection of the fact that while North Dakota unemployment rates remain among the lowest in the nation, we are not immune to the effects of this recession. The future net assets of the proprietary fund could be materially affected, as unemployment rates often continue higher than normal for a significant period of time after a recession ends. The historical balance of the Unemployment Insurance Trust Fund is discussed further on page 10.

**Proprietary Fund  
Operating and Nonoperating Revenues  
For the FY ended June 30, 2010**



**Fiduciary funds.**

As discussed previously, fiduciary funds are used to account for resources held for the benefit of parties outside of the Agency.

The Agency did not maintain any fiduciary funds for the financial periods included in this report.

**Capital Asset and Debt Administration**

**Capital assets.**

The Agency's investment in capital assets was \$7.03 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$7.26 million for the end of the previous year. This investment in the governmental activities includes land, buildings, and equipment with an acquisition cost of \$5,000 or more.

Additional information on the Agency's capital assets can be found in note 5 of this report and in the section entitled *Capital Assets Used in the Operation of Governmental Funds* on pages 58-60.

**Noncurrent Liabilities.**

Noncurrent liabilities at June 30, 2010 and June 30, 2009 were \$3.79 million and \$4.42 million, respectively, and includes a capitalized lease for the Grand Forks customer service office, a capital lease for the Bismarck/Mandan customer service office, equipment capital leases, other notes payable, and compensated absences. Of the current year balance, \$.45 million is considered as a current liability on the Statement of Net Assets because it is due within one year. The remaining liability of \$3.34 million is classified as a long-term liability on the financial statements because it is due in more than one year.

**Job Service North Dakota's Liabilities  
June 30**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Current Liabilities:</b>						
Accounts payable	\$ 284,082	\$ 690,203	\$ 1,422,867	\$ 1,960,152	\$ 1,706,949	\$ 2,650,355
Accrued Payroll	1,542,295	1,810,879	-	-	1,542,295	1,810,879
Interest payable	19,305	22,386	-	-	19,305	22,386
Other current liabilities	812,504	852,379	3,253,697	5,108,751	4,066,201	5,961,130
<b>Noncurrent Liabilities:</b>						
Due within one year	454,752	735,923	-	-	454,752	735,923
Due in more than one year	3,336,024	3,681,363	-	-	3,336,024	3,681,363
<b>Total liabilities</b>	<b>\$ 6,448,962</b>	<b>\$ 7,793,133</b>	<b>\$ 4,676,564</b>	<b>\$ 7,068,903</b>	<b>\$ 11,125,526</b>	<b>\$ 14,862,036</b>

Additional information on the Agency's noncurrent liabilities can be found in note 10 of this report.

**Economic Factors and Next Year's Budgets and Rates**

**Administrative Funding:**

Nearly the entire Agency administrative budget (salaries, operating expenses, equipment) is funded with federal resources. These resources are becoming increasingly subject to federal budget cuts that significantly impact the Agency, including the following:

- ❑ Annual "flat" or declining funding of the Agency's primary administrative funding for WIA, Wagner Peyser and Unemployment Insurance.
- ❑ Department of Labor (DOL) funding of our programs does not recognize or provide additional funding to cover state required expenditures, such as salary increases, fringe benefit increases, statewide indirect costs, etc.
- ❑ DOL funding does not provide an adequate mechanism or resources for major investments in technology systems. Finding investment resources within the annual operating grants to replace existing aging technology systems and implement new technology for responsive customer service is difficult.

With flat to declining federal funds, the Agency will be unable to maintain the purchasing power of the present budget. The Agency will develop a plan to address those needs that are high priority.

The annual budget setting process by Agency management continues to be a challenge as annual resources are strained to cover projected costs at the current level of service delivery. Through the planning process, the Agency will be reviewing the budget environment for future years to stay in line with projected resources while striving to maintain a high level of customer service. This "right-sizing" activity will hopefully avoid any drastic actions in any given year and allow the Agency to continue to meet the needs of its customers for the future.

***Special One-Time Funding:***

For the year ended June 30, 2009, the Agency received one-time funding allocations of \$9,092,939 from the American Recovery and Reinvestment Act that supplements its Workforce Investment Act, Wagner Peyser and Unemployment Insurance programs.

***State of North Dakota Legislation:***

The 61st (2009) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislative bills and changes are summarized as follows:

***SB 2101, Rounding of Calculations for Employer Contribution Rates***

This bill amends statute to clarify the rounding methodology used by Job Service in calculations made during the annual tax rate setting process. This amendment reflects the current calculation processes (rounding to the nearest one hundredth of one percent) employed by Job Service.

***SB 2102, Penalty for Failure to Submit Employer Reports***

This bill amends statute to increase penalties assessed due to late submissions of employer wage and contribution reports. The minimum penalty is increased from \$25 to \$50. The maximum penalty is increased from \$250 to \$500. The minimum penalty is doubled for any subsequent delinquent reports that occur in the same calendar year.

***SB 2106, Overcoming Disqualifications from Unemployment Insurance Benefits***

The purpose of this legislation is to amend existing statute to establish that wages used to overcome a monetary penalty associated with a disqualifying separation must be earned after the date of filing the claim in which the monetary penalty was assessed.

***SB 2107, Electronic Reporting of Employer Unemployment Contributions & Wage Reports***

This bill will amend current statute to require employers with more than 24 employees to file contribution and wage reports by an electronic method approved by JSND beginning with the calendar quarter in which the employer first employs more than 24 employees. Based on the highest number of employees reported by each employer for the quarter ending June 30, 2008, JSND has determined this amendment would affect an additional 3,277 employers or 15% of the total employer count of 21,276. The bill also provides for an effective date that is for taxable years beginning after December 31, 2009.

***SB 2108, Expanding the Delivery Methods of Unemployment Insurance Services***

This bill amends current statute to reflect changes in how services are delivered by JSND. As a result of modernization efforts, many services provided by Job Service originally required claimants to travel to the Job Service local offices. Many of these services may now be accessed and completed online and by telephone.

***SB 2016, Job Service North Dakota Appropriations***

This bill includes a base budget appropriation for Job Service North Dakota, an appropriation for \$9,092,939 of (ARRA)American Recovery and Reinvestment Act funds and \$5,515,586 of Reed Act funds for the Unemployment Insurance computer modernization program. The ARRA funds will supplement the existing programs Job Service North Dakota administers through the US Department of Labor.

***HB 1117, Sale of Jamestown Office Building and Land***

Authorizes sale of land and building housing JSND office in Jamestown. This bill allows for a more cost-effective use of funds via lease of space. The current space is too large for JSND staff needs. This bill contains an emergency clause.

**HB 1118, Sale of Fargo and Grafton Office Buildings and Land**

Authorizes sale of land and buildings housing JSND offices in Fargo and Grafton. This bill allows for a more cost-effective use of funds via lease of space. The current space is too large for JSND staff needs.

**SB 2078, Repeal of JTPA Training Limits**

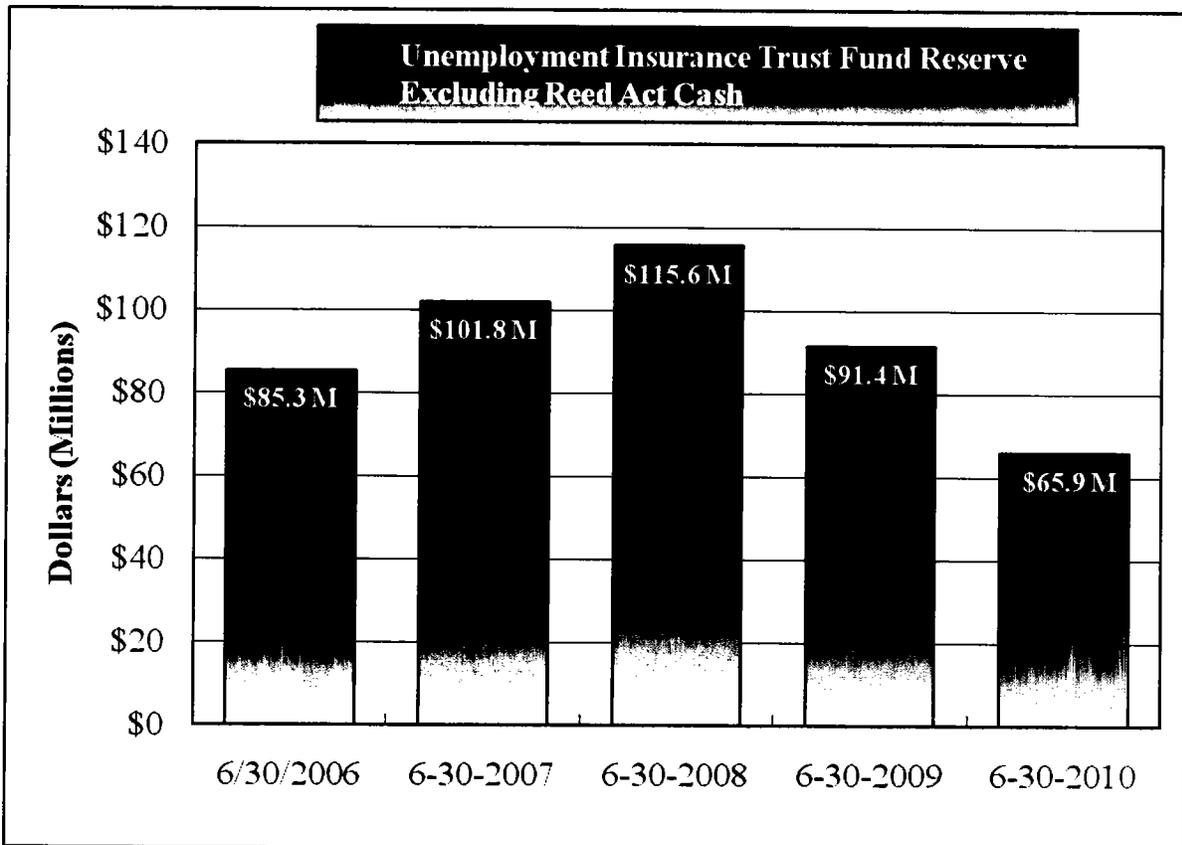
This bill was enacted in the 1989 Legislative Session to provide up to \$500 in additional funds to Job Training Partnership Act (JTPA) participants in adult basic and secondary education and training programs. However, no funds were appropriated, and the law was not operational. The JTPA program has since expired and been replaced by the Workforce Investment Act (WIA), which can be used to assist with the costs of post-secondary education and extraordinary costs of adult basic education, such as the cost of GED tests.

**SB 2130, FAIRA Account**

The purpose of this legislation is to allow JSND to utilize monies collected as a result of penalties, interest, and other fees to pay office building lease costs. Currently, monies in the account may be used only for the purposes of: paying interest due on federal advances; repaying funds borrowed from sources other than federal advances; paying principal and interest costs associated with the acquisition and renovation of land and buildings for Job Service offices in Grand Forks and Bismarck; paying costs of repair, renovation or alteration of JSND owned facilities; paying the costs of re-employment programs to ensure the integrity of the unemployment insurance program in this state; and paying the replacement rate for use of state fleet vehicles. Approximately \$300,000 per year is currently collected as a result of interest and penalties.

**Unemployment Insurance Trust Fund Reserve:**

As illustrated in the chart below the Unemployment Insurance Trust Fund Reserve has been reduced by \$25.5 Million, a twenty-eight percent decline from a year ago. This decline is due to higher Unemployment Insurance claim payments over the past year.

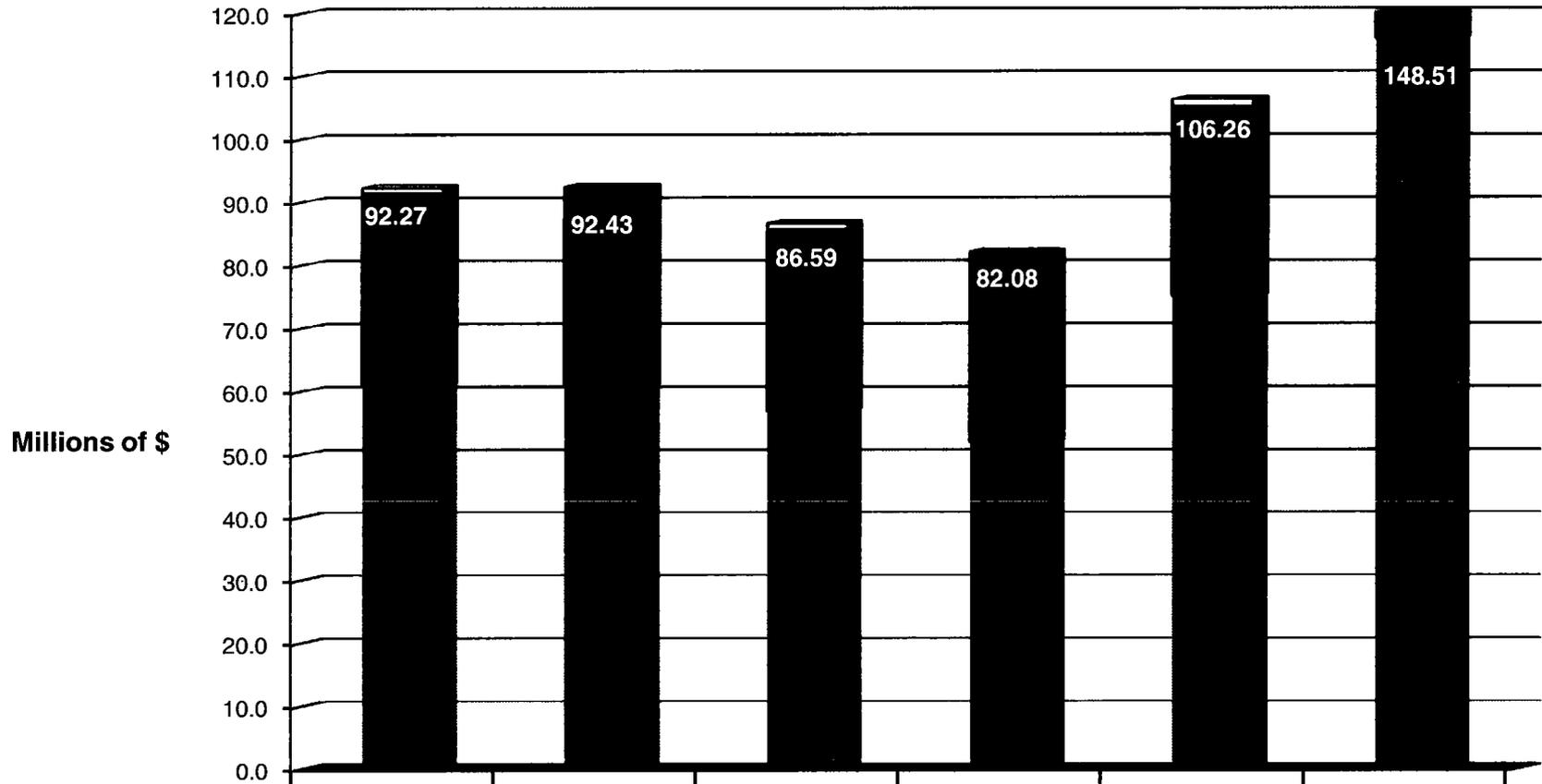


<b>Year Ending</b>	<b>Actual Trust Fund Reserve Excluding Reed Act Cash</b>	<b>Reed Act Cash</b>	<b>Trust Fund Reserve Including Reed Act Cash</b>
6/30/2006	85,335,501	14,761,178	100,096,679
6-30-2007	101,813,732	14,560,321	116,374,053
6-30-2008	115,626,200	13,872,211	129,498,411
6-30-2009	91,381,171	13,988,825	105,369,996
6-30-2010	65,893,993	13,417,391	79,311,384

***Requests for Information***

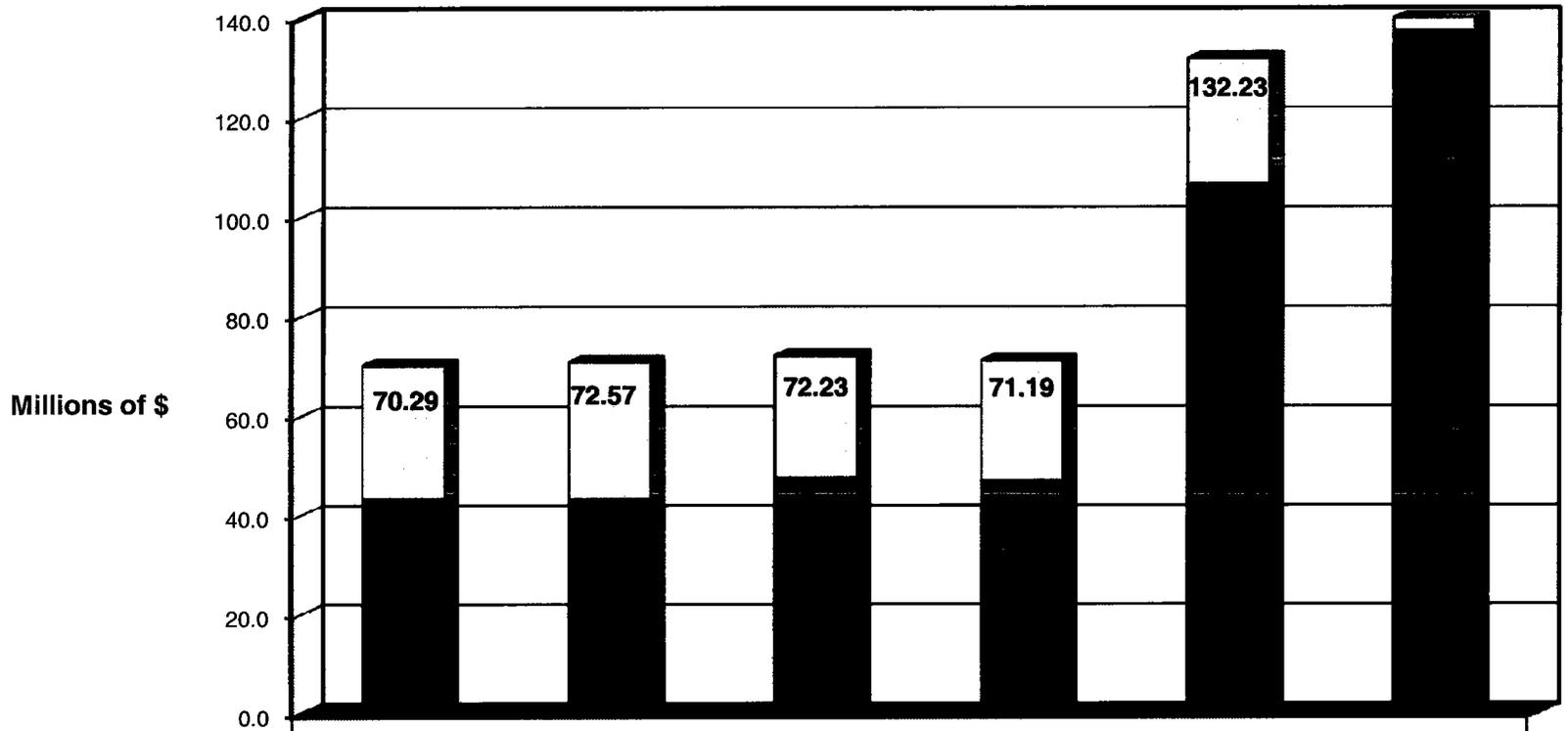
This financial report is designed to provide the reader with a general overview of the Agency's finances and to provide input into the State of North Dakota Comprehensive Annual Financial Report. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director-Job Service North Dakota, P.O. Box 5507, Bismarck, North Dakota, 58506.

**JOB SERVICE NORTH DAKOTA**  
**Statement of Activities**  
**Program Revenues**



	2005	2006	2007	2008	2009	2010
□ Other General Revenues	0.87	0.42	0.95	0.42	1.09	0.58
■ Operating Grants and Contributions	30.43	31.30	28.78	29.67	30.03	31.90
■ Charges for Services	60.97	60.71	56.86	51.99	75.14	115.95

**JOB SERVICE NORTH DAKOTA**  
**Statement of Activities**  
**Expenses**



	2005	2006	2007	2008	2009	2010
■ Disposal of fixed assets	0.00	0.00	0.00	0.00	0.36	-0.24
■ Interest on Long-term Debt	0.17	0.22	0.21	0.18	0.16	0.14
□ Economic Development & Assistance	26.73	27.40	24.49	24.10	25.23	28.02
■ Unemployment Compensation Funds	43.39	43.31	47.53	46.91	106.48	137.47

# **Basic Financial Statements**

**JOB SERVICE NORTH DAKOTA**
**Statements of Net Assets  
June 30, 2010 and 2009**

	Governmental Activities		Business-Type Activity		Totals	
	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>						
Cash and Cash equivalents	\$ 2,074,102	\$ 830,193	\$ 78,570,471	\$ 104,142,874	\$ 80,644,573	\$ 104,973,067
Investments	400,000	1,600,000			400,000	1,600,000
Receivables, net	267,297	178,728	24,660,050	18,133,076	24,927,347	18,311,804
Due From:						
Other Funds	40,251	64,179	5,932		46,183	64,179
Federal Government	2,101,067	2,516,906	58,482	621,389	2,159,549	3,138,295
Other State Agencies	251,246	586,358			251,246	586,358
Other States		-	917,310	1,156,731	917,310	1,156,731
Prepaid items	75,000	75,000			75,000	75,000
Pension Assets	1,636,217	1,642,398	-	-	1,636,217	1,642,398
Capital Assets (net of accumulated depreciation):						
Land	1,266,291	1,266,291	-	-	1,266,291	1,266,291
Buildings, equipment, and other depreciable assets	5,557,165	5,607,145	-	-	5,557,165	5,607,145
Work in Progress	211,352	386,169	-	-	211,352	386,169
<b>TOTAL ASSETS</b>	<b>\$ 13,879,988</b>	<b>\$ 14,753,367</b>	<b>\$ 104,212,245</b>	<b>\$ 124,054,070</b>	<b>\$ 118,092,233</b>	<b>\$ 138,807,437</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 284,082	\$ 690,203	\$ 1,422,867	\$ 1,960,152	\$ 1,706,949	\$ 2,650,355
Interest Payable	19,305	22,386			19,305	22,386
Accrued Payroll	1,542,295	1,810,879			1,542,295	1,810,879
Due To:						
Other Funds	28,757	24,722	17,426	39,457	46,183	64,179
Other States		-	3,081,195	3,080,583	3,081,195	3,080,583
Other State Agencies	528,361	637,993	172,502	2,028,168	700,863	2,666,161
Net OPEB Obligation	284,143	214,386	-	-	284,143	214,386
Noncurrent liabilities:						
Due within one year	454,752	735,923	-	-	454,752	735,923
Due in more than one year	3,336,024	3,681,363	-	-	3,336,024	3,681,363
<b>TOTAL LIABILITIES</b>	<b>\$ 6,477,719</b>	<b>\$ 7,817,855</b>	<b>\$ 4,693,990</b>	<b>\$ 7,108,360</b>	<b>\$ 11,171,709</b>	<b>\$ 14,926,215</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 4,500,728	\$ 4,100,580	\$ -	\$ -	\$ 4,500,728	\$ 4,100,580
Restricted for:						
Unemployment Insurance Benefits	-	-	86,100,864	102,956,885	86,100,864	102,956,885
Unemployment Insurance Benefits and/or Other Purposes	-	-	13,417,391	13,988,825	13,417,391	13,988,825
Unreserved	2,901,541	2,834,932	-	-	2,901,541	2,834,932
<b>TOTAL NET ASSETS</b>	<b>\$ 7,402,269</b>	<b>\$ 6,935,512</b>	<b>\$ 99,518,255</b>	<b>\$ 116,945,710</b>	<b>\$ 106,920,524</b>	<b>\$ 123,881,222</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2010**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>						
Governmental Activities:						
Economic Development & Assistance	\$ 28,017,714	\$ -	\$ 27,807,535	\$ (210,179)	\$ -	\$ (210,179)
Interest on long-term debt	137,267	-	-	(137,267)	-	(137,267)
Total governmental activities	28,154,981	-	27,807,535	(347,446)	-	(347,446)
Business-type activities:						
Unemployment Compensation Funds	137,473,630	115,951,800	4,094,375	-	(17,427,455)	(17,427,455)
Total business-type activities	137,473,630	115,951,800	4,094,375	-	(17,427,455)	(17,427,455)
<b>Total primary government</b>	<b>\$ 165,628,611</b>	<b>\$ 115,951,800</b>	<b>\$ 31,901,910</b>	<b>(347,446)</b>	<b>(17,427,455)</b>	<b>(17,774,901)</b>
				237,708	-	237,708
				576,495	-	576,495
				466,757	(17,427,455)	(16,960,698)
				6,935,512	116,945,710	123,881,222
				<b>\$ 7,402,269</b>	<b>\$ 99,518,255</b>	<b>\$ 106,920,524</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Functions/Programs</b>						
Governmental Activities:						
Economic Development & Assistance	\$ 25,226,831	\$ -	\$ 24,010,583	\$ (1,216,248)	\$ -	\$ (1,216,248)
Interest on long-term debt	163,085	-	-	(163,085)	-	(163,085)
Total governmental activities	25,389,916	-	24,010,583	(1,379,333)	-	(1,379,333)
Business-type activities:						
Unemployment Compensation Funds	106,475,262	75,137,232	6,023,243	-	(25,314,787)	(25,314,787)
Total business-type activities	106,475,262	75,137,232	6,023,243	-	(25,314,787)	(25,314,787)
<b>Total primary government</b>	<b>\$ 131,865,178</b>	<b>\$ 75,137,232</b>	<b>\$ 30,033,826</b>	<b>(1,379,333)</b>	<b>(25,314,787)</b>	<b>(26,694,120)</b>
				Special Item - loss on disposal of fixed assets		(360,976)
				Transfers		1,092,145
				Change in net assets		(648,164)
						(25,314,787)
						(25,962,951)
				<b>Net assets, June 30, 2008</b>		7,583,676
				<b>Net assets, June 30, 2009</b>		142,260,497
						149,844,173
						\$ 6,935,512
						\$ 116,945,710
						\$ 123,881,222

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Balance Sheets  
Governmental Funds  
June 30, 2010 and 2009**

	Federal Fund		Nonmajor Governmental Funds		Total	
	2010	2009	2010	2009	2010	2009
<b><u>ASSETS</u></b>						
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ 1,384,938	\$ 101,882	\$ 1,384,938	\$ 101,882
Cash in State Treasury	-	-	689,164	728,311	689,164	728,311
Investments At The Bank of North Dakota	-	-	400,000	1,600,000	400,000	1,600,000
Accounts Receivable - Net:						
Refunds	2,217	6,363	361	9,845	2,578	16,208
Accrued Interest	-	-	227	500	227	500
Penalty and/or Interest	-	-	264,492	162,020	264,492	162,020
Due From:						
Other Funds	17,426	39,457	22,825	24,722	40,251	64,179
Federal Government	2,101,067	2,516,906	-	-	2,101,067	2,516,906
Other State Agencies	211,181	245,838	40,065	340,520	251,246	586,358
Prepaid items	75,000	-	-	75,000	75,000	75,000
<b>TOTAL ASSETS</b>	<b>\$ 2,406,891</b>	<b>\$ 2,808,564</b>	<b>\$ 2,802,072</b>	<b>\$ 3,042,800</b>	<b>\$ 5,208,963</b>	<b>\$ 5,851,364</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts Payable	\$ 249,562	\$ 349,456	\$ 34,520	\$ 340,747	\$ 284,082	\$ 690,203
Accrued Payroll	1,525,910	1,797,241	16,385	13,638	1,542,295	1,810,879
Due To:						
Other Funds	28,757	24,458	-	264	28,757	24,722
Other State Agencies	527,662	637,409	699	584	528,361	637,993
Deferred Revenue	-	-	194,116	129,824	194,116	129,824
<b>TOTAL LIABILITIES</b>	<b>2,331,891</b>	<b>2,808,564</b>	<b>245,720</b>	<b>485,057</b>	<b>2,577,611</b>	<b>3,293,621</b>
Fund Balances:						
Restricted for:						
Prepaid Items	75,000	-	-	75,000	75,000	75,000
Unreserved reported in special revenue fund	-	-	2,556,352	2,482,743	2,556,352	2,482,743
<b>TOTAL FUND BALANCES</b>	<b>75,000</b>	<b>-</b>	<b>2,556,352</b>	<b>2,557,743</b>	<b>2,631,352</b>	<b>2,557,743</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,406,891</b>	<b>\$ 2,808,564</b>	<b>\$ 2,802,072</b>	<b>\$ 3,042,800</b>	<b>\$ 5,208,963</b>	<b>\$ 5,851,364</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Reconciliation of the Balance Sheets - Governmental Funds  
To the Statements of Net Assets  
June 30, 2010 and 2009**

	2010	2009
Total fund balances for governmental funds	\$ 2,631,352	\$ 2,557,743
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
The Pension Assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds. (Note 6)	1,636,217	1,642,398
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
Land	\$ 1,266,291	\$ 1,266,291
Buildings, equipment, and other depreciable assets	13,602,447	13,313,393
Work in progress	211,352	386,169
Accumulated depreciation	<u>(8,045,282)</u>	<u>(7,706,248)</u>
	7,034,808	7,259,605
Deferred Revenue does not provide current financial resources and are not reported as revenues in the funds.	194,116	129,824
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)	(284,143)	(214,386)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 10)		
Compensated absences	<u>(1,256,696)</u>	<u>(1,258,262)</u>
	(1,256,696)	(1,258,262)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. This is the net effect of these balances on the statement. (Note 10)		
Capital Lease - Grand Forks Building	(484,746)	(598,328)
Capital Lease - Bismarck/Mandan Office	(1,948,837)	(2,068,835)
Capital Lease - IT Equipment	(100,497)	(491,861)
Accrued interest payable	<u>(19,305)</u>	<u>(22,386)</u>
	(2,553,385)	(3,181,410)
Net assets of governmental activities	<u>\$ 7,402,269</u>	<u>\$ 6,935,512</u>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statements of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Funds  
For the Fiscal Years Ended June 30, 2010 and 2009**

	Federal Fund		Nonmajor Governmental Funds		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Federal Grants	\$ 27,228,141	\$ 23,477,711	\$ -	\$ -	\$ 27,228,141	\$ 23,477,711
Interest Earnings	202	682	15,503	25,766	15,705	26,448
Penalty and/or Interest	-	-	407,422	286,883	407,422	286,883
Other Grants	-	-	156,267	219,540	156,267	219,540
<b>TOTAL REVENUES</b>	<b>27,228,343</b>	<b>23,478,393</b>	<b>579,192</b>	<b>532,189</b>	<b>27,807,535</b>	<b>24,010,582</b>
<b>Expenditures</b>						
Current:						
Economic Development & Assistance	27,026,572	23,560,105	1,157,078	1,466,314	28,183,650	25,026,419
Capital Outlays	126,771	58,012	-	-	126,771	58,012
<b>TOTAL EXPENDITURES</b>	<b>27,153,343</b>	<b>23,618,117</b>	<b>1,157,078</b>	<b>1,466,314</b>	<b>28,310,421</b>	<b>25,084,431</b>
Excess of Revenues Over (Under) Expenditures	75,000	(139,724)	(577,886)	(934,125)	(502,886)	(1,073,849)
<b>Other Finance Sources</b>						
Transfers In	-	-	576,495	1,092,145	576,495	1,092,145
<b>TOTAL OTHER FINANCE SOURCES</b>	<b>-</b>	<b>-</b>	<b>576,495</b>	<b>1,092,145</b>	<b>576,495</b>	<b>1,092,145</b>
Net change in Fund Balances	75,000	(139,724)	(1,391)	158,020	73,609	18,296
Fund Balances at June 30, prior year		139,724	2,557,743	2,399,723	2,557,743	2,539,447
<b>Fund Balances at June 30</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ 2,556,352</b>	<b>\$ 2,557,743</b>	<b>\$ 2,631,352</b>	<b>\$ 2,557,743</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA****Reconciliation of the Statements of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds to the Statements of Activities  
For the Fiscal Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Net change in fund balances - total governmental funds	\$ 73,609	\$ 18,296
The Pension Assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds. (Note 6)	(6,181)	(6,205)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(462,506)	(809,095)
Gain(Loss) on disposal of fixed assets.	237,708	(360,976)
Debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount of repayments that exceed proceeds and the change in interest payable.	628,025	603,046
Deferred Revenue does not provide current financial resources and are not reported as revenues in the funds. Increase (Decrease) in deferred revenue	64,292	(24,952)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. Decrease (Increase) in compensated absences. (Note 10)	1,567	44,478
Increase in the Net OPEB Obligation resulting from contributions less than the annual required contribution. (Note 7)	(69,757)	(112,756)
Change in net assets of governmental activities	<u>\$ 466,757</u>	<u>\$ (648,164)</u>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA****Statements of Net Assets  
Proprietary Fund  
June 30, 2010 and 2009**

	<u>Unemployment Insurance</u>	
	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash Deposits At The Bank of North Dakota	\$ 47,907	\$ 3,559
Cash and Cash Equivalents in U.S. Treasury	78,522,564	104,139,315
Interest Receivable - Unemployment Insurance Trust Fund	788,820	1,230,681
Accounts Receivable - Net:		
Unemployment Insurance Contributions	23,199,608	16,448,679
Unemployment Insurance Overpayments - Benefits & Interest	671,622	453,716
Due From:		
Due from other Funds	5,932	
Federal Government	58,482	621,389
Other States	917,310	1,156,731
<b>TOTAL ASSETS</b>	<u>104,212,245</u>	<u>124,054,070</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
Benefits Payable	953,659	1,402,030
Unemployment Insurance Overpayments - Contributions	469,208	558,122
Due To:		
Due to Other Funds	17,426	39,457
Other States	3,081,195	3,080,583
Other State Agencies	172,502	2,028,168
<b>TOTAL LIABILITIES</b>	<u>4,693,990</u>	<u>7,108,360</u>
<b><u>NET ASSETS</u></b>		
Restricted for:		
Unemployment Insurance Benefits	86,100,864	102,956,885
Unemployment Insurance Benefits and/or Other Purposes	13,417,391	13,988,825
<b>TOTAL NET ASSETS</b>	<u>\$ 99,518,255</u>	<u>\$ 116,945,710</u>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statements of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Years Ended June 30, 2010 and 2009**

	<b>Unemployment Insurance</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating Revenues:</b>		
Unemployment Insurance Contributions	\$ 73,893,934	\$ 55,421,810
Federal Benefit Reimbursements	41,967,151	18,584,968
Unemployment Insurance Overpayments - Interest	90,715	91,011
Reed Act Distribution	-	1,039,443
<b>TOTAL OPERATING REVENUES</b>	<b>115,951,800</b>	<b>75,137,232</b>
<b>Operating Expenses:</b>		
Unemployment Insurance Benefits	94,957,210	87,018,306
Federal Unemployment Insurance Benefits	41,967,151	18,584,968
Economic Development & Assistance	549,269	871,988
<b>TOTAL OPERATING EXPENSES</b>	<b>137,473,630</b>	<b>106,475,262</b>
Operating Income(Loss)	(21,521,830)	(31,338,030)
<b>Nonoperating Revenues:</b>		
Interest Earnings	4,094,375	6,023,243
<b>TOTAL NONOPERATING REVENUES</b>	<b>4,094,375</b>	<b>6,023,243</b>
Change in Net Assets	(17,427,455)	(25,314,787)
<b>Total Net Assets at July 1, prior year</b>	<b>116,945,710</b>	<b>142,260,497</b>
<b>Total Net Assets at June 30</b>	<b>\$ 99,518,255</b>	<b>\$ 116,945,710</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statements of Cash Flows**

**Proprietary Fund**

**For the Fiscal Years Ended June 30, 2010 and 2009**

	<b>Unemployment Insurance</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from employers	\$ 64,315,344	\$ 52,142,919
Receipts from other states	4,659,791	1,686,884
Payments to other states	(12,365,398)	(7,824,065)
Payments to employers	(1,680,971)	(763,570)
Benefits Paid to claimants	(84,551,363)	(74,559,819)
Overpayment Interest from claimants	85,391	92,097
Economic Development and Assistance	(571,433)	(922,829)
<b>Net cash (used in)/provided by operating activities</b>	<b>(30,108,639)</b>	<b>(30,148,383)</b>
<b>Cash Flows from Investing Activities</b>		
Interest on investments	4,536,236	6,332,690
<b>Net cash provided by investing activities</b>	<b>4,536,236</b>	<b>6,332,690</b>
Net change in cash and cash equivalents	(25,572,403)	(23,815,693)
Cash and cash equivalents at June 30, prior year	104,142,874	127,958,567
<b>Cash and cash equivalents at June 30</b>	<b>\$ 78,570,471</b>	<b>\$ 104,142,874</b>
<b>Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:</b>		
Operating income(Loss)	\$ (21,521,830)	\$ (31,338,030)
Net changes in assets and liabilities:		
Contributions Receivable	(6,750,929)	(1,592,972)
Due from Other Funds	(5,932)	-
Due from Other States	239,421	(941,380)
Unemployment Insurance Overpayments - Benefits & Interest	(217,906)	(68,169)
Due from Federal Government	562,907	(562,308)
Benefits Payable	(448,371)	1,100,039
Unemployment Insurance Overpayments - Contributions	(88,914)	(29,224)
Due To: Other Funds	(22,031)	(50,841)
Due To: Other States	612	1,757,316
Due To: Other State Agencies	(1,855,666)	1,577,186
<b>Net cash (used in)/provided by operating activities</b>	<b>\$ (30,108,639)</b>	<b>\$ (30,148,383)</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Statement of Appropriations  
For the Fiscal Year Ended June 30, 2010**

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Expenditures		Variance Favorable (Unfavorable)
				2010	2011	
				<b>Revenue:</b>		
<i>General Fund</i>	\$ 1,565,442	\$ 2,090	\$ 1,567,532	\$ 576,495	\$ -	\$ 991,037
<i>Federal Funds</i>	69,288,066	(512,913)	68,775,153	27,777,612	-	40,997,541
<i>Other Funds</i>	516,778	1,000,000	1,516,778	203,885	-	1,312,893
<b>Total Revenues</b>	<b>\$ 71,370,286</b>	<b>\$ 489,177</b>	<b>\$ 71,859,463</b>	<b>\$ 28,557,992</b>	<b>\$ -</b>	<b>\$ 43,301,471</b>

**Expenditures By Line Item:**

<i>Salaries and Wages</i>	\$ 35,566,246	\$ 402,090	\$ 35,968,336	\$ 15,144,303	\$ -	\$ 20,824,033
<i>Operating Expenses</i>	11,224,804	-	11,224,804	4,592,651	-	6,632,153
<i>Capital Assets</i>	20,000	-	20,000	75	-	19,925
<i>Grants Benefits &amp; Claims</i>	8,438,220	-	8,438,220	2,505,234	-	5,932,986
<i>Workforce 20/20</i>	1,512,491	-	1,512,491	551,727	-	960,764
<i>Reed Act - Unemployment</i>	5,515,586	-	5,515,586	502,433	-	5,013,153
<i>Federal Stimulus Funds - 2009</i>	9,092,939	87,087	9,180,026	5,261,569	-	3,918,457
<b>Total Expenditures</b>	<b>\$ 71,370,286</b>	<b>\$ 489,177</b>	<b>\$ 71,859,463</b>	<b>\$ 28,557,992</b>	<b>\$ -</b>	<b>\$ 43,301,471</b>

See accompanying notes to the Financial Statements

**Job Service North Dakota  
Notes to Financial Statements  
June 30, 2010 and 2009**

**NOTE 1 – Summary of Significant Accounting Policies**

Job Service North Dakota (the Agency) is an agency of the state of North Dakota. As a state agency, Job Service North Dakota is considered to be a department of the State of North Dakota and is included in the State's Comprehensive Annual Financial report.

The Agency is authorized to receive funds appropriated by the federal government to administer public employment, unemployment insurance, labor market information, and job training services.

The Agency operates through legislative authority of numerous state and federal statutes as amended, including the Wagner-Peyser Act of 1933; the Federal Unemployment Tax Act; Titles III, IX, and XII of the Social Security Act; the Job Training Partnership Act (JTPA) of 1982; and North Dakota Century Code Title 52.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies:

**A. Reporting Entity**

In accordance with Governmental Accounting Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Agency should include all component units over which the Agency exercises such aspects as (1) appointing a majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific benefits to, or impose specific burdens on the Agency. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, further defined reporting units as a legally separate, tax exempt affiliated organization that will meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Agency or its constituents, and
- The Agency or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources of that the Agency is entitled to, or can otherwise access, are significant to the Agency.

Based upon criteria set forth in GASB No. 14 and No. 39, no organizations were determined to be part of the reporting entity. The Agency is included as part of the primary government in the state of North Dakota's reporting entity.

**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the Agency. Agency activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods and services.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

#### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Operating revenues consist of: sales of goods and services, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, and other miscellaneous revenue

that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would not otherwise undertake.

For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income.

All other revenues that do not meet the above criteria should be classified as non-operating.

The Agency follows the pronouncements of the Governmental Accounting Standards Board (GASB) which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with GASB Statement No. 20, the Agency follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements for the activity reported in the government-wide statements and in the proprietary funds.

#### **Financial Statement Presentation**

The Agency reports the following major governmental fund:

The Federal Fund is the Agency's primary fund. It accounts for the activities of the federal grant programs administered by the Agency.

The Agency reported the following major proprietary fund:

The North Dakota Unemployment Compensation Fund receives tax payments from employers for the state unemployment tax. It then provides unemployment benefits to eligible unemployed workers.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Budgetary Process**

The Agency operates through a biennial appropriation provided by the state legislature. The Agency prepares a biennial budget on the modified accrual basis, which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budget of the various agencies through passage of specific bills. The Governor has line item veto powers over legislation, subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The legislation also appropriated all federal funds received by the Agency in excess of those funds specifically appropriated in the legislation. Changes to the appropriation are subject to approval by the Emergency Commission. During the year, the Emergency Commission authorized receipt of federal moneys and other funds not appropriated by the General Assembly.

The state's budgeting system does not include revenues, thus, a budgetary comparison schedule cannot be prepared as required by accounting principles generally accepted in the United States of America. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the budgetary basis. Because these amounts differ from accounting principles generally accepted in the United States of America amounts, reconciliation between the budgetary and these amounts is presented in Note 12.

For State Unemployment Benefits, Federal Unemployment Benefits, FAIRA Special Revenue expenditures, and Pension Trust Fund expenditures, special statutory authority exists covering those expenditures through a continuing appropriation.

Encumbrances, which represent commitments related to unperformed contracts for goods and services, have not been recorded in the financial statements, as encumbrance accounting is not utilized.

**E. Investments**

Certificates of deposits are valued at fair value.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 of each year are recorded as prepaid items. A portion of the relevant funds' balances equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

**G. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the estimated useful lives as established by the North Dakota Office of Management and Budget. The major capital asset categories and useful lives are as follows:

Building & Building Improvements	10-50 years
Office Equipment	3-10 years

**H. Compensated Absences**

Annual leave is a part of permanent employees compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Employees are entitled to earn annual leave based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. No more than 240 hours of annual leave may be carried forward beyond April 30<sup>th</sup> of each year. Employees are paid for unused annual leave upon termination or retirement. Full-time regular employees accrue sick leave from the first day of employment at the rate of eight hours per month with unlimited accumulation. Employees with at least 10 years of state employment are paid one-tenth of their accumulated sick leave under Section 54-06-14 of the North Dakota Century Code when the employee leaves the employ of the state.

The Agency's liability for accumulated unpaid leave is reported in the applicable funds.

I. **Post Employment Benefits**

**Retiree Health Credit Benefit**

Regular employees hired under the Job Service North Dakota retirement plan prior to October 1, 1980, are eligible to participate in the retiree health care plan and receive the retiree health credit benefit. The retiree health credit benefit is a health insurance subsidy of \$4.50 per year of service thru June 30, 2009 that is provided each month for as long as the retiree is alive and this benefit continues upon death to the spouse as long as the spouse is drawing an annuity and participates in the North Dakota Public Employees Retirement System (NDPERS). This retiree health credit has been increased to \$5.00 per year of service effective July 1, 2009 by the North Dakota State Legislature. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2010.

**Met Life Insurance Benefit**

Job Service North Dakota pays 100% of the policy premium upon retirement for employees with an existing Met Life policy that was in effect on December 1, 1999, when the plan was discontinued for new employees. This retiree health credit benefit is funded on-a-pay-as-you-go basis. This amount was determined by an actuary at June 30, 2010.

J. **Pension Assets**

Pension assets consist of pension assets in excess of the net pension obligation. See note 6 for schedule of annual pension costs and net pension obligation.

**NOTE 2 – Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

	<u>2010</u>	<u>2009</u>
Capital Outlays	\$ 126,771	\$ 58,012
Depreciation Expense	<u>(589,277)</u>	<u>(867,107)</u>
 Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$ (462,506)</u>	 <u>\$ (809,095)</u>

Another element of that reconciliation states that “bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.” The details of this difference are as follows:

	<u>2010</u>	<u>2009</u>
Principal repayments:		
General obligation debt	\$ 624,944	\$ 599,948
Change in Interest Payable	<u>3,081</u>	<u>3,098</u>
 Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$ 628,025</u>	 <u>\$ 603,046</u>

**NOTE 3 – Deposits and Investments**

**A. Deposits**

The agencies deposit policy is to follow the North Dakota Century Code 6-09-07, which requires the agency to bank at the state-owned and operated Bank of North Dakota. The Agency receives interest for funds on deposit in all accounts.

Deposits for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less.

The Agency had the following deposits:

**June 30, 2010**

	<b><u>Fair Value</u></b>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 1,432,845
Cash in State Treasury recorded as Cash and Cash Equivalents	689,164
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	65,105,173
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>13,417,391</u>
Totals	<u>\$ 80,644,573</u>

**June 30, 2009**

	<b><u>Fair Value</u></b>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 105,441
Cash in State Treasury recorded as Cash and Cash Equivalents	728,311
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	90,150,490
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>13,988,825</u>
Totals	<u>\$ 104,973,067</u>

*Custodial and Concentration Credit Risk*

For deposits, this is the risk that in the event of the failure of a depository financial institution, the Agency will not be able to recover the deposits. Deposits at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10). Deposits in the State Treasury are deposits at the Bank of North Dakota under the name and control of the North Dakota State Treasurer.

**B. Investments**

According to North Dakota Century Code 6-09-07, the Agency is required to bank at the state-owned and operated Bank of North Dakota for investments. The investment policy of the agency is to invest excess cash in Certificates of Deposit at the Bank of North Dakota.

Investments represent certificates of deposit at the Bank of North Dakota with an original maturity in excess of three months.

The Agency had the following investments:

**June 30, 2010**

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 400,000</u>	<u>\$ 400,000</u>

**June 30, 2009**

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>

*Custodial and Concentration Credit Risk*

For investments, this is the risk that in the event of the failure of a party to the investment transaction, the Agency will not be able to recover the investments. Certificates of Deposit at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

**NOTE 4 – Receivables**

The Agency accrues as *Unemployment Insurance Contributions* receivable, the amount due from employers in the state for their tax contribution to the Unemployment Insurance Trust fund as of June 2010 and 2009. In addition, the Agency accrues as *Penalty and/or Interest* receivable the amount due from employers on delinquent Unemployment Insurance tax contribution reports. The Agency also accrues as *Unemployment Insurance Overpayments-Benefits*, the amount due from individuals who received benefits in excess of the amounts for which they were eligible.

The Agency has recorded an allowance for those amounts it does not expect to collect.

**Receivables as of June 30, 2010**

	<u><i>Unemployment Insurance Contributions</i></u>	<u><i>Penalty and/or Interest</i></u>	<u><i>Unemployment Insurance Overpayments- Benefits &amp; Interest</i></u>	<u><i>Interest</i></u>	<u><i>State Refunds</i></u>	<u><i>Total</i></u>
Total Receivable	\$ 24,698,496	\$ 1,221,048	\$ 2,783,867	\$ 789,047	\$ 2,578	\$ 29,495,036
Less: Allowance for Doubtful Accounts	1,498,888	956,555	2,112,245	-	-	4,567,688
Net Receivable	<u>\$ 23,199,608</u>	<u>\$ 264,492</u>	<u>\$ 671,622</u>	<u>\$ 789,047</u>	<u>\$ 2,578</u>	<u>\$ 24,927,347</u>

**Receivables as of June 30, 2009**

	<u><i>Unemployment Insurance Contributions</i></u>	<u><i>Penalty and/or Interest</i></u>	<u><i>Unemployment Insurance Overpayments- Benefits &amp; Interest</i></u>	<u><i>Interest</i></u>	<u><i>State Refunds</i></u>	<u><i>Total</i></u>
Total Receivable	\$ 18,062,684	\$ 1,220,964	\$ 2,124,169	\$ 1,231,181	\$ 16,208	\$ 22,655,206
Less: Allowance for Doubtful Accounts	1,614,005	1,058,944	1,670,453	-	-	4,343,402
Net Receivable	<u>\$ 16,448,679</u>	<u>\$ 162,020</u>	<u>\$ 453,716</u>	<u>\$ 1,231,181</u>	<u>\$ 16,208</u>	<u>\$ 18,311,804</u>

All receivables have been recorded as revenue on the government-wide and proprietary statements. On the governmental fund statements, a portion of the Penalty and/or Interest has been recorded as deferred revenue. Deferred revenue was \$194,116 and \$129,824 as of June 30, 2010 and 2009, respectively, and represents an amount expected to be received after one year. The residual amounts of \$70,376 and \$32,196 on June 30, 2010 and 2009, respectively, were recorded as revenue and were expected to be received within one year.

**NOTE 5 – Capital Assets**

Governmental Activities	Beginning Balance June 30, 2009	Additions	Deletions	Ending Balance June 30, 2010
Capital Assets, not being depreciated:				
Land	\$ 1,266,291	\$ -	\$ -	\$ 1,266,291
Work in Progress - UI Modernization	386,169	34,217	209,034	211,352
Total capital assets, not being depreciated	<u>1,652,460</u>	<u>34,217</u>	<u>209,034</u>	<u>1,477,643</u>
Capital Assets, being depreciated:				
Buildings	9,022,064	-	-	9,022,064
Equipment	2,345,995	6,480	12,534	2,339,941
Intangible Assets	1,945,334	295,108	-	2,240,442
Total Capital Assets, being depreciated	<u>13,313,393</u>	<u>301,588</u>	<u>12,534</u>	<u>13,602,447</u>
Less accumulated depreciation for:				
Buildings	4,038,809	205,074	-	4,243,883
Equipment	2,311,835	6,432	14,639	2,303,628
Intangible Assets	1,355,604	377,771	235,603	1,497,772
Total accumulated depreciation	<u>7,706,248</u>	<u>589,277</u>	<u>250,242</u>	<u>8,045,282</u>
Total capital assets, being depreciated, net	<u>5,607,145</u>	<u>(287,689)</u>	<u>(237,708)</u>	<u>5,557,165</u>
Governmental activity capital assets, net	<u>\$ 7,259,605</u>	<u>\$ (253,472)</u>	<u>\$ (28,674)</u>	<u>\$ 7,034,807</u>

Governmental Activities	Beginning Balance June 30, 2008	Additions	Deletions	Ending Balance June 30, 2009
Capital Assets, not being depreciated:				
Land	\$ 1,266,291	\$ -	\$ -	\$ 1,266,291
Work in Progress - UI Modernization	791,139	58,012	462,982	386,169
Total capital assets, not being depreciated	<u>2,057,430</u>	<u>58,012</u>	<u>462,982</u>	<u>1,652,460</u>
Capital Assets, being depreciated:				
Buildings	9,022,064	-	-	9,022,064
Equipment	2,363,161	-	17,166	2,345,995
Intangible Assets	5,069,430	462,982	3,587,079	1,945,334
Total Capital Assets, being depreciated	<u>16,454,655</u>	<u>462,982</u>	<u>3,604,245</u>	<u>13,313,393</u>
Less accumulated depreciation for:				
Buildings	3,833,735	205,074	-	4,038,809
Equipment	2,026,900	299,833	14,898	2,311,835
Intangible Assets	4,221,775	362,200	3,228,371	1,355,604
Total accumulated depreciation	<u>10,082,410</u>	<u>867,107</u>	<u>3,243,269</u>	<u>7,706,248</u>
Total capital assets, being depreciated, net	<u>6,372,245</u>	<u>(404,124)</u>	<u>360,976</u>	<u>5,607,145</u>
Governmental activity capital assets, net	<u>\$ 8,429,675</u>	<u>\$ (346,112)</u>	<u>\$ 823,958</u>	<u>\$ 7,259,605</u>

Federal resources have funded all equipment. Intangible Asset and Equipment deletions were \$12,534 and \$3,604,245 for 2010 and 2009, respectively. The 2009 Intangible Asset deletions include \$3,113,439 of NDWorks operating software that Job

Service North Dakota used as its primary case management system. This case management system was replaced by the Virtual Operating System through an annual contract with a vendor.

Buildings include a capitalized lease representing a 20-year lease of the Grand Forks office building with a value of \$1,676,260 and accumulated amortization of \$531,540 and a capitalized lease representing a 20-year lease of the Bismarck / Mandan office building with a value of \$2,187,530 and accumulated amortization of \$269,728. Equipment includes capitalized leases representing three to five year leases for Information Technology equipment with a total value of \$1,818,390 and accumulated amortization of \$1,818,390.

Effective February 15, 2007, Section 20610 of Public Law 110-5 amended Section 193 of the Workforce Investment Act (WIA) to transfer federal equity in state employment security real property to the individual states. As a result, federal equity in the amount of \$5,407,725 was transferred to the State of North Dakota on February 15, 2007.

**NOTE 6 – Employee Retirement Plans**

All permanent full-time employees of the Agency participate in the Retirement Plan for Employees of Job Service North Dakota or the North Dakota Public Employees Retirement System (PERS).

**A. Retirement Plan for Employees of Job Service North Dakota**

**1. Plan Description**

The Retirement Plan for Employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the Agency. The covered payrolls for employees under this plan for the years ended June 30, 2010 and 2009 were \$1,546,269 and \$1,616,677, respectively. Total payroll for all employees was \$10,938,955 and \$10,320,688, respectively. Information included herein is based on the most current actuarial valuation report (as of July 1, 2010).

As of that date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	211
Terminated employees entitled to benefits but not yet receiving them	4
Current vested employees	<u>31</u>
TOTAL	<u><u>246</u></u>

Participation in this plan is limited to employees participating in the plan as of September 30, 1980. Employees were vested in the program after the completion of five years of credited service.

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to his/her annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits.

The amount is the greater of the benefit had the participant retired on the day before he/she died and elected the Contingent Annuitant Option with 55% of his/her retirement benefit continued to his/her spouse of 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefits will cease.

If a participant becomes totally disabled, he/she will be eligible for a monthly disability benefit that shall be equal to the greater of, 40% of the participant's average annual earnings or the accrued benefit determined as their date of disability.

Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated base on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- o 1.5% times years of credited service up to 5 plus
- o 1.75% times years of credited service between 6 and 10 plus
- o 2.0% times years of credited service in excess of 10.

During the current period, rates applicable to retirement wages were:

<u>Period</u>	<u>Employee Contribution (Paid by Employee)</u>	<u>Employee Contribution (Paid by Employer in lieu of salary increase)</u>	<u>Employer Annual Required Contribution</u>
7/1/06 - 6/30/07	3%	4%	0%
7/1/07 - 6/30/08	3%	4%	0%
7/1/07 - 6/30/09	3%	4%	0%
7/1/07 - 6/30/10	3%	4%	0%

\* The employer contribution rate is based on the annual actuarial valuation of the plan.

On August 1, 2003, the administrative authority and the net assets of the Retirement Plan for Employees of Job Service North Dakota were transferred from the Agency to the Public Employees Retirement System Board. This action was based on the passage of House Bill 1064 by the Fifty-eighth Legislative Assembly of North Dakota.

The Retirement Plan for Employees of Job Service has an Actuarial Valuation Report produced annually. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, PO Box 1657, Bismarck, North Dakota, 58502-1657.

## **2. Contributions Required and Made**

The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contributions are determined using an entry age actuarial funding method. The funding policy of the plan also provides for employee contributions at 7% of covered payroll. The employer contributes 4% of the employee's contribution, leaving a net employee contribution of 3%.

Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by the Segal Company:

Valuation Date	July 1, 2010
Actuarial Cost Method	Frozen Initial Liability*
Amortization Method	Level Dollar Closed
Remaining Amortization Period	15 years
Asset Valuation Method	5-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increase	5%
Includes Inflation at	5%
Post Retirement Cost-of-living Adjustment	5%

\* As of July 1, 2010, the actuarial value of assets exceed the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

The following schedule represents the annual pension costs and net pension obligation for the year ended June 30:

	2010	2009
Annual required contributions	\$ -	\$ -
Interest on net pension obligation	123,180	123,645
Adjustment to annual required contributions	129,361	129,850
Annual pension costs	6,181	6,205
Contributions made	-	-
Increase in net pension obligation	6,181	6,205
Net pension obligations, beginning of year	(1,642,398)	(1,648,603)
(Assets in excess of) net pension obligations, end of year	<u>\$ (1,636,217)</u>	<u>\$ (1,642,398)</u>

The following schedule presents the annual pension cost contributed, the net pension obligations, and the percentage contributed:

June 30	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	3,767	0%	(1,672,335)
2004	3,759	0%	(1,668,576)
2005	3,750	0%	(1,664,826)
2006	3,742	0%	(1,661,084)
2007	6,252	0%	(1,654,832)
2008	6,229	0%	(1,648,603)
2009	6,205	0%	(1,642,398)
2010	6,181	0%	(1,636,217)

**B. PERS Defined Benefit Plan**

Permanent employees of the agency (as defined by NDCC Chapter 54-42) who don't participate in the retirement plan of Job Service participate in PERS, which is an agency of the state of North Dakota financial reporting entity and included in the state of North Dakota's Comprehensive Annual Financial Report. PERS is a cost-sharing multiple-employer defined benefit public employee retirement system. The financial statements and required supplementary information of PERS for fiscal years 2010 and 2009 are included in the state of North Dakota's Comprehensive Annual Financial Report for the years ended June 30, 2010 and 2009. PERS also issues separate audited financial statements that may be obtained by writing to North Dakota Public Employees Retirement System, 400 E Broadway, Suite 505, Bismarck, North Dakota 58501 or calling 1-800-803-7377.

The financial statements of PERS are prepared using the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with terms of PERS. The Agency is required to contribute to PERS at an actuarially determined rate for permanent employees. The Agency's contributions to PERS for the years ended June 30, 2010 and 2009 were \$867,012 and \$791,512, respectively, equal to the required contribution for each year.

**NOTE 7 – Other Postretirement Benefits**

As of July 1, 2007, Job Service North Dakota adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions. Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of June 30, 2010. The actuary determined the obligation the agency has to record as of June 30, 2010 is the difference between the Annual Required Contribution(ARC), defined as the normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year. Requests to obtain or review the actuary report should be addressed to the Finance Manager –PO Box 5507 Bismarck, North Dakota, 58506-5507.

**A. Retiree Health Benefits Fund, a cost-sharing multiple-employer plan**

**1. Plan Description**

Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple-employer plan, as administered by the Public Employees Retirement Board. The retired employee is provided a credit toward their monthly health insurance premium under the state health plan based upon their years of credited service. In accordance with NDCC 54-52.1-03.2, Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota

This benefit is equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. This retiree health credit was increased from \$4.50 to \$5.00 per year of service effective July 1, 2009 by the North Dakota State Legislature.

**B. Met Life Insurance Benefit**

**1. Plan Description**

Job Service North Dakota employees who had a Met Life Insurance policy in effect on December 1, 1999, when the Met Life Insurance benefit plan, a single-employer plan, was discontinued for new employees, receive the following benefits:

Job Service North Dakota pays 33% of the monthly Basic Met Life Insurance premium of current employees with a Met Life Insurance policy and upon retirement the employees Basic Met Life Insurance premiums are covered 100% by Job Service North Dakota. The Basic Life Insurance Benefits are equal to the employees annual salary up to a maximum of \$45,000 and are decreased at a rate of 2% per month at age 65 until the benefit is 25% of the original amount. The actuary report of the Met Life Insurance Benefit is the only financial report produced for this benefit and is available as indicated above. Job Service North Dakota has authority to change the funding and benefit policy of this plan.

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

	<u>Retiree Health Benefits Fund</u>	<u>Met Life Insurance Benefit</u>
Retirees and beneficiaries currently receiving benefits	209	177
Terminated employees entitled to benefits but not yet receiving them	4	0
Current vested employees	<u>32</u>	<u>56</u>
TOTAL	<u>245</u>	<u>233</u>

**C. Contributions Required and Made**

The funding policy of the plans thru June 30, 2010 is a pay-as-you-go plan, contributing annually the amount necessary to pay benefits of retirees. Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by The Segal Company:

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-Year Amortization Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

*Annual OPEB Cost and Net OPEB Obligation* – The Agency’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially

determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.

The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

	<b>Retiree Health Benefits Fund</b>	<b>Met Life Insurance Benefit</b>	<b>Total</b>
Annual required contributions	\$ 251,756	\$ 104,761	\$ 356,517
Interest on OPEB obligation	6,810	2,837	9,647
Adjustment to annual required contributions	(8,780)	(4,118)	(12,898)
Annual OPEB costs	249,786	103,480	353,266
Contributions made	232,784	50,725	283,509
Increase in net OPEB obligation	17,002	52,755	69,757
Net OPEB obligations, beginning of year	129,947	84,439	214,386
Net OPEB obligations, end of year	<u>\$ 146,949</u>	<u>\$ 137,194</u>	<u>\$ 284,143</u>

The following schedule presents the annual OPEB cost contributed, the net pension obligations, and the percentage contributed:

<b>June 30</b>	<b>Annual Retiree Health Benefits OPEB Costs</b>	<b>Annual Met Life Insurance OPEB Costs</b>	<b>Annual Retiree Health Benefit Cost Contributed</b>	<b>Annual Met Life Insurance Cost Contributed</b>	<b>OPEB Obligation</b>	<b>Annual OPEB Cost Contributed</b>
2008	282,723	93,786	222,801	52,078	101,630	73.0%
2009	282,723	93,786	212,698	51,055	112,756	70.1%
2010	249,460	103,806	232,784	50,725	69,757	80.3%

*Funded Status and Funding Progress* – As of June 30, 2010 the most recent actuarial valuation date, the plans were unfunded. The actuarial accrued liability for benefits was \$5,482,756, and the actuarial value of assets was \$ 0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,482,756. The covered payroll was (annual payroll of active employees covered by the plans) was \$3,199,800 and the ratio of the UAAL to the covered payroll was 171.34 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 2010 and 2009 information, as the standard was

implemented in fiscal year 2008. Multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is displayed.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTE 8 – Contingencies and Commitments**

A number of special revenue funds are grants from the federal government for the delivery of various employment related and job training programs. The Workforce 20/20 funds are general funds appropriated by the state legislature for the delivery of this program. These grants may be subject to additional compliance audits by granting agencies that can result in audit findings disallowing costs. The amount, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

The Agency has commitments to pay \$124,235 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded.

**NOTE 9 – Lease Commitments**

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for operating leases for the years ended June 30, 2010 and 2009 were approximately \$553,403 and \$540,700, respectively.

Future minimum lease commitments are:

<u>Year ending June 30:</u>	<u>Amount</u>
2011	\$ 101,801
2012	\$ 52,277
2013	19,681
Total	<u>\$ 173,759</u>

No lease commitments extend beyond June 2013.

**NOTE 10 – Noncurrent Liabilities**

**A. Compensated Absences**

Agency employees can earn annual leave at the rate of 12 days per year for the first three years of employment up to a maximum of 24 days per year after 18 years of employment. There is no requirement that annual leave be taken, but the maximum permissible accumulation, as of December 31, that may be carried over to the following year is 30 days. At termination, employees are paid for any accumulated annual leave. This reported liability includes the employer’s share of social security and Medicare taxes.

Agency employees can earn sick leave at the rate of 12 days per year with no limitations as to the maximum accumulation that may be carried over to the following year. Passage of Senate Bill 2324 by the 52nd Legislative Assembly of the state of North Dakota allows for the partial payment of unused sick leave upon termination of employment. At termination, employees with at least ten (10) continuous years of eligible state employment are paid a lump sum payment for one-tenth (1/10th) of their unused accumulated sick leave. This reported liability includes the employer’s share of social security and Medicare taxes.

The reported liability for compensated absences as of June 30, 2010 and 2009 was \$1,256,696 and \$1,258,262 respectively.

**B. Capital Lease**

Future minimum lease payments under the capital lease for the Grand Forks and Bismarck / Mandan Office Buildings and the present value of the net minimum lease payments are as follows on June 30, 2010:

<u>Year ending June 30:</u>	<u>Grand Forks Building</u>	<u>Bismarck / Mandan Building</u>	<u>Total</u>
2011	\$ 140,929	\$ 232,659	373,588
2012	\$ 140,235	\$ 231,746	371,981
2013	\$ 139,952	\$ 230,585	370,537
2014	\$ 126,839	\$ 229,156	355,995
2015	\$ -	\$ 232,229	232,229
2016-2020	\$ -	\$ 1,162,284	1,162,284
2021-2023	\$ -	\$ 445,679	445,679
Total Minimum Lease Payments	547,955	2,764,338	3,312,293
Less: Amount Representing Interest	63,209	815,501	878,710
Present Value of Future Minimum Lease Payments	<u>\$ 484,746</u>	<u>\$ 1,948,837</u>	<u>\$ 2,433,583</u>

Future minimum lease payments under the capital lease for the Information Technology equipment and the present value of the net minimum lease payments are as follows on June 30, 2010:

<u>Year ending June 30:</u>	<u>Information Technology Equipment</u>
2011	101,583
Total Minimum Lease Payments	101,583
Less: Amount Representing Interest	1,086
Present Value of Future Minimum Lease Payments	<u>\$ 100,497</u>

Gross costs and accumulated depreciation of capital leases as of June 30, 2010 is as follows:

	<u>Gross Cost of Asset</u>	<u>Accumulated Depreciation</u>
Grand Forks Building	\$1,676,260	\$ 531,540
Bismarck/Mandan Building	2,187,533	269,318
Information Technology Equipment	1,818,390	1,818,390

**C. Changes in Noncurrent Liabilities**

<b>Governmental Activities</b>	Beginning Balance June 30, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	\$ 1,258,262	\$ 938,822	\$ 940,389	\$ 1,256,696	\$ 110,966
Capital Leases	3,159,024	-	624,944	2,534,080	343,786
Total other liabilities	4,417,286	938,822	1,565,332	3,790,776	454,752
Total Long-Term Liabilities	\$ 4,417,286	\$ 938,822	\$ 1,565,332	\$ 3,790,776	\$ 454,752

<b>Governmental Activities</b>	Beginning Balance June 30, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	\$ 1,302,739	\$ 913,032	\$ 957,509	\$ 1,258,262	\$ 110,979
Capital Leases	3,758,972	-	599,948	3,159,024	624,944
Total other liabilities	5,061,711	913,032	1,557,457	4,417,286	735,923
Total Long-Term Liabilities	\$ 5,061,711	\$ 913,032	\$ 1,557,457	\$ 4,417,286	\$ 735,923

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund.

**NOTE 11 – Interfund Receivables / Payables**

The “Due To” and “Due From” other funds accounts represent short-term advances between funds.

**June 30, 2010**

<u>Governmental Funds</u>	<u>Due From</u>	<u>Due To</u>
Job Service Special Fund	\$ 22,825	\$ -
	-	-
Federal Funds	17,426	28,757
<b>Total</b>	<b>\$ 40,251</b>	<b>\$ 28,757</b>

<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	5,932	17,426
<b>Total</b>	<b>\$ 5,932</b>	<b>\$ 17,426</b>

**June 30, 2009**

<u>Governmental Funds</u>	<u>Due From</u>	<u>Due To</u>
Job Service Special Fund	\$ 24,722	\$ -
Federal Advance Int. Rep	-	264
Federal Funds	39,457	24,458
<b>Total</b>	<b>\$ 64,179</b>	<b>\$ 24,722</b>

<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	-	39,457
<b>Total</b>	<b>\$ -</b>	<b>\$ 39,457</b>

**NOTE 12 – Statement of Appropriation Reconciliation**

The reconciliation of budget-based expenditures to GAAP expenditures is as follows:

Budget Based Expenditures as per page 24:	<u>\$ 28,557,992</u>
GAAP Expenditures as per page 15:	
Governmental Activities - Economic Development & Assistance	28,017,714
Governmental Activities - Interest on long-term debt	137,267
Business-type Activities - UC Funds	<u>137,473,630</u>
<b>Subtotal</b>	<u>165,628,611</u>
Less:	
Business-type Activities - UC Funds	137,473,630
FAIRA	301,698
Pension Assets at June 30,2009	1,642,398
Addition to Noncurrent Liabilities-Compensated Absences	938,822
Depreciation Expense	589,277
Interest Payable at June 30, 2010	19,305
Net change in Deferred Revenue	(64,292)
OPEB Expense at June 30, 2010	<u>69,757</u>
<b>Subtotal</b>	<u>140,970,595</u>
Plus:	
Appropriated expenses in Proprietary Fund	549,269
Net Capital Asset Additions	126,771
Reduction to Noncurrent Liabilities-Capital Lease	624,944
Reduction to Noncurrent Liabilities-Compensated Absences	940,389
Pension Assets at June 30,2010	1,636,217
Interest Payable at June 30, 2009	<u>22,386</u>
<b>Subtotal</b>	<u>3,899,976</u>
Adjusted GAAP Expenditures	<u>\$ 28,557,992</u>

The Business-type activities – UC Funds has continuing appropriation status under NDCC 52-03-04. The Federal Advance Interest Repayment Account (FAIRA) has continuing appropriation status under NDCC 52-04-22.

**NOTE 13 – Related Parties**

As stated in Note 1 of these financial statements, Job Service North Dakota is a state agency of North Dakota; as such, the other state agencies of the state and political subdivisions are related parties.

	<u>June 30, 2010</u>		
	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
<b>A. <u>Due From Other State Agencies</u></b>			
Department of Human Services	\$ 211,181	\$ -	\$ -
General Fund	-	40,065	-
<b>Total</b>	<b>\$ 211,181</b>	<b>\$ 40,065</b>	<b>\$ -</b>
<b>B. <u>Due To Other State Agencies</u></b>			
Office of Management and Budget	\$ 1,791	\$ 445	\$ -
Bismarck State College	7,703		
Lake Region State College	1,627		
Minot State University	3,016		
ND Board of Nursing	440		
ND Department of Corrections	5,989		
ND State College of Science	18,860		
North Dakota State University	3,171		
Skill & Technology Training Ctr. Fargo	10,690		
TrainND Minot	10,200		
Valley City State University	2,903		
Williston State College	2,020		
Information Technology Department	178,341	-	-
Office of the State Treasurer	218,874	-	-
Office of the Attorney General	14,145	-	-
Department of Commerce	44,371	-	-
Department of Transportation	3,521	254	-
Bank of North Dakota	-	-	172,502
<b>Total</b>	<b>\$ 527,662</b>	<b>\$ 699</b>	<b>\$ 172,502</b>

	<u>Transfer In</u>
<b>C. <u>Transfers</u></b>	
<u>Nonmajor Governmental Funds</u>	
General Fund Appropriation	\$ 576,495
<b>Total</b>	<b>\$ 576,495</b>

**D. Capital Leases**

Capital leases exist between Job Service North Dakota and the North Dakota Building Authority for the construction of the Grand Forks and Bismarck / Mandan office buildings. Note 10 provides information on the amount of the Agency's outstanding debt and a schedule of debt service requirements.

	<u>June 30, 2009</u>		
	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
<b>A. <u>Due From Other State Agencies</u></b>			
ND General Fund	\$ -	\$ 340,520	\$ -
Department of Human Services	245,838	-	-
<b>Total</b>	<b>\$ 245,838</b>	<b>\$ 340,520</b>	<b>\$ -</b>
<b>B. <u>Due To Other State Agencies</u></b>			
Bismarck State College	\$ 27,625	\$ -	\$ -
ND State College of Science	37,221	-	-
Department of Human Services	7,017	-	-
ND Department of Corrections	2,695	-	-
Office of Management and Budget	3,509	320	-
Information Technology Department	209,542	-	-
Office of the State Treasurer	261,856	-	-
Office of the Attorney General	4,671	-	-
Career and Technical Education	31,219	-	-
Department of Commerce	43,747	-	-
Department of Transportation	8,307	264	-
Bank of North Dakota	-	-	2,028,168
<b>Total</b>	<b>\$ 637,409</b>	<b>\$ 584</b>	<b>\$ 2,028,168</b>

<b>C. <u>Transfers</u></b>	<u>Transfer In</u>
<u>Nonmajor Governmental Funds</u>	
General Fund Appropriation	\$ 1,092,145

**D. Capital Leases**

Capital leases exist between Job Service North Dakota and the North Dakota Building Authority for the construction of the Grand Forks and Bismarck / Mandan office buildings. Note 10 provides information on the amount of the Agency's outstanding debt and a schedule of debt service requirements.

**NOTE 14 – Risk Management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues:

The Agency participates in the Risk Management Fund (RMF), an internal service fund of the state, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees and the University System. All state

agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the state is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$100,000 for its employees. The State Bonding Fund charges the agency a premium for this coverage.

The Agency participates in the North Dakota Workers Compensation Bureau, an Enterprise Fund of the state of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 15 – Restricted Net Assets**

The section entitled "Restricted for:" on the Statement of Net Assets consists of the following resources:

The amounts of \$86,100,864 on June 30, 2010 and \$102,956,885 on June 30, 2009 represent the balance of unexpended resources in the Unemployment Insurance Trust Fund. These resources may only be expended for unemployment benefits or as allowed by federal law, as described in the next paragraph.

An amount of \$13,417,391 on June 30, 2010 and \$13,988,825 on June 30, 2009 represents the Department of Labor distribution of Reed Act resources into each state's trust fund in March of 2002 and April of 2009. Federal law governs how the distribution may be expended. The 2002 distribution is available for the payment of Unemployment Insurance benefits to claimants and, if appropriated, the administration of the state's Unemployment Insurance and Employment Service programs. The 2009 distribution is only available for the administration of the Unemployment Insurance and Employment Service programs.

#### **NOTE 16 – Subsequent Events**

Job Service North Dakota entered into a lease agreement with Key Government Finance Inc. to replace the Unemployment Insurance mainframe system. The lease term is from October 1, 2010 thru September 30, 2015, total lease amount is \$1,407,289 with quarterly payments of \$77,718.

# **Required Supplementary Information**

**Retirement Plan for Employees of Job Service North Dakota  
Required Supplementary Information  
Schedule of Funding Progress Pension Trust Fund  
For the Ten Years Ended June 30, 2010**

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) FIL Method *	Unfunded AAL (UAAL) FIL Method	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	70,779,190	N/A	0	N/A	3,508,932	0.00%
2002	67,580,067	N/A	0	N/A	3,221,604	0.00%
2003	65,962,215	N/A	0	N/A	2,872,344	0.00%
2004	67,505,163	N/A	0	N/A	2,459,508	0.00%
2005	69,294,225	N/A	0	N/A	2,226,912	0.00%
2006	70,628,705	N/A	0	N/A	1,922,664	0.00%
2007	75,749,846	N/A	0	N/A	1,843,140	0.00%
2008	77,020,934	N/A	0	N/A	1,612,533	0.00%
2009	74,472,806	N/A	0	N/A	1,487,175	0.00%
2010	73,458,863	N/A	0	N/A	1,265,787	0.00%

\* The Frozen Initial Liability (FIL) method does not directly identify an Actuarial Accrued Liability (AAL).

**Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Funding Progress OPEB  
For the Year Ended June 30, 2010**

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	0	5,746,170	5,746,170	0.0%	3,411,634	168.43%
2009	0	5,746,170	5,746,170	0.0%	3,064,817	187.49%
2010	0	5,482,757	5,482,757	0.0%	3,199,800	171.35%

**JOB SERVICE NORTH DAKOTA**

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**Retirement Plan for Employees of Job Service North Dakota  
Required Supplementary Information  
Schedule of Employer Contributions Pension Trust Fund  
For the Eight Years Ended June 30, 2010**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	0	100%
2004	0	100%
2005	0	100%
2006	0	100%
2007	0	100%
2008	0	100%
2009	0	100%
2010	0	100%

**JOB SERVICE NORTH DAKOTA**

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**Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions OPEB  
For the Year Ended June 30, 2010**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	376,509	73%
2009	376,509	70%
2010	356,517	80%

**Job Service North Dakota  
Notes to Required Supplementary Schedules  
June 30, 2010 and 2009**

**NOTE 1 – Description of Schedule of Funding Progress**

Each time a new benefit is added which applies to service already rendered an “unfunded accrued liability” is created. Laws governing Job Service North Dakota require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities divided by active employee payroll provides an index that clarifies understanding. The smaller the ratio of unfunded liabilities to covered payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

**NOTE 2 – Actuarial Assumptions and Methods**

*Pension Funding Method:* A frozen initial liability actuarial cost method of valuation is used in determining benefit liabilities and normal cost. The normal contribution under this method is the normal cost plus the payment required to amortize the unfunded actuarial liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the unfunded actuarial liability, and dividing that amount into payments that are a level percent of pay over the future working lifetime of all participants.

To calculate pension plan contribution requirements, assumptions are made about all of the future events that could affect the amount and timing of benefits to be paid and assets to be accumulated. Under the Frozen Initial Liability Actuarial Cost method used, the normal cost will remain level as a percentage of covered payroll if the assumptions closely approximate experience. Each year actual experience is measured against the assumptions, and to the extent that there were differences in that year, the contribution requirement is adjusted. If the assumptions are changed, contribution requirements are adjusted to take into account a change in experience in all future years.

Under the Frozen Initial Liability Actuarial Cost Method, the net gain or loss is translated into a decrease or increase in the normal cost percentage, since the unfunded actuarial accrued liability has been frozen. The unfunded employer frozen initial liability was frozen at October 1, 1983. Effective July 1, 1999, the “scheduled contribution” will be zero as long as the plan’s actuarial value of assets exceeds the actuarial present value of projected benefits.

*Asset Valuation Method:* To determine what portion of the cost of future benefits has already been funded, a value has to be placed on current assets. The asset valuation method might be considered the funding method used for benefits already paid

for. For the actuarial valuation, assets are determined using a 20% write-up method. Effective July 1, 2001, the actuarial value of assets was reinitialized to the market value of assets.

*Other Postemployment Benefit Plans:* Unfunded actuarial accrued liabilities (UAAL) were amortized by level dollar contributions. The UAAL was determined using the funding value of assets, which equal \$0, and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the level dollar amount required to fully amortize the UAAL over a 30 year period.

Significant actuarial assumptions employed by the actuaries for funding purposes as of June 30, 2010, the date of the latest actuarial studies:

**Mortality tables:**

Healthy: *Pension Plan - 1994 Group Annuity Mortality Table.*  
*OPEB Plans - 1994 Group Annuity Mortality Table for males and Females*

Disabled: *Pension & OPEB Plans - 1983 Railroad Retirement Board Disabled Life Mortality Table.*

**Disability Incidence:** Sample rates shown below.

**Withdrawal rates:** Sample rates shown below.

	<i>Pension &amp; OPEB Plan Rates</i>			
	<i>Mortality</i>		<i>Disability</i>	<i>Withdrawal</i>
	<i>Male</i>	<i>Female</i>	<i>Incidence</i>	
20	0.05	0.03	0.06	5.44
25	0.07	0.03	0.09	5.29
30	0.08	0.04	0.11	5.07
35	0.09	0.05	0.15	4.70
40	0.11	0.07	0.22	4.19
45	0.16	0.10	0.36	3.54
50	0.26	0.14	0.61	2.48
55	0.44	0.23	1.01	0.94
60	0.80	0.44	1.63	0.09

Withdrawal rates end when first eligible for the earlier of optional or normal retirement.

**Retirement age:** *Pension Plan:* 75% of Active participants are assumed to retire when first eligible for optional retirement, and the remaining participants retire at normal retirement. If currently older than first eligible optional retirement age, retirement assumed to occur at normal retirement, or current age, if older.

100% of inactive vested participants are assumed to retire at optional retirement age.

*OPEB Plans:* Rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

<u>Retirement</u>	<u>Rates of Retirement</u>
<u>Age</u>	
55-59	4.0%
60	6.0%
61	12.0%
62	25.0%
63-64	20.0%
65	30.0%
66-69	20.0%
70	100.0%

The rates for Active Participants who are eligible for the Retiree Health Benefits Fund, are increased to 75% at first eligibility for optional retirement and to 100% at normal retirement.

**Salary scale:** 5% per year.

**Post-retirement Cost of Living Adjustment (COLA):** 5% per year.

**Marriage Assumption:** *Pension Plan:* 85% of all active and inactive vested participants are assumed to be married.  
*OPEB Plans:* 75% of males and 60% of females are assumed to be married at time of decrement.

**Age of spouse:** Females are assumed to be four years younger than males.

**Rate of return:** *Pension Plan* - 7.5% per year compounded annually, net of investment fees and administrative expenses.  
*OPEB Benefit Plans* – 4.5% per year compounded annually, net of investment fees and administrative expenses.

**Future benefit accruals:** One year of credited service per year per active employee included in the valuation

**Actuarial value of assets:** *Pension Plan:* Assets are valued as the sum of the actuarial value of assets at the beginning of the year plus net new money (the sum of contributions, dividends and interest, less the sum of administrative expenses, investment fees and benefit payments), plus 20% of the difference between the market value and that sum. The actuarial value of assets will not be less than 80% or more than 120% of market value. Effective July 1, 2001, the actuarial value of assets was reinitialized to the market value of assets.

OPEB Plans: As of June 30, 2010 and June 30, 2009, there is \$0 in valuation assets available to offset the liabilities of the plans.

**Actuarial cost method:**

*Pension Plan:* Frozen Initial Liability Actuarial Cost Method, with entry age defined as employee's age at hire.

*OPEB Benefit Plans:* The Projected Unit Credit Cost Method was used in the valuation.

# **Combining and Individual Fund Statements and Schedules**

**JOB SERVICE NORTH DAKOTA**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

	<u>Special Revenue</u>					
	<u>001</u>	<u>303</u>	<u>362</u>	<u>392</u>	<u>Federal</u>	<u>Total</u>
	<u>General</u>	<u>OASIS</u>	<u>Job</u>	<u>Insurance</u>	<u>Advance</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Admin</u>	<u>Service</u>	<u>Recovery</u>	<u>Interest</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Special</u>	<u>Fund</u>	<u>Repayment</u>	<u>Funds</u>
	<u>Account</u>					
<b><u>ASSETS</u></b>						
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ -	\$ -	\$ 1,384,938	\$ 1,384,938
Cash in State Treasury	-	-	689,164	-	-	689,164
Investments At The Bank of North Dakota	-	-	-	-	400,000	400,000
Accounts Receivable - Net:						
Refunds	-	-	361	-	-	361
Accrued Interest	-	-	-	-	227	227
Penalty and/or Interest	-	-	-	-	264,492	264,492
Due From:						
Other Funds	-	-	22,825	-	-	22,825
Other State Agencies	40,065	-	-	-	-	40,065
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 40,065</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 712,350</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,049,657</u></b>	<b><u>\$ 2,802,072</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts Payable	\$ 34,120	\$ -	\$ 400	\$ -	\$ -	\$ 34,520
Accrued Payroll	5,945	-	10,440	-	-	16,385
Due To:						
Other State Agencies	-	-	699	-	-	699
Deferred Revenue	-	-	-	-	194,116	194,116
<b><u>TOTAL LIABILITIES</u></b>	<b><u>40,065</u></b>	<b><u>-</u></b>	<b><u>11,539</u></b>	<b><u>-</u></b>	<b><u>194,116</u></b>	<b><u>245,720</u></b>
Fund Balances:						
Unreserved	-	-	700,811	-	1,855,541	2,556,352
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>700,811</u></b>	<b><u>-</u></b>	<b><u>1,855,541</u></b>	<b><u>2,556,352</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 40,065</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 712,350</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,049,657</u></b>	<b><u>\$ 2,802,072</u></b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009**

	<b>Special Revenue</b>					
	<u>001</u>	<u>303</u>	<u>362</u>	<u>392</u>	<b>Federal Advance Interest Repayment Account</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>General Fund</b>	<b>OASIS Admin Fund</b>	<b>Job Service Special Fund</b>	<b>Insurance Recovery Fund</b>		
<b><u>ASSETS</u></b>						
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ -	\$ -	\$ 101,882	\$ 101,882
Cash in State Treasury	-	-	728,311	-	-	728,311
Investments At The Bank of North Dakota	-	-	-	-	1,600,000	1,600,000
Accounts Receivable - Net:						
Refunds	-	-	9,845	-	-	9,845
Accrued Interest	-	-	-	-	500	500
Penalty and/or Interest	-	-	-	-	162,020	162,020
Due From:						
Other Funds	-	-	24,722	-	-	24,722
Other State Agencies	340,520	-	-	-	-	340,520
Prepaid Items	75,000	-	-	-	-	75,000
<b><u>TOTAL ASSETS</u></b>	<b>\$ 415,520</b>	<b>\$ -</b>	<b>\$ 762,878</b>	<b>\$ -</b>	<b>\$ 1,864,402</b>	<b>\$ 3,042,800</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts Payable	\$ 334,004	\$ -	\$ 6,743	\$ -	\$ -	\$ 340,747
Accrued Payroll	6,516	-	7,122	-	-	13,638
Due To:						
Other Funds	-	-	-	-	264	264
Other State Agencies	-	-	584	-	-	584
Deferred Revenue	-	-	-	-	129,824	129,824
<b><u>TOTAL LIABILITIES</u></b>	<b>340,520</b>	<b>-</b>	<b>14,449</b>	<b>-</b>	<b>130,088</b>	<b>485,057</b>
Fund Balances:						
Reserved for Prepaid Items	75,000	-	-	-	-	75,000
Unreserved	-	-	748,429	-	1,734,314	2,482,743
<b><u>TOTAL FUND BALANCES</u></b>	<b>75,000</b>	<b>-</b>	<b>748,429</b>	<b>-</b>	<b>1,734,314</b>	<b>2,557,743</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 415,520</b>	<b>\$ -</b>	<b>\$ 762,878</b>	<b>\$ -</b>	<b>\$ 1,864,402</b>	<b>\$ 3,042,800</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

	<b>Special Revenue</b>					
	<u>001</u>	<u>303</u>	<u>362</u>	<u>Federal</u>		<u>Total</u>
	General Fund	OASIS Admin Fund	Job Service Special Fund	Advance Interest Repayment Account	Total	Total Nonmajor Governmental Funds
<b>Revenues</b>						
Interest Earnings	\$ -	\$ -	\$ -	\$ 15,503	\$ 15,503	\$ 15,503
Penalty and/or Interest	-	-	-	407,422	407,422	407,422
Other Grants	-	-	156,267	-	156,267	156,267
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>156,267</b>	<b>422,925</b>	<b>579,192</b>	<b>579,192</b>
<b>Expenditures</b>						
Current:						
Economic Development & Assistance	651,495	-	203,885	301,698	1,157,078	1,157,078
<b>TOTAL EXPENDITURES</b>	<b>651,495</b>	<b>-</b>	<b>203,885</b>	<b>301,698</b>	<b>1,157,078</b>	<b>1,157,078</b>
Excess of Revenues Over (Under) Expenditures	<b>(651,495)</b>	<b>-</b>	<b>(47,618)</b>	<b>121,227</b>	<b>(577,886)</b>	<b>(577,886)</b>
<b>Other Finance Sources</b>						
Transfers In	576,495	-	-	-	576,495	576,495
<b>TOTAL OTHER FINANCE SOURCES</b>	<b>576,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,495</b>	<b>576,495</b>
Net change in Fund Balances	(75,000)	-	(47,618)	121,227	(1,391)	(1,391)
Fund Balances at June 30, 2009	75,000	-	748,429	1,734,314	2,557,743	2,557,743
<b>Fund Balances at June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 700,811</b>	<b>\$ 1,855,541</b>	<b>\$ 2,556,352</b>	<b>\$ 2,556,352</b>

See accompanying notes to the Financial Statements.

**JOB SERVICE NORTH DAKOTA**

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2009**

	Special Revenue					Total Nonmajor Governmental Funds
	001 General Fund	303 OASIS Admin Fund	362 Job Service Special Fund	Federal Advance Interest Repayment Account	Total	
<b>Revenues</b>						
Interest Earnings	\$ -	\$ -	\$ -	\$ 25,766	\$ 25,766	\$ 25,766
Penalty and/or Interest	-	-	-	286,883	286,883	286,883
Other Grants	-	-	219,540	-	219,540	219,540
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>219,540</b>	<b>312,649</b>	<b>532,189</b>	<b>532,189</b>
<b>Expenditures</b>						
Current:						
Economic Development & Assistance	1,042,145	-	157,991	266,178	1,466,314	1,466,314
<b>TOTAL EXPENDITURES</b>	<b>1,042,145</b>	<b>-</b>	<b>157,991</b>	<b>266,178</b>	<b>1,466,314</b>	<b>1,466,314</b>
Excess of Revenues Over (Under) Expenditures	(1,042,145)	-	61,549	46,471	(934,125)	(934,125)
<b>Other Finance Sources</b>						
Transfers In	1,092,145	-	-	-	1,092,145	1,092,145
<b>TOTAL OTHER FINANCE SOURCES</b>	<b>1,092,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,092,145</b>	<b>1,092,145</b>
Net change in Fund Balances	50,000	-	61,549	46,471	158,020	158,020
Fund Balances at June 30, 2008	25,000	-	686,880	1,687,843	2,399,723	2,399,723
<b>Fund Balances at June 30, 2009</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ 748,429</b>	<b>\$ 1,734,314</b>	<b>\$ 2,557,743</b>	<b>\$ 2,557,743</b>

See accompanying notes to the Financial Statements.

**Capital Assets Used in the  
Operation of Governmental Funds**

**JOB SERVICE NORTH DAKOTA**

**Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedules By Source  
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b><i>Governmental funds capital assets:</i></b>		
Land	\$ 1,266,291	\$ 1,266,291
Buildings	9,022,064	9,022,064
Machinery and equipment	2,339,941	2,345,995
Intangible Assets	2,240,442	1,945,333
Work in Progress	211,352	386,169
<b><i>Total governmental funds capital assets</i></b>	<b><u>\$ 15,080,090</u></b>	<b><u>\$ 14,965,852</u></b>
<b><i>Investments in governmental funds capital assets by source:</i></b>		
Special revenue funds	<u>\$ 15,080,090</u>	<u>\$ 14,965,852</u>

**JOB SERVICE NORTH DAKOTA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule By Function and Activity  
June 30, 2010 and 2009**

June 30, 2010						
Function and Activity	Land	Buildings	Equipment	Intangible Assets	Work in Progress	Total
<b>General government:</b>						
Economic development and assistance	\$ 1,266,291	\$ 9,022,064	\$ 2,339,941	\$ 2,240,442	\$ 211,352	\$ 15,080,090
Total general government	<u>1,266,291</u>	<u>9,022,064</u>	<u>2,339,941</u>	<u>2,240,442</u>	<u>211,352</u>	<u>15,080,090</u>
<b>Total governmental funds capital assets</b>	<u>\$ 1,266,291</u>	<u>\$ 9,022,064</u>	<u>\$ 2,339,941</u>	<u>\$ 2,240,442</u>	<u>\$ 211,352</u>	<u>\$ 15,080,090</u>
June 30, 2009						
Function and Activity	Land	Buildings	Equipment	Intangible Assets	Work in Progress	Total
<b>General government:</b>						
Economic development and assistance	\$ 1,266,291	\$ 9,022,064	\$ 2,345,995	\$ 1,945,333	\$ 386,169	\$ 14,965,852
Total general government	<u>1,266,291</u>	<u>9,022,064</u>	<u>2,345,995</u>	<u>1,945,333</u>	<u>386,169</u>	<u>\$ 14,965,852</u>
<b>Total governmental funds capital assets</b>	<u>\$ 1,266,291</u>	<u>\$ 9,022,064</u>	<u>\$ 2,345,995</u>	<u>\$ 1,945,333</u>	<u>\$ 386,169</u>	<u>\$ 14,965,852</u>

**Job Service North Dakota**

**Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 For the Fiscal Years Ended June 30, 2010 and 2009**

<u>Function and Activity</u>	<u>June 30, 2010</u>			<u>Governmental Funds Capital Assets June 30, 2010</u>
	<u>Governmental Funds Capital Assets July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	
	<i>General government:</i>			
Economic development and assistance	\$ 14,965,852	\$ 335,806	\$ 221,568	\$ 15,080,090
Total general government	14,965,852	335,806	221,568	15,080,090
 <i>Total governmental funds capital assets</i>	 <u>\$ 14,965,852</u>	 <u>\$ 335,806</u>	 <u>\$ 221,568</u>	 <u>\$ 15,080,090</u>
	 <u>June 30, 2009</u>			
<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2009</u>
<i>General government:</i>				
Economic development and assistance	\$ 18,512,085	\$ 520,994	\$ 4,067,227	\$ 14,965,852
Total general government	18,512,085	520,994	4,067,227	14,965,852
 <i>Total governmental funds capital assets</i>	 <u>\$ 18,512,085</u>	 <u>\$ 520,994</u>	 <u>\$ 4,067,227</u>	 <u>\$ 14,965,852</u>

**Schedule of Expenditures of  
Federal Awards**

**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures (1)</u>
<b><u>U.S. Department of Labor</u></b>		
<b><u>Labor Force Statistics</u></b>		
	<b>17.002</b>	
Cooperative Agreement LM-18481-10-75-J-38		\$ 460,359
Cooperative Agreement LM-17937-09-75-J-38		190,440
		<b>ST 650,799</b>
 <b><u>Temporary Labor Certification for Foreign Workers</u></b>		
	<b>17.273</b>	
Alien Labor Certification FY 2010		59,968
Alien Labor Certification FY 2009		23,474
		<b>ST 83,442</b>
 <b><u>Unemployment Insurance</u></b>		
	<b>17.225</b>	
UI Administration FY 2010		1,726,039
UI Administration FY 2009		5,071,356
UI Administration FY 2008		10,594
UI Administration FY 2007		41,749
UI SBR-IT Consortium		162,147
UI Administration Federal Additional Compensation-ARRA		56,507
DUA 2009 Flood FY 2009		579,557
REA Services FY 2010		87,871
REA Services FY 2009		113,867
UI Special Administration- ARRA		46,836
UI EUC STATE ADMINISTRATION - FFY 10 - ARRA		59,421
UI EUC STATE ADMINISTRATION - FFY 09 - ARRA		27,666
Reed Act		502,433
UI Extended Benefits		115,605
Federal Unemployment Insurance Benefits		32,353,673
Federal Unemployment Insurance Benefits-FAC-ARRA		9,613,478
		<b>ST 50,568,799</b>
 <b><u>Trade Adjustment Assistance-Workers</u></b>		
	<b>17.245</b>	
TAA Training FY 2010		152,758
TAA Training FY 2009		179,195
TAA Training FY 2008		23,655
ATAA FY 2010		137,616
ATAA FY 2009		37,629
TRA Benefits FY 2010		447,612
TRA Benefits FY 2009		103,939
		<b>ST 1,082,404</b>
 <b><u>Transition Assistance Program</u></b>		
	<b>17.807</b>	
Transition Assistance Program FY 2010		18,287
Transition Assistance Program FY 2009		5,717
		<b>ST 24,004</b>
 <b><u>Employment Service</u></b>		
	<b>17.207 (2)</b>	
Wagner-Peyser PY 2009		3,872,515
Wagner-Peyser PY 2008		1,622,545
Wagner-Peyser ARRA PY 2008		542,447
Wagner-Peyser ARRA RES PY 2008		440,123
Workforce Information Grant PY 2009		16,577
Workforce Information Grant PY 2008		249,246
Workforce Information Grant PY 2007		174,070
WOTC FY 2010		42,844
WOTC FY 2009		23,015
		<b>ST 6,983,382</b>

**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures <sup>(1)</sup></u>
<b>Disabled Veterans Outreach Program</b>	<b>17.801 (2)</b>	
DVOP FY 2010		126,463
DVOP FY 2009		45,423
		<b>ST</b> <u>171,886</u>
<b>Local Veterans' Employment Representative Program</b>	<b>17.804 (2)</b>	
LVER FY 2010		232,533
LVER FY 2009		153,579
		<b>ST</b> <u>386,112</u>
	<b>Subtotal of 17.207, 17.801, 17.804</b>	<u>7,541,380</u>
<b>Passed Through Governor of North Dakota Workforce Investment Act Adult Program</b>	<b>17.258 (3)</b>	
Grant Number ARRA AA-17134-08-55		797,598
Grant Number AA-18654-09-55		1,304,282
Grant Number AA-17134-08-55		673,112
		<b>ST</b> <u>2,774,992</u>
<b>Workforce Investment Act Youth Activities</b>	<b>17.259 (3)</b>	
Grant Number ARRA AA-17134-08-55		1,854,635
Grant Number AA-18654-09-55		1,386,984
Grant Number AA-17134-08-55		856,922
		<b>ST</b> <u>4,098,541</u>
<b>Workforce Investment Act Dislocated Workers</b>	<b>17.260 (3)</b>	
Grant Number ARRA AA-17134-08-55		556,689
Grant Number AA-18654-09-55		665,470
Grant Number AA-17134-08-55		358,643
		<b>ST</b> <u>1,580,802</u>
	<b>Subtotal of 17.258-17.260</b>	<u>8,454,335</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		<b>\$</b> <u><u>68,405,163</u></u>

**JOB SERVICE NORTH DAKOTA**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures <sup>(1)</sup></u>
<b><u>U.S. Department of Agriculture</u></b>		
<i>Passed Through ND Department of Human Services:</i>		
<b>State Admin. Matching Grants for Food Stamp Program</b>		
Food Stamp Employment & Training (Contract Number 405-07355	10.561	\$ 25,002
Food Stamp Employment & Training (Contract Number 410-07905		78,291
		ST 103,293
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>\$ 103,293</b>
<b><u>U.S. Department of Health and Human Services:</u></b>		
<i>Passed Through ND Department of Human Services:</i>		
<b>Temporary Assistance for Needy Families</b>		
Job Opportunities and Basic Skills Program (Contract 405-07846)	93.558	\$ 789,091
Parental Employment Pilot Project (Contract 405-07818)		436,983
		ST 1,226,074
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>\$ 1,226,074</b>
<b>Unassigned federal costs</b>		\$ 10,232
<b>TOTAL OTHER FEDERAL ASSISTANCE</b>		<b>\$ 10,232</b>
<b>TOTAL FEDERAL ASSISTANCE <sup>(4)</sup></b>		<b>\$ 69,744,762</b>

( 1 ) Modified accrual basis.

( 2 ) Cluster #1

( 3 ) Cluster #2

( 4 ) The total federal assistance reported on this schedule consists of the total Federal Fund expenditures plus the ending Federal Fund balance less the net change in Fund Balances on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** (page 19) and the Federal Unemployment Insurance Benefits plus the Economic Development & Assistance as identified on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Fund** (page 22).

# **Internal Control and Compliance Section**



CPAs & BUSINESS ADVISORS

**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**

Governor John Hoeven  
The Legislative Assembly

Maren L. Daley, Executive Director  
**Job Service North Dakota**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Job Service North Dakota**, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 18, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **Job Service North Dakota's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Job Service North Dakota's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Job Service North Dakota's** internal control over financial reporting.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency in internal control over financial reporting, as finding 10-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Job Service North Dakota's** financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

Job Service, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, Legislative Audit and Fiscal Review Committee, Industrial Commission, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota  
November 18, 2010



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governor John Hoeven  
The Legislative Assembly

Maren L. Daley, Executive Director  
**Job Service North Dakota**

**Compliance**

We have audited the compliance of **Job Service North Dakota** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. **Job Service North Dakota's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of misfindings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Job Service North Dakota's** management. Our responsibility is to express an opinion on **Job Service North Dakota's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Job Service North Dakota'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. Our audit does not provide a legal determination of **Job Service North Dakota's** compliance with those requirements.

In our opinion, **Job Service North Dakota** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of **Job Service North Dakota** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Job Service North Dakota's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 **Job Service North Dakota'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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-2. 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.

Job Service, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, Legislative Audit and Fiscal Review Committee, Industrial Commission, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota  
November 18, 2010

**JOB SERVICE NORTH DAKOTA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2010**

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None

**JOB SERVICE NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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

1. An unqualified opinion was issued on the financial statements of the Job Service North Dakota.
2. We noted one matter involving internal control that we considered to be a significant deficiency during the audit of the financial statements. However, we do not feel that item 10-1 is a material weakness.
3. The audit disclosed no instances of noncompliance which were material to the financial statements of the Job Service North Dakota.
4. We noted one matter involving internal control over major programs that we consider to be a significant deficiency. However, we do not feel that item 10-2 is a material weakness.
5. An unqualified opinion was issued on compliance for the major programs of the Job Service North Dakota.
6. The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs audited as major programs were Unemployment Insurance – CFDA #17.225, Employment Services Cluster which is made up of the following programs – Employment Service/Wagner Peyser – 17.207, Disabled Veterans’ Outreach Program – 17.801, and Local Veterans’ Employment Representative Program – 17.804, and the WIA Cluster which is made up of the following programs – WIA Adult Program – CFDA #17.258, WIA Youth Activities– CFDA #17.259, and WIA Dislocated Workers – CFDA #17.260.
8. All programs with more than \$2,092,343 of Federal awards expended were considered Type A programs.
9. The Job Service North Dakota does not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

**Part II – Findings Relating to the Financial Statement Audit –**

**Significant Deficiency**

**10-1 – IT User Access Rights**

*Condition:* Access rights have not been properly restricted. Agency Support and Systems Management personnel have access to update UI tax rates, initiate claims transactions, add employers, claimants, and authorize benefits.

*Criteria:* System access rights should be restricted to support proper segregation of duties.

*Cause:* The employee job roles changed within JSND, and the access permissions were not updated to match their current job functions.

*Effect:* Employees could make changes to UI Tax and Benefits data they are not authorized to change.

*Recommendation:* Job Service North Dakota should review user access rights to ensure access is properly restricted in accordance with the employee job function. Procedures should be established to ensure the access permission is reviewed and modified to match a change in job role.

*Job Service Response:* The audit identified three Job Service North Dakota employees who transferred from one department to another department within Job Service North Dakota as not having their prior position system accesses removed upon the transfer. The security accesses to their original positions were removed in August 2010.

Job Service North Dakota is implementing a new internal control process using the Human Resource department as the central repository of information as to who has and needs access to which systems. This will provide a higher level of control of the assignment of security categories to individuals ensuring that access is only granted to those security categories necessary for each position and that access is removed for those employees transferring to a new department or leaving the agency.

**Part III – Findings and Questioned Costs for Federal Award Programs Audit**

**Significant Deficiency**

**10-2 - Eligibility - WIA Cluster which is made up of the following programs – WIA Adult Program – CFDA #17.258, WIA Youth Activities– CFDA #17.259, and WIA Dislocated Workers – CFDA #17.260.**

*Condition:* Internal controls did not exist to ensure proper documentation was received and maintained to verify all aspects of the eligibility requirements and to ensure it was accurately entered into the system.

*Criteria:* 20 CFR sections 664.200, .205, .210 and .220 specify the eligibility requirements needed for a person to be found eligible to receive services under the WIA program.

*Cause:* Internal controls were not in place to adequately detect missing documentation in the files and to ensure information was correctly entered into the program software.

*Effect:* Due to lack of controls in this area, it is possible that federal dollars could be spent with a party who is not eligible to participate in the program.

*Recommendation:* We recommend that the government agency implement internal controls that will ensure proper documentation for all participants in the program and to ensure the information is correctly entered into the program software.

*Management's response:* Although adequate documentation of eligibility requirements were not included in every file, there were no findings of any program participants that were not eligible to participate in the program.

Job Service North Dakota has completed statewide training to ensure all case managers fully understand and appropriately document eligibility requirements and ensure it is entered in the VOS system. Job Service North Dakota has updated the checklist tools which case managers use for eligibility. Job Service North Dakota has updated its Workforce Investment Act procedure manual to require documentation for the eligibility requirements.



CPAs & BUSINESS ADVISORS

**JOB SERVICE NORTH DAKOTA  
INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUIRED BY THE  
NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE  
YEAR ENDED JUNE 30, 2010**

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The Legislative Audit and Fiscal Review Committee require that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

**Audit Report Communications**

1. What type of opinion was issued on the financial statements?

Unqualified.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

We noted one internal control findings which are explained in the Schedule of Findings and Questioned Costs.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. Has action been taken on findings and recommendations included in prior audit reports?

Yes.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

Yes, see management letter dated November 18, 2010 for comments, recommendations and the Agency's responses.

## Audit Committee Communications

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions?

We noted no significant changes in accounting policies, no conflicts of interest, no contingent liabilities, and no significant unusual transactions.

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates?

Job Service North Dakota estimates the amount of unemployment taxes, penalties, and interest that will be receivable and uncollectible. Management estimates the taxes, penalties, and interest at year end by determining the amount of collections from July 1, 2010 to August 15, 2010. Management estimates the uncollectible amount based on the aging of the receivable balance. The auditor's conclusion is based on the past history of collections and subsequent payment of the receivables after year end.

Job Service North Dakota also estimates the depreciation of the fixed assets. Management determines the useful life of the assets based on planned use, subtracts the estimated salvage value, and depreciates the remaining cost of the asset over the useful life. The auditor's conclusion of the reasonableness of the useful lives is based on the past history of similar assets used by the organization.

3. Identify any significant audit adjustments?

None

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to the financial accounting, reporting, or auditing matter that could be significant to the financial statements?

None

5. Identify any serious difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accountants about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions to be assessed by auditors are directly related to the operations of an information technology system.

The mainframe (Libra 300- Unisys) has been identified as the most high-risk system at JSND. The appropriate backup practices are adhered to and the configurations are stored offsite.

9. Identify any major issues discussed with management prior to retention.

None

10. Identify any management consultations with other accountants about auditing and accounting matters.

None

11. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions to be assessed by auditors are directly related to the operations of an information technology system.

The mainframe (Libra 300- Unisys) has been identified as the most high-risk system at JSND. The appropriate backup practices are adhered to and the configurations are stored offsite.

This report is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota  
November 18, 2010