

Job Service North Dakota

***Financial Report
For the Years Ending
June 30, 2011 and 2010***

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

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

JOB SERVICE NORTH DAKOTA

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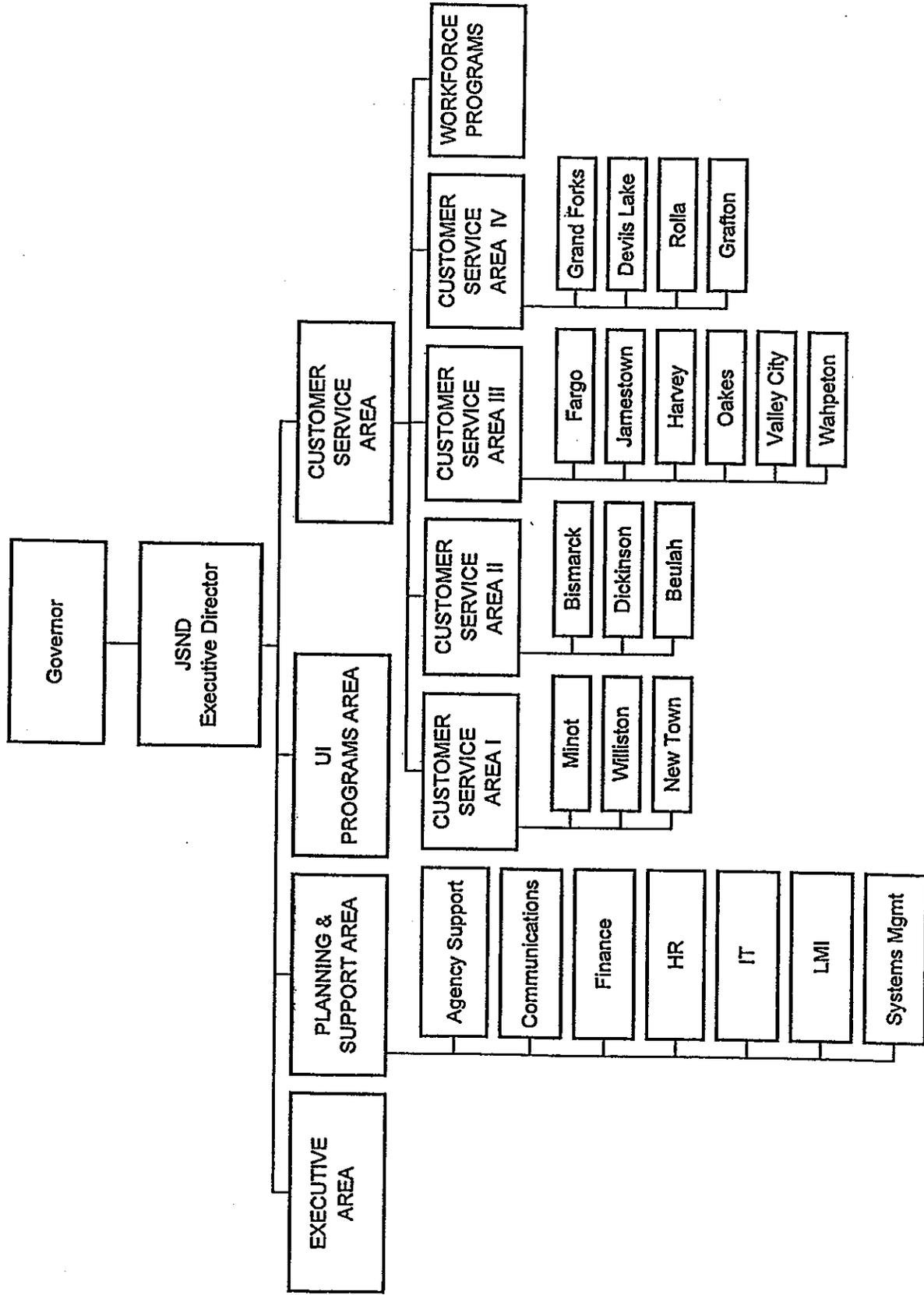
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JOB SERVICE NORTH DAKOTA



Independent Auditors' Report



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010 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, 2011 and 2010 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.

A

As discussed in Note 1 to the financial statements, Job Service North Dakota has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with Government Auditing Standards, we have also issued a report dated December 2, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 1 through 8 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 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Job Service North Dakota's financial statements as a whole. 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 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.



Bismarck, North Dakota
December 2, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

June 30, 2011

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, 2011 with comparison to the fiscal year ended June 30, 2010.

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.

Job Service North Dakota's mission statement is as follows:

***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 \$121.65 million (net assets). The increase of \$14.73 million (13.8%) over the prior fiscal year is due almost entirely to increases in the Business-Type Activity of the Unemployment Insurance Trust fund. \$12.48 million of this increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund due to a higher taxable wage base, tax rate adjustments, lower Unemployment Insurance Benefit payments and collection of benefits paid from other states.
- As of the close of the current fiscal year, the Agency's Business-Type funds reported combined ending net assets of \$113.88 million, an increase of \$14.36 million in comparison with the prior year. All of these assets of the business-type funds are fully restricted for specific purposes.
- The Agency's governmental funds reported net assets of \$7.78 million, an increase of \$0.38 million over the prior year. Of the total, \$4.82 million of these assets are invested in capital assets, net of related debt, \$2.68 million are restricted for other purposes and \$0.28 million of net assets are unrestricted.

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, 2011 and June 30, 2010. 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, 2011 and June 30, 2010. 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 9-11 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 13 & 15 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 shown in the *combining statements* provided in the supplemental information of 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 19 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 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 16-18 of this report.

Government-wide Financial Analysis

As previously mentioned, net assets may serve as a useful indicator of a government's financial position. The net assets of Job Service North Dakota exceeded liabilities by \$121.65 million at the close of the Agency's fiscal year.

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

	Governmental Activities			Business-Type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 119,075	\$ 115,952	\$ 75,137	\$ 119,075	\$ 115,952	\$ 75,137
Operating grants and Contributions	27,051	27,808	24,011	3,764	4,094	6,023	30,815	31,902	30,034
Total revenues	\$ 27,051	\$ 27,808	\$ 24,011	\$ 122,839	\$ 120,046	\$ 81,160	\$ 149,890	\$ 147,854	\$ 105,171
Expenses:									
Economic Development & Assistance	\$ 27,429	\$ 28,018	\$ 25,227	\$ -	\$ -	\$ -	\$ 27,429	\$ 28,018	\$ 25,227
Interest on long-term debt	105	137	163	-	-	-	105	137	163
Unemployment Compensation Funds	-	-	-	108,482	137,473	106,475	108,482	137,473	106,475
Total expenses	\$ 27,534	\$ 28,155	\$ 25,390	\$ 108,482	\$ 137,473	\$ 106,475	\$ 136,016	\$ 165,628	\$ 131,865
Change in net assets before transfers and special items	\$ (483)	\$ (347)	\$ (1,379)	\$ 14,357	\$ (17,427)	\$ (25,315)	\$ 13,874	\$ (17,774)	\$ (26,694)
Special Item - gain(loss) on disposal of fixed assets	-	237	(361)	-	-	-	-	237	(361)
Transfers	856	576	1,092	-	-	-	856	576	1,092
Change in net assets	373	466	(648)	14,357	(17,427)	(25,315)	14,730	(16,961)	(25,963)
Net assets - Beginning of year	7,402	6,936	7,584	99,518	116,945	142,260	106,920	123,881	149,844
Net assets - End of year	\$ 7,775	\$ 7,402	\$ 6,936	\$ 113,875	\$ 99,518	\$ 116,945	\$ 121,650	\$ 106,920	\$ 123,881

Job Service North Dakota's Net Assets June 30 (in thousands)

	Governmental Activities			Business-Type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Current and other assets	\$ 6,784	\$ 6,845	\$ 7,493	\$ 119,051	\$ 104,212	\$ 124,054	\$ 125,835	\$ 111,057	\$ 131,547
Capital assets	7,919	7,035	7,260	-	-	-	7,919	7,035	7,260
Total assets	\$ 14,703	\$ 13,880	\$ 14,753	\$ 119,051	\$ 104,212	\$ 124,054	\$ 133,754	\$ 118,092	\$ 138,807
Noncurrent liabilities	\$ 4,319	\$ 3,791	\$ 4,417	\$ -	\$ -	\$ -	\$ 4,319	\$ 3,791	\$ 4,417
Other liabilities	2,609	2,687	3,401	5,176	4,694	7,108	7,785	7,381	10,509
Total liabilities	\$ 6,928	\$ 6,478	\$ 7,818	\$ 5,176	\$ 4,694	\$ 7,108	\$ 12,104	\$ 11,172	\$ 14,926
Net Assets:									
Invested in capital assets, net of related debt	\$ 4,818	\$ 4,501	\$ 4,101	\$ -	\$ -	\$ -	\$ 4,818	\$ 4,501	\$ 4,101
Restricted	2,674	2,631	2,557	113,875	99,518	116,946	116,549	102,149	119,503
Unrestricted	283	270	277	-	-	-	283	270	277
Total net assets	\$ 7,775	\$ 7,402	\$ 6,936	\$ 113,875	\$ 99,518	\$ 116,946	\$ 121,650	\$ 106,920	\$ 123,881

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. The net assets of \$121.65 million as of June 30, 2011 and \$106.92 million as of June 30, 2010 include \$7.78 million and \$7.40 million in assets of the Governmental Activities, respectively, and \$113.88 million and \$99.52 million of assets of the Business-Type Activity, respectively, of the Proprietary fund.

Governmental activities

The net assets as of June 30, 2011 and 2010, related to governmental activities, are \$7.78 million and \$7.40 million, respectively. The net assets as of June 30, 2011 and 2010 include, \$4.82 million and \$4.50 million, respectively, as investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is 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.

Of the remaining net assets, \$2.68 million is restricted for other purposes and \$0.28 million are classified as unrestricted net assets. \$2.07 million of the assets restricted for other purposes 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.

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 \$113.88 million and \$99.52 million at June 30, 2011 and June 30, 2010, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of 100.78 million at June 30, 2011 and \$86.10 million at June 30, 2010 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 \$13.09 million at June 30, 2011 and \$13.42 million at June 30, 2010, 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

Governmental funds

Job Service North Dakota utilizes five 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 four nonmajor governmental funds include the 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 of the governmental activities increased 5.04% from 2010 to 2011. This increase was the net result of capital asset purchases offset by additions to and payments on capital leases.

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.

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, 2011 charges for service revenue increased by \$3.12 million over the prior year due to a \$13.6 million increase in Unemployment Insurance contributions, offset by a decrease of \$10.49 million of Federal Benefit Reimbursements. The federal benefit reimbursement decrease is a result of expiration of the extended unemployment benefit program, reduced federal benefit claims 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 increased 14.4% from the previous year. This increase was primarily a result of lower unemployment resulting in lower unemployment benefit payouts, a higher taxable wage base, tax rate adjustments and collection of benefits paid from other states.

Capital Asset and Debt Administration

Capital assets

The Agency's investment in capital assets was \$7.92 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$7.03 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 53-55.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2011 and June 30, 2010 were \$4.32 million and \$3.79 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, \$.57 million is considered as a current liability on the Statement of Net Assets because it is due within one year. The remaining liability of \$3.75 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
(in thousands)

	Governmental Activities			Business-Type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Current Liabilities:									
Accounts payable	\$ 250	\$ 284	\$ 690	\$ 2,059	\$ 1,423	\$ 1,960	\$ 2,308	\$ 1,707	\$ 2,650
Accrued Payroll	1,457	1,542	1,811	-	-	-	1,457	1,542	1,811
Interest payable	16	19	22	-	-	-	16	19	22
Other current liabilities	887	841	877	3,118	3,271	5,148	4,004	4,112	6,025
Noncurrent Liabilities:									
Due within one year	566	455	736	-	-	-	566	455	736
Due in more than one year	3,753	3,336	3,681	-	-	-	3,753	3,336	3,681
Total liabilities	\$ 6,928	\$ 6,478	\$ 7,818	\$ 5,176	\$ 4,694	\$ 7,108	\$ 12,104	\$ 11,172	\$ 14,926

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

Financial Analysis of Appropriated Budget

The Agency's biennial budget can be found on page 19. The agency had an overall favorable variance of \$15.45 million. The Reed Act budget variance of \$5.01 million is due to the continuation of the agencies unemployment insurance IT project into the next biennium. This project has come in under budget this biennium as a four state consortium is developing system requirements that will define the new computer system. The Reed Act resources will be needed in the next biennium to accommodate building of the new computer system.

The remaining favorable budget variances are due to a combination of funding that will be expended in the next biennium and receiving less federal funds than budgeted.

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.

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.

State of North Dakota Legislation:

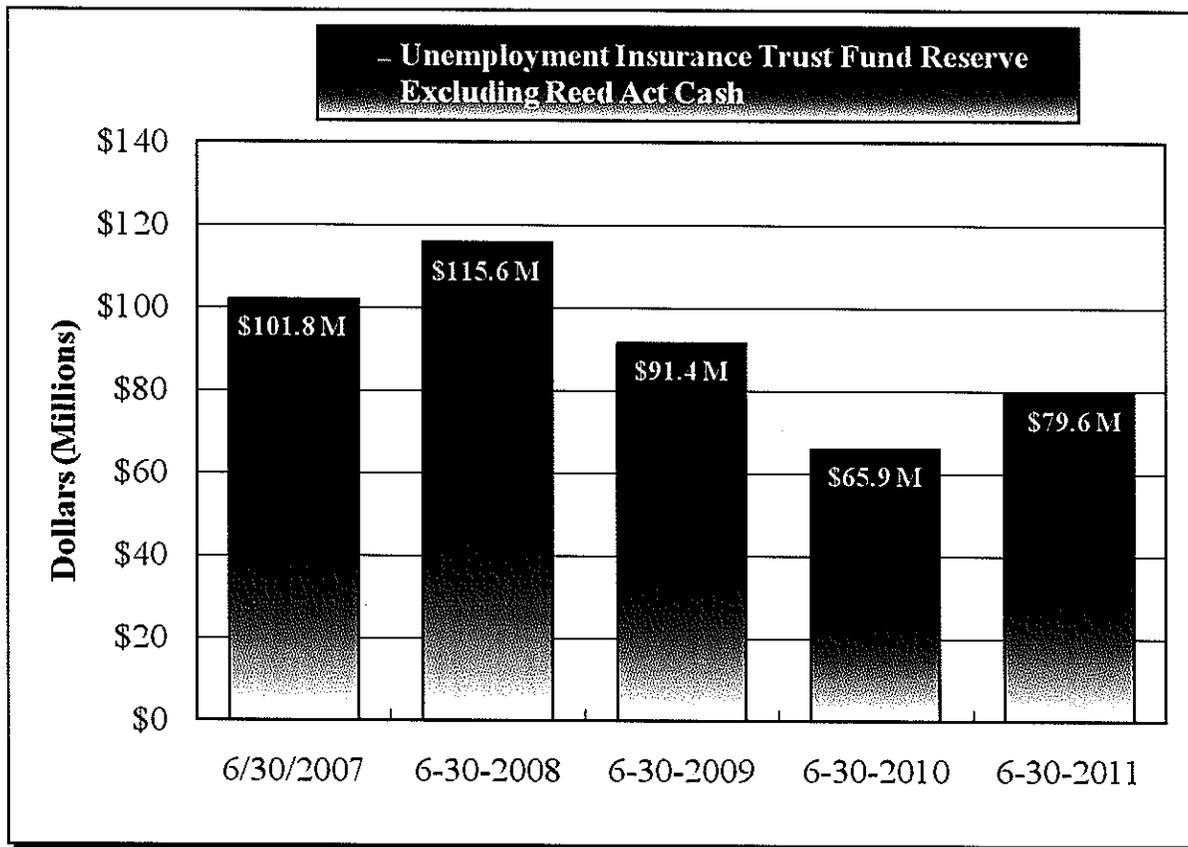
The 62nd (2011) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

HB 1016, Job Service North Dakota Appropriations

This bill includes a base budget appropriation for Job Service North Dakota, an appropriation for \$1,500,000 of (ARRA) American Recovery and Reinvestment Act funds and \$12,400,000 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.

Unemployment Insurance Trust Fund Reserve:

As illustrated in the chart below the Unemployment Insurance Trust Fund Reserve has increased by \$13.7 Million, a twenty one percent increase from a year ago. This increase is due to a higher taxable wage base, lower Unemployment Insurance claim payments and employer tax rate adjustments over the past year.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
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
6-30-2011	79,649,947	13,092,354	92,742,301

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.

Basic Financial Statements

JOB SERVICE NORTH DAKOTA

**Statements of Net Assets
June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activity		Totals	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash and Cash equivalents	\$ 1,200,036	\$ 2,074,102	\$ 91,921,390	\$ 78,570,471	\$ 93,121,426	\$ 80,644,573
Investments	1,400,000	400,000	-	-	1,400,000	400,000
Receivables, net	288,440	267,297	26,324,201	24,660,050	26,612,841	24,927,347
Due From:						
Other Funds	55,262	40,251	1,616	5,932	56,878	46,183
Federal Government	1,879,880	2,101,067	57,789	58,482	1,937,669	2,159,549
Other State Agencies	330,605	251,246	-	-	330,605	251,246
Other States	-	-	746,310	917,310	746,310	917,310
Prepaid items	-	75,000	-	-	-	75,000
Pension Assets	1,630,058	1,636,217	-	-	1,630,058	1,636,217
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	6,352,194	5,557,165	-	-	6,352,194	5,557,165
Work in Progress	300,517	211,352	-	-	300,517	211,352
TOTAL ASSETS	\$ 14,703,283	\$ 13,879,988	\$ 119,051,306	\$ 104,212,245	\$ 133,754,589	\$ 118,092,233
LIABILITIES						
Accounts Payable	\$ 249,836	\$ 284,082	\$ 2,058,621	\$ 1,422,867	\$ 2,308,457	\$ 1,706,949
Interest Payable	15,681	19,305	-	-	15,681	19,305
Accrued Payroll	1,456,791	1,542,295	-	-	1,456,791	1,542,295
Due To:						
Other Funds	29,956	28,757	26,922	17,426	56,878	46,183
Other States	-	-	2,978,160	3,081,195	2,978,160	3,081,195
Other State Agencies	510,286	528,361	112,500	172,502	622,786	700,863
Net OPEB Obligation	346,433	284,143	-	-	346,433	284,143
Noncurrent liabilities:						
Due within one year	565,648	454,752	-	-	565,648	454,752
Due in more than one year	3,753,293	3,336,024	-	-	3,753,293	3,336,024
TOTAL LIABILITIES	\$ 6,927,904	\$ 6,477,719	\$ 5,176,203	\$ 4,693,990	\$ 12,104,107	\$ 11,171,709
NET ASSETS						
Invested in capital assets, net of related debt	\$ 4,818,475	\$ 4,500,728	\$ -	\$ -	\$ 4,818,475	\$ 4,500,728
Restricted for:						
Unemployment Insurance Benefits	-	-	100,782,749	86,100,864	100,782,749	86,100,864
Unemployment Insurance Benefits and/or Other Purposes	-	-	13,092,354	13,417,391	13,092,354	13,417,391
Other Purposes	2,673,553	2,631,352	-	-	2,673,553	2,631,352
Unrestricted	283,351	270,189	-	-	283,351	270,189
TOTAL NET ASSETS	\$ 7,775,379	\$ 7,402,289	\$ 113,875,103	\$ 99,518,255	\$ 121,650,482	\$ 106,920,524

JOB SERVICE NORTH DAKOTA

**Statement of Activities
For the Fiscal Year Ended June 30, 2011**

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs							
Governmental Activities:							
Economic Development & Assistance	\$ 27,428,973	\$ -	\$ 27,051,604	\$ (377,369)	\$ -	\$ (377,369)	
Interest on long-term debt	105,357	-	-	(105,357)	-	(105,357)	
Total governmental activities	27,534,330	-	27,051,604	(482,726)	-	(482,726)	
Business-type activities:							
Unemployment Compensation Funds	108,482,422	119,074,810	3,764,460	-	14,356,848	14,356,848	
Total business-type activities	108,482,422	119,074,810	3,764,460	-	14,356,848	14,356,848	
Total primary government	\$ 136,016,752	\$ 119,074,810	\$ 30,816,064	(482,726)	14,356,848	13,874,122	
Transfers				855,836	-	855,836	
Change in net assets				373,110	14,356,848	14,729,958	
Net assets, June 30, 2010				7,402,269	99,518,255	106,920,524	
Net assets, June 30, 2011				\$ 7,775,379	\$ 113,875,103	\$ 121,650,482	

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		
Functions/Programs								
Governmental Activities:								
Economic Development & Assistance	\$ 28,017,714	\$ -	\$ 27,807,535	\$ (210,179)	\$ -	\$ (210,179)		(210,179)
Interest on long-term debt	137,267	-	-	(137,267)	-	(137,267)		(137,267)
Total governmental activities	28,154,981	-	27,807,535	(347,446)	-	(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)		(17,427,455)
Total business-type activities	137,473,630	115,951,800	4,094,375	-	(17,427,455)	(17,427,455)		(17,427,455)
Total primary government	\$ 165,628,611	\$ 115,951,800	\$ 31,901,910	\$ (347,446)	\$ (17,427,455)	\$ (17,774,901)		\$ (17,774,901)
Special Item - Gain on disposal of fixed assets				237,708	-	237,708		237,708
Transfers				576,495	-	576,495		576,495
Change in net assets				466,757	(17,427,455)	(16,960,698)		(16,960,698)
Net assets, June 30, 2009				6,935,512	116,945,710	123,881,222		123,881,222
Net assets, June 30, 2010				\$ 7,402,269	\$ 99,518,255	\$ 106,920,524		\$ 106,920,524

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Balance Sheets
Governmental Funds
June 30, 2011 and 2010**

	Federal Fund		Nonmajor Governmental Funds		Total
	2011	2010	2011	2010	
ASSETS					
Cash Deposits At The Bank of North Dakota			\$ 622,950	\$ 1,384,938	\$ 1,384,938
Cash in State Treasury	-	-	577,086	689,164	689,164
Investments At The Bank of North Dakota	-	-	1,400,000	400,000	1,400,000
Accounts Receivable - Net:					
Refunds	2,747	2,217	-	361	2,747
Accrued Interest	-	-	466	227	466
Penalty and/or Interest	-	-	285,226	264,492	285,226
Due From:					
Other Funds	26,922	17,426	28,340	22,825	55,262
Federal Government	1,879,880	2,101,087	-	-	1,879,880
Other State Agencies	234,916	211,181	95,689	40,085	330,605
Prepaid Items	-	75,000	-	-	75,000
TOTAL ASSETS	\$ 2,144,465	\$ 2,406,891	\$ 3,009,757	\$ 2,802,072	\$ 5,154,222

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts Payable	\$ 160,760	\$ 249,562	\$ 89,076	\$ 34,520	\$ 284,082
Accrued Payroll	1,444,306	1,525,910	12,485	16,385	1,456,791
Due To:					
Other Funds	29,796	28,757	160	-	29,956
Other State Agencies	509,603	527,662	663	699	510,266
Deferred Revenue	-	-	233,820	194,116	233,820
TOTAL LIABILITIES	2,144,465	2,331,891	336,204	245,720	2,480,669
Fund Balances:					
Nonspendable	-	75,000	-	-	75,000
Restricted	-	-	2,074,662	1,855,541	2,074,662
Assigned	-	-	598,891	700,811	598,891
TOTAL FUND BALANCES	-	75,000	2,673,553	2,556,352	2,631,352
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,144,465	\$ 2,406,891	\$ 3,009,757	\$ 2,802,072	\$ 5,154,222

JOB SERVICE NORTH DAKOTA

**Reconciliation of the Balance Sheets - Governmental Funds
To the Statements of Net Assets
June 30, 2011 and 2010**

	2011	2010
Total fund balances for governmental funds	\$ 2,673,553	\$ 2,631,352
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)	1,630,058	1,636,217
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	13,353,887	13,602,447
Work in progress	300,517	211,352
Accumulated depreciation	<u>(7,001,693)</u>	<u>(8,045,282)</u>
Deferred Revenue does not provide current financial resources and are not reported as revenues in the funds.	233,820	194,116
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)	(346,433)	(284,143)
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>(1,218,414)</u>	<u>(1,256,696)</u>
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	(366,459)	(484,746)
Capital Lease - Bismarck/Mandan Office	(1,916,500)	(1,948,837)
Capital Lease - IT Equipment	(817,568)	(100,497)
Accrued interest payable	<u>(15,681)</u>	<u>(19,305)</u>
Net assets of governmental activities	<u>\$ 7,775,379</u>	<u>\$ 7,402,269</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, 2011 and 2010**

	Federal Fund		Nonmajor Governmental Funds		Total
	2011	2010	2011	2010	
Revenues					
Federal Grants	\$ 26,495,856	\$ 27,228,141	\$ -	\$ -	\$ 27,228,141
Interest Earnings	127	202	10,886	15,503	15,705
Penalty and/or Interest	-	-	487,997	407,422	407,422
Other Grants	-	-	56,738	156,267	156,267
TOTAL REVENUES	26,495,983	27,228,343	555,621	579,192	27,051,604
Expenditures					
Current:					
Economic Development & Assistance	26,050,388	27,026,572	1,294,256	1,157,078	28,183,650
Capital Outlays	1,570,802	126,771	-	-	126,771
TOTAL EXPENDITURES	27,621,190	27,153,343	1,294,256	1,157,078	28,310,421
Excess of Revenues Over (Under) Expenditures	(1,125,207)	75,000	(738,635)	(577,886)	(502,886)
Other Finance Sources					
Transfers In	-	-	855,836	576,495	576,495
Capital Lease	1,050,207	-	-	-	1,050,207
TOTAL OTHER FINANCE SOURCES	1,050,207	-	855,836	576,495	576,495
Net change in Fund Balances	(75,000)	75,000	117,201	(1,391)	73,609
Fund Balances at June 30, prior year	75,000	-	2,556,352	2,557,743	2,557,743
Fund Balances at June 30	\$ -	\$ 75,000	\$ 2,673,553	\$ 2,556,352	\$ 2,631,352

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Net change in fund balances - total governmental funds	\$ 42,201	\$ 73,609
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)	(6,159)	(6,181)
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 was (greater than) less than capital outlays in the current period.	884,194	(462,506)
Gain(Loss) on disposal of fixed assets.	-	237,708
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. (Increase) Decrease in long-term debt and change in interest payable.	(562,823)	628,025
Deferred Revenue does not provide current financial resources and are not reported as revenues in the funds. Increase in deferred revenue	39,704	64,292
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 in compensated absences. Increase in the Net OPEB Obligation resulting from contributions less than the annual required contribution. (Note 7)	38,283 (62,290)	1,567 (69,757)
Change in net assets of governmental activities	<u>\$ 373,110</u>	<u>\$ 466,757</u>

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statements of Net Assets
Proprietary Fund
June 30, 2011 and 2010**

	Unemployment Insurance	
	2011	2010
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash Deposits At The Bank of North Dakota	\$ 60,492	\$ 47,907
Cash and Cash Equivalents in U.S. Treasury	91,860,898	78,522,564
Interest Receivable - Unemployment Insurance Trust Fund	881,403	788,820
Accounts Receivable - Net:		
Unemployment Insurance Contributions	24,421,914	23,199,608
Unemployment Insurance Overpayments - Benefits & Interest	1,020,884	671,622
Due From:		
Due from other Funds	1,616	5,932
Federal Government	57,789	58,482
Other States	746,310	917,310
TOTAL ASSETS	119,051,306	104,212,245
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Benefits Payable	1,292,465	953,659
Unemployment Insurance Overpayments - Contributions	766,156	469,208
Due To:		
Due to Other Funds	26,922	17,426
Other States	2,978,160	3,081,195
Other State Agencies	112,500	172,502
TOTAL LIABILITIES	5,176,203	4,693,990
<u>NET ASSETS</u>		
Restricted for:		
Unemployment Insurance Benefits	100,782,749	86,100,864
Unemployment Insurance Benefits and/or Other Purposes	13,092,354	13,417,391
TOTAL NET ASSETS	\$ 113,875,103	\$ 99,518,255

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, 2011 and 2010**

	Unemployment Insurance	
	2011	2010
Operating Revenues:		
Unemployment Insurance Contributions	\$ 87,488,870	\$ 73,893,934
Federal Benefit Reimbursements	31,481,728	41,967,151
Unemployment Insurance Overpayments - Interest	104,212	90,715
Reed Act Distribution	-	-
TOTAL OPERATING REVENUES	119,074,810	115,951,800
Operating Expenses:		
Unemployment Insurance Benefits	76,666,356	94,957,210
Federal Unemployment Insurance Benefits	31,481,728	41,967,151
Economic Development & Assistance	334,338	549,269
TOTAL OPERATING EXPENSES	108,482,422	137,473,630
Operating Income(Loss)	10,592,388	(21,521,830)
Nonoperating Revenues:		
Interest Earnings	3,764,460	4,094,375
TOTAL NONOPERATING REVENUES	3,764,460	4,094,375
Change in Net Assets	14,356,848	(17,427,455)
Total Net Assets at July 1, prior year	99,518,255	116,945,710
Total Net Assets at June 30	\$ 113,875,103	\$ 99,518,255

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA**Statements of Cash Flows
Proprietary Fund
For the Fiscal Years Ended June 30, 2011 and 2010**

	Unemployment Insurance	
	2011	2010
<i>Cash Flows from Operating Activities</i>		
Receipts from employers	\$ 83,934,749	\$ 64,315,344
Receipts from other states	3,307,124	4,659,791
Payments to other states	(11,332,198)	(12,365,398)
Payments to employers	(506,295)	(1,680,971)
Benefits Paid to claimants	(65,504,424)	(84,551,363)
Overpayment Interest from claimants	105,123	85,391
Economic Development and Assistance	(325,037)	(571,433)
Net cash (used in)/provided by operating activities	9,679,042	(30,108,639)
<i>Cash Flows from Investing Activities</i>		
Interest on investments	3,671,877	4,536,236
Net cash provided by investing activities	3,671,877	4,536,236
Net change in cash and cash equivalents	13,350,919	(25,572,403)
Cash and cash equivalents at June 30, prior year	78,570,471	104,142,874
Cash and cash equivalents at June 30	\$ 91,921,390	\$ 78,570,471
<i>Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:</i>		
Operating income(Loss)	\$ 10,592,388	\$ (21,521,830)
Net changes in assets and liabilities:		
Contributions Receivable	(1,222,306)	(6,750,929)
Due from Other Funds	4,316	(5,932)
Due from Other States	171,000	239,421
Unemployment Insurance Overpayments - Benefits & Interest	(349,262)	(217,906)
Due from Federal Government	693	562,907
Benefits Payable	338,806	(448,371)
Unemployment Insurance Overpayments - Contributions	296,948	(88,914)
Due To: Other Funds	9,496	(22,031)
Due To: Other States	(103,035)	612
Due To: Other State Agencies	(60,002)	(1,855,666)
Net cash (used in)/provided by operating activities	\$ 9,679,042	\$ (30,108,639)

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Appropriations
For the Fiscal Year Ended June 30, 2011**

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Expenditures		Variance Favorable (Unfavorable)
				2010	2011	

Revenue:

<i>General Fund</i>	\$ 1,565,442	\$ 2,090	\$ 1,567,532	\$ 576,495	\$ 771,121	\$ 219,916
<i>Federal Funds</i>	69,288,066	(512,913)	68,775,153	27,777,612	26,905,161	14,092,380
<i>Other Funds</i>	516,778	1,000,000	1,516,778	203,885	171,904	1,140,989
Total Revenues	\$ 71,370,286	\$ 489,177	\$ 71,859,463	\$ 28,557,992	\$ 27,848,186	\$ 15,453,285

Expenditures By Line Item:

<i>Salaries and Wages</i>	\$ 35,566,246	\$ 402,090	\$ 35,968,336	\$ 15,144,303	\$ 16,161,796	\$ 4,662,237
<i>Operating Expenses</i>	11,224,804	-	11,224,804	4,592,651	4,598,768	2,033,385
<i>Capital Assets</i>	20,000	-	20,000	75	19,057	868
<i>Grants Benefits & Claims</i>	8,438,220	-	8,438,220	2,505,234	3,105,516	2,827,470
<i>Workforce 20/20</i>	1,512,491	-	1,512,491	551,727	747,431	213,333
<i>Reed Act - Unemployment</i>	5,515,586	-	5,515,586	502,433	1,129	5,012,024
<i>Federal Stimulus Funds - 2009</i>	9,092,939	87,087	9,180,026	5,261,569	3,214,489	703,968
Total Expenditures	\$ 71,370,286	\$ 489,177	\$ 71,859,463	\$ 28,557,992	\$ 27,848,186	\$ 15,453,285

See accompanying notes to the Financial Statements

**Job Service North Dakota
Notes to Financial Statements
June 30, 2011 and 2010**

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.

As of June 30, 2011 Job Service North Dakota implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement 54 establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. GASB Statement 54 distinguishes fund balance between amounts that are considered nonspendable, such as inventories and prepaid expenses, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Fund balances are reported in the following classifications beginning with the most binding constraints:

- Restricted - amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed - amounts constrained by a government using its highest level of decision-making authority.
- Assigned - amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted, committed and assigned resources, in this order, then unrestricted resources as they are needed. See note 15 Restricted Net Assets on pages 43 and 44 for detailed information of the agencies fund balances utilizing GASB 54 classifications.

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 special revenue fund. The Federal Fund accounts for the activities of the federal grant programs administered by the Agency. The Federal Fund revenues are received from federal grant programs administered by Job Service North Dakota.

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 restricted 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 30th 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>2011</u>	<u>2010</u>
Capital Outlays	\$ 1,570,802	\$ 126,771
Depreciation Expense	<u>(686,608)</u>	<u>(589,277)</u>
Net adjustment to decrease (increase) <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 884,194</u>	<u>\$ (462,506)</u>

Another element of that reconciliation states that "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." See Note 10 for additional information on debt refinancing. The details of this difference are as follows:

	<u>2011</u>	<u>2010</u>
Debt Issued	\$ (2,744,042)	\$ -
Principal repayments:		
General obligation debt	483,760	624,944
Debt refinanced	1,693,835	-
Change in Interest Payable	<u>3,624</u>	<u>3,081</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>\$ (562,823)</u>	<u>\$ 628,025</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 include 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, 2011

	<u>Fair Value</u>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 683,442
Cash in State Treasury recorded as Cash and Cash Equivalents	577,086
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	78,768,544
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>13,092,354</u>
Totals	<u>\$ 93,121,426</u>

June 30, 2010

	<u>Fair Value</u>
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>

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, 2011

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>

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>

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 2011 and 2010. 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, 2011

	<u>Unemployment Insurance Contributions</u>	<u>Penalty and/or Interest</u>	<u>Unemployment Insurance Overpayments- Benefits & Interest</u>	<u>Interest</u>	<u>State Refunds</u>	<u>Total</u>
Total Receivable	\$ 26,217,329	\$ 1,426,519	\$ 4,122,414	\$ 881,869	\$ 2,747	\$ 32,650,878
Less: Allowance for Doubtful Accounts	1,795,414	1,141,293	3,101,530	-	-	6,038,237
Net Receivable	<u>\$ 24,421,914</u>	<u>\$ 285,226</u>	<u>\$ 1,020,884</u>	<u>\$ 881,869</u>	<u>\$ 2,747</u>	<u>\$ 26,612,641</u>

Receivables as of June 30, 2010

	<u>Unemployment Insurance Contributions</u>	<u>Penalty and/or Interest</u>	<u>Unemployment Insurance Overpayments- Benefits & Interest</u>	<u>Interest</u>	<u>State Refunds</u>	<u>Total</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>

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 \$233,820 and \$194,116 as of June 30, 2011 and 2010, respectively, and represents an amount expected to be received after one year. The residual amounts of \$51,406 and \$70,376 on June 30, 2011 and 2010, respectively, were recorded as revenue and were expected to be received within one year.

NOTE 5 – Capital Assets

Governmental Activities	<u>Beginning Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
Capital Assets, not being depreciated:				
Land	\$ 1,266,291	\$ -	\$ -	\$ 1,266,291
Work in Progress - UI Modernization	211,352	601,563	512,398	300,517
Total capital assets, not being depreciated	<u>1,477,643</u>	<u>601,563</u>	<u>512,398</u>	<u>1,566,808</u>
Capital Assets, being depreciated:				
Buildings	9,022,064	-	-	9,022,064
Equipment	2,339,941	970,562	1,730,197	1,580,306
Intangible Assets	2,240,442	511,075	-	2,751,517
Total Capital Assets, being depreciated	<u>13,602,447</u>	<u>1,481,637</u>	<u>1,730,197</u>	<u>13,353,887</u>
Less accumulated depreciation for:				
Buildings	4,243,883	205,074	-	4,448,957
Equipment	2,303,628	218,125	1,730,197	791,556
Intangible Assets	1,497,772	263,409	-	1,761,181
Total accumulated depreciation	<u>8,045,283</u>	<u>686,608</u>	<u>1,730,197</u>	<u>7,001,693</u>
Total capital assets, being depreciated, net	<u>5,557,164</u>	<u>795,029</u>	<u>-</u>	<u>6,352,194</u>
Governmental activity capital assets, net	<u>\$ 7,034,807</u>	<u>\$ 1,396,592</u>	<u>\$ 512,398</u>	<u>\$ 7,919,002</u>

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	1,652,460	34,217	209,034	1,477,643
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	13,313,393	301,588	12,534	13,602,447
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	7,706,248	589,277	250,242	8,045,283
Total capital assets, being depreciated, net	5,607,145	(287,689)	(237,708)	5,557,164
Governmental activity capital assets, net	\$ 7,259,605	\$ (253,472)	\$ (28,674)	\$ 7,034,807

Federal resources have funded all equipment. Intangible Asset and Equipment deletions were \$1,730,197 and \$12,534 for 2011 and 2010, respectively. The 2011 Equipment deletions include \$1,730,197 of Mainframe computer system that Job Service North Dakota used for its unemployment insurance program. This Equipment was replaced with the purchase of a new Mainframe computer system. The Equipment purchase utilized a five year capital lease with a total equipment value of \$957,542 and accumulated amortization is \$212,787 as of June 30, 2011.

Buildings include a capitalized lease of the Grand Forks office building with a value of \$1,676,260 and accumulated amortization of \$566,018 and a capitalized lease of the Bismarck / Mandan office building with a value of \$2,187,530 and accumulated amortization of \$304,873. Additional information on the capital leases including future minimum lease payments is included in note 10 to the financial statements.

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, 2011 and 2010 were \$1,370,330 and \$1, 546,269, respectively. Total payroll for all employees was \$11,488,028 and \$10,938,955, respectively. Information included herein is based on the most current actuarial valuation report (as of July 1, 2011).

As of that date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	213
Terminated employees entitled to benefits but not yet receiving them	4
Current vested employees	<u>23</u>
TOTAL	<u><u>240</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 based 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:

Period	Employee Contribution (Paid by Employee)	Employee Contribution (Paid by Employer in lieu of salary increase)	Employer Annual Required Contribution
7/1/07 - 6/30/08	3%	4%	0%
7/1/08 - 6/30/09	3%	4%	0%
7/1/09 - 6/30/10	3%	4%	0%
7/1/10 - 6/30/11	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%.

The actuarial cost method used is the aggregate cost method. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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, 2011
Actuarial Cost Method	Aggregate Cost*
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, 2011, 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:

	2011	2010
Annual required contributions	\$ -	\$ -
Interest on net pension obligation	122,716	123,180
Adjustment to annual required contributions	128,875	129,361
Annual pension costs	6,159	6,181
Contributions made	-	-
Increase in net pension obligation	6,159	6,181
Net pension obligations, beginning of year	(1,636,217)	(1,642,398)
(Assets in excess of) net pension obligations, end of year	\$ (1,630,058)	\$ (1,636,217)

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

June 30	Pension Costs (APC)	of APC Contributed	Pension Obligation
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)
2011	6,159	0%	(1,630,058)

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 2011 and 2010 are included in the state of North Dakota's Comprehensive Annual Financial Report for the years ended June 30, 2011 and 2010. 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, 2011 and 2010 were \$935,100 and \$867,012, 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, 2011 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:

	Retiree Health Benefits Fund	Met Life Insurance Benefit	Total
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	240,307	50,669	290,976
Increase in net OPEB obligation	9,479	52,811	62,290
Net OPEB obligations, beginning of year	146,949	137,194	284,143
Net OPEB obligations, end of year	\$ 156,428	\$ 190,005	\$ 346,433

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

June 30	Annual Retiree Health Benefits OPEB Costs	Annual Met Life Insurance OPEB Costs	Annual Retiree Health Benefit Cost Contributed	Annual Met Life Insurance Cost Contributed	OPEB Obligation	Annual OPEB Cost Contributed
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%
2011	249,460	103,806	240,307	50,669	62,290	82.4%

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 \$953,770 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 capital and operating leases for the years ended June 30, 2011 and 2010 were approximately \$553,958 and \$553,403, respectively.

Future minimum operating lease commitments are:

<u>Year ending June 30:</u>	<u>Amount</u>
2012	\$ 239,120
2013	\$ 205,924
2014	135,702
2015	116,702
2016	28,226
Total	<u>\$ 725,674</u>

No lease commitments extend beyond June 2016.

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, 2011 and 2010 was \$1,218,414 and \$1,256,696 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, 2011:

<u>Year ending June 30:</u>	<u>Grand Forks Building</u>	<u>Bismarck / Mandan Building</u>	<u>Total</u>
2012	\$ 140,235	\$ 217,685	357,920
2013	\$ 139,952	\$ 212,863	352,815
2014	\$ 126,840	\$ 209,762	336,602
2015	\$ -	\$ 216,563	216,563
2016	\$ -	\$ 213,056	213,056
2017-2021	\$ -	\$ 1,075,000	1,075,000
2022-2023	\$ -	\$ 228,100	228,100
Total Minimum Lease Payments	407,027	2,373,029	2,780,056
Less: Amount Representing Interest	40,568	456,529	497,097
Present Value of Future Minimum Lease Payments	<u>\$ 366,459</u>	<u>\$ 1,916,500</u>	<u>\$ 2,282,959</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, 2011:

<u>Year ending June 30:</u>	<u>Information Technology Equipment</u>
2012	197,972
2013	197,972
2014	197,972
2015	197,972
2016	49,454
Total Minimum Lease Payments	841,340
Less: Amount Representing Interest	23,772
Present Value of Future Minimum Lease Payments	<u>\$ 817,568</u>

Gross costs and accumulated depreciation of capital leases as of June 30, 2011 is as follows:

	<u>Gross Cost of Asset</u>	<u>Accumulated Depreciation</u>
Grand Forks Building	\$1,676,260	\$ 566,018
Bismarck/Mandan Building	2,187,530	304,873
Information Technology Equipment	957,542	212,787

C. Changes in Noncurrent Liabilities

Governmental Activities	Beginning Balance June 30, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	\$ 1,256,696	\$ 904,954	\$ 943,236	\$ 1,218,414	\$ 99,666
Capital Leases	2,534,080	1,050,207	483,760	3,100,527	465,982
Total other liabilities	<u>3,790,776</u>	<u>1,955,161</u>	<u>1,426,996</u>	<u>4,318,941</u>	<u>565,648</u>
Total Long-Term Liabilities	<u>\$ 3,790,776</u>	<u>\$ 1,955,161</u>	<u>\$ 1,426,996</u>	<u>\$ 4,318,941</u>	<u>\$ 565,648</u>

Governmental Activities	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	<u>4,417,286</u>	<u>938,822</u>	<u>1,565,332</u>	<u>3,790,776</u>	<u>454,752</u>
Total Long-Term Liabilities	<u>\$ 4,417,286</u>	<u>\$ 938,822</u>	<u>\$ 1,565,332</u>	<u>\$ 3,790,776</u>	<u>\$ 454,752</u>

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund. The capital lease for the Bismarck/Mandan building was refinanced in the year ended June 30, 2011. The net amount of the refinanced debt, \$1,693,835, and the new debt, \$1,786,500, for the Bismarck/Mandan building is included in the additions. Capital Lease additions include a new IT Equipment lease of \$957,542 that was entered into in the year ended June 30, 2011.

NOTE 11 – Interfund Receivables / Payables

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

June 30, 2011

<u>Governmental Funds</u>	<u>Due From</u>	<u>Due To</u>
Job Service Special Fund	\$ 28,340	\$ -
Federal Advance Interest Repayment Account	-	160
Federal Funds	26,922	29,796
Total	\$ 55,262	\$ 29,956

<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	1,616	26,922
Total	\$ 1,616	\$ 26,922

June 30, 2010

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

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

NOTE 12 – Statement of Appropriation Reconciliation

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

Budget Based Expenditures as per page 19:	<u>\$ 27,848,186</u>
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	27,428,973
Governmental Activities - Interest on long-term debt	105,357
Business-type Activities - UC Funds	<u>108,482,422</u>
Subtotal	<u>136,016,752</u>
Less:	
Business-type Activities - UC Funds	108,482,422
FAIRA	279,762
Pension Assets at June 30,2010	1,636,217
Addition to Noncurrent Liabilities-Compensated Absences	904,954
Depreciation Expense	686,608
Interest Payable at June 30, 2011	15,681
Net change in Deferred Revenue	(39,704)
OPEB Expense at June 30, 2011	62,290
Insurance Recovery Expenditures	<u>71,628</u>
Subtotal	<u>112,099,858</u>
Plus:	
Appropriated expenses in Proprietary Fund	334,338
Net Capital Asset Additions	613,260
Reduction to Noncurrent Liabilities-Capital Lease	483,760
Reduction to Noncurrent Liabilities-Bonds Capital Leases	(92,665)
Reduction to Noncurrent Liabilities-Compensated Absences	943,236
Pension Assets at June 30,2011	1,630,058
Interest Payable at June 30, 2010	<u>19,305</u>
Subtotal	<u>3,931,292</u>
Adjusted GAAP Expenditures	<u>\$ 27,848,186</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, 2011</u>		
	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
A. <u>Due From Other State Agencies</u>			
Department of Human Services	\$ 234,916	\$ -	\$ -
General Fund	-	95,689	-
Total	\$ 234,916	\$ 95,689	\$ -
B. <u>Due To Other State Agencies</u>			
Office of Management and Budget	\$ 706	\$ 504	\$ -
ND Department of Corrections	6,672	-	-
Information Technology Department	118,032	-	-
Office of the State Treasurer	342,279	-	-
Office of the Attorney General	6,458	-	-
ND Public Employee Retirement System	420	-	-
Department of Commerce	31,333	-	-
Department of Transportation	3,703	159	-
Bank of North Dakota	-	-	112,500
Total	\$ 509,603	\$ 663	\$ 112,500

	<u>Transfer In</u>
<u>Nonmajor Governmental Funds</u>	
General Fund Appropriation	\$ 771,121
North Dakota Insurance Department	84,715
Total	\$ 855,836

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.

June 30, 2010

	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
A. <u>Due From Other State Agencies</u>			
Department of Human Services	\$ 211,181	\$ -	\$ -
General Fund	-	40,065	-
Total	\$ 211,181	\$ 40,065	\$ -
B. <u>Due To Other State Agencies</u>			
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
Total	\$ 527,662	\$ 699	\$ 172,502

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

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 \$100,782,749 on June 30, 2011 and \$86,100,864 on June 30, 2010 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 \$13,092,354 on June 30, 2011 and \$13,417,391 on June 30, 2010 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.

Restricted for Other Purposes is \$2,673,553 on June 30, 2011 and \$2,631,352 on June 30, 2010 that represents the fund balances of the governmental funds. The Federal Advance Interest Repayment Account fund balance is restricted by enabling legislation. The policy of Job Service North Dakota is to require planning team authorization of all actions related to assigned fund balances. The Job Service North Dakota Planning Team members are the Executive Director and all Area Directors. The GASB 54 fund balance classifications are presented below:

	<u>Fund Balances as of June 30, 2011</u>		
	Restricted	Assigned	Total
Fund Balances:			
Job Service Special Fund New Jobs Program	\$ -	\$ 585,805	\$ 585,805
Insurance Recovery Fund	-	13,086	13,086
Federal Advance Interest Repayment Account	2,074,662	-	2,074,662
Total	<u>\$ 2,074,662</u>	<u>\$ 598,891</u>	<u>\$ 2,673,553</u>

	<u>Fund Balances as of June 30, 2010</u>			
	Nonspendable	Restricted	Assigned	Total
Fund Balances:				
Federal Fund	\$ 75,000	\$ -	\$ -	\$ 75,000
Job Service Special Fund New Jobs Program	-	-	700,811	700,811
Federal Advance Interest Repayment Account	-	1,855,541	-	1,855,541
Total	<u>\$ 75,000</u>	<u>\$ 1,855,541</u>	<u>\$ 700,811</u>	<u>\$ 2,631,352</u>

Required Supplementary Information

JOB SERVICE NORTH DAKOTA

**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, 2011**

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
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%
2011	74,190,381	N/A	0	N/A	1,162,731	0.00%

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

JOB SERVICE NORTH DAKOTA

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

Year Ended June 30	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	2008	0	5,746,170	5,746,170	0.0%	3,411,634	168.43%
2009	2008	0	5,746,170	5,746,170	0.0%	3,064,817	187.49%
2010	2010	0	5,482,757	5,482,757	0.0%	3,199,800	171.35%
2011	2010	0	5,482,757	5,482,757	0.0%	2,609,254	210.13%

JOB SERVICE NORTH DAKOTA

**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, 2011**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	0	100%
2005	0	100%
2006	0	100%
2007	0	100%
2008	0	100%
2009	0	100%
2010	0	100%
2011	0	100%

JOB SERVICE NORTH DAKOTA

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions OPEB
For the Year Ended June 30, 2011**

<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%
2011	356,517	82%

**Job Service North Dakota
Notes to Required Supplementary Schedules
June 30, 2011 and 2010**

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: Aggregate Cost 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 Aggregate Cost 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 Aggregate Cost 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 & OPEB Plan Rates</i>			
	<i>Mortality</i>		<i>Disability</i>	
	<i>Male</i>	<i>Female</i>	<i>Incidence</i>	<i>Withdrawal</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 Age</u>	<u>Rates of Retirement</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, 2011 and June 30, 2010, there is \$0 in valuation assets available to offset the liabilities of the plans.

Actuarial cost method:

Pension Plan: Aggregate Cost 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, 2011**

	Special Revenue					
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account	Total Nonmajor Governmental Funds	
ASSETS						
Cash Deposits At The Bank of North Dakota	\$ -	-	-	\$ 622,950	\$ 622,950	
Cash in State Treasury	-	564,000	13,086	-	577,086	
Investments At The Bank of North Dakota	-	-	-	1,400,000	1,400,000	
Accounts Receivable - Net:						
Refunds	-	-	-	-	-	
Accrued Interest	-	-	-	466	466	
Penalty and/or Interest	-	-	-	285,226	285,226	
Due From:						
Other Funds	-	28,340	-	-	28,340	
Other State Agencies	95,689	-	-	-	95,689	
TOTAL ASSETS	\$ 95,689	\$ 592,340	\$ 13,086	\$ 2,308,642	\$ 3,009,757	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 89,076	-	-	-	89,076	
Accrued Payroll	6,613	5,872	-	-	12,485	
Due To:						
Other Funds	-	-	-	160	160	
Other State Agencies	-	663	-	-	663	
Deferred Revenue	-	-	-	233,820	233,820	
TOTAL LIABILITIES	\$ 95,689	\$ 6,535	\$ -	\$ 233,980	\$ 336,204	
Fund Balances:						
Restricted	-	-	-	2,074,662	2,074,662	
Assigned	-	585,805	13,086	-	598,891	
TOTAL FUND BALANCES	\$ -	\$ 585,805	\$ 13,086	\$ 2,074,662	\$ 2,673,553	
TOTAL LIABILITIES AND FUND BALANCES	\$ 95,689	\$ 592,340	\$ 13,086	\$ 2,308,642	\$ 3,009,757	

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

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

	Special Revenue					
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account	Total Nonmajor Governmental Funds	
ASSETS						
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	
	<u>\$ 40,065</u>	<u>\$ 712,350</u>	<u>\$ -</u>	<u>\$ 2,049,657</u>	<u>\$ 2,802,072</u>	
TOTAL ASSETS						
	<u>\$ 34,120</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,520</u>	
	5,945	10,440	-	-	16,385	
	<u>40,065</u>	<u>11,539</u>	<u>-</u>	<u>194,116</u>	<u>245,720</u>	
TOTAL LIABILITIES						
Fund Balances:						
Restricted	-	700,811	-	1,855,541	1,855,541	
Assigned	-	-	-	-	700,811	
	<u>\$ 40,065</u>	<u>\$ 712,350</u>	<u>\$ -</u>	<u>\$ 2,049,657</u>	<u>\$ 2,802,072</u>	
TOTAL LIABILITIES AND FUND BALANCES						

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, 2011**

	Special Revenue					Total Nonmajor Governmental Funds
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account		
<i>Revenues</i>						
Interest Earnings	-	-	-	\$ 10,886	\$ 10,886	
Penalty and/or Interest	-	-	-	487,997	487,997	
Other Grants	-	56,738	-	-	56,738	
TOTAL REVENUES	-	56,738	-	498,883	555,621	
<i>Expenditures</i>						
Current:						
Economic Development & Assistance	771,121	171,744	71,629	279,762	1,294,256	
TOTAL EXPENDITURES	771,121	171,744	71,629	279,762	1,294,256	
Excess of Revenues Over (Under) Expenditures	(771,121)	(115,006)	(71,629)	219,121	(738,635)	
<i>Other Finance Sources</i>						
Transfers In	771,121	-	84,715	-	855,836	
	771,121	-	84,715	-	855,836	
TOTAL OTHER FINANCE SOURCES	-	(115,006)	13,086	219,121	117,201	
Net change in Fund Balances	-	700,811	-	1,855,541	2,556,352	
Fund Balances at June 30, 2010	-	585,805	\$ 13,086	\$ 2,074,662	\$ 2,673,553	
Fund Balances at June 30, 2011	-	585,805	\$ 13,086	\$ 2,074,662	\$ 2,673,553	

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**

	Special Revenue				
	001 General Fund	362 Job Service Special Fund	Federal Advance Interest Repayment Account	Total	Total Nonmajor Governmental Funds
Revenues					
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
TOTAL REVENUES	-	156,267	422,925	579,192	579,192
Expenditures					
Current:					
Economic Development & Assistance	651,495	203,885	301,698	1,157,078	1,157,078
TOTAL EXPENDITURES	651,495	203,885	301,698	1,157,078	1,157,078
Excess of Revenues Over (Under) Expenditures	(651,495)	(47,618)	121,227	(577,886)	(577,886)
Other Finance Sources					
Transfers In	576,495	-	-	576,495	576,495
TOTAL OTHER FINANCE SOURCES	576,495	-	-	576,495	576,495
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
Fund Balances at June 30, 2010	-	700,811	1,855,541	2,556,352	2,556,352

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<i>Governmental funds capital assets:</i>		
Land	\$ 1,266,291	\$ 1,266,291
Buildings	9,022,064	9,022,064
Machinery and equipment	1,580,306	2,339,941
Intangible Assets	2,751,517	2,240,442
Work in Progress	300,517	211,352
<i>Total governmental funds capital assets</i>	<u>\$ 14,920,695</u>	<u>\$ 15,080,090</u>
<i>Investments in governmental funds capital assets by source:</i>		
Special revenue funds	<u>\$ 14,920,695</u>	<u>\$ 15,080,090</u>

JOB SERVICE NORTH DAKOTA

**Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2011 and 2010**

	June 30, 2011					
Function and Activity	Land	Buildings	Equipment	Intangible Assets	Work in Progress	Total
<i>General government:</i>						
Economic development and assistance	\$ 1,266,291	\$ 9,022,064	\$ 1,580,306	\$ 2,751,517	\$ 300,517	\$ 14,920,695
Total general government	<u>1,266,291</u>	<u>9,022,064</u>	<u>1,580,306</u>	<u>2,751,517</u>	<u>300,517</u>	<u>14,920,695</u>
Total governmental funds capital assets	<u>\$ 1,266,291</u>	<u>\$ 9,022,064</u>	<u>\$ 1,580,306</u>	<u>\$ 2,751,517</u>	<u>\$ 300,517</u>	<u>\$ 14,920,695</u>

	June 30, 2010					
Function and Activity	Land	Buildings	Equipment	Intangible Assets	Work in Progress	Total
<i>General government:</i>						
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>
Total governmental funds capital assets	<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>

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, 2011 and 2010**

<u>Function and Activity</u>	<u>June 30, 2011</u>			<u>Governmental Funds Capital Assets June 30, 2011</u>
	<u>Governmental Funds Capital Assets July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	
	<i>General government:</i>			
Economic development and assistance	\$ 15,080,090	\$ 2,083,200	\$ 2,242,595	\$ 14,920,695
Total general government	15,080,090	2,083,200	2,242,595	14,920,695
Total governmental funds capital assets	\$ 15,080,090	\$ 2,083,200	\$ 2,242,595	\$ 14,920,695

<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
Total governmental funds capital assets	\$ 14,965,852	\$ 335,806	\$ 221,568	\$ 15,080,090

Schedule of Expenditures of Federal Awards

JOB SERVICE NORTH DAKOTA**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures (1)</u>
<u>U.S. Department of Labor</u>		
<u>Labor Force Statistics</u>	17.002	
Cooperative Agreement LM-20360-11-75-J-38		\$ 504,985
Cooperative Agreement LM-18481-10-75-J-38		193,859
		<u>698,844</u>
		ST
<u>Temporary Labor Certification for Foreign Workers</u>	17.273	
Alien Labor Certification FY 2011		52,900
Alien Labor Certification FY 2010		40,873
		<u>93,773</u>
		ST
<u>Unemployment Insurance</u>	17.225	
UI Administration FY 2011		1,988,145
UI Administration FY 2010		5,530,216
UI Administration FY 2009		(105,240)
UI SBR-IT Consortium		859,656
UI Administration Federal Additional Compensation-ARRA		6,045
DUA 2009 Flood FY 2009		(24,212)
DUA 2011 Flood FY 2011		8,867
REA Services FY 2011		45,275
REA Services FY 2010		231,765
UI Special Administration- ARRA		333,209
UI EUC STATE ADMINISTRATION - FFY 11 - ARRA		154,929
Reed Act		1,129
UI Extended Benefits		(25,859)
Federal Unemployment Insurance Benefits		29,629,957
Federal Unemployment Insurance Benefits-FAC-ARRA		1,851,771
State Unemployment Insurance Benefits funded by State Taxes		76,666,356
		<u>117,152,009</u>
		ST
<u>Trade Adjustment Assistance-Workers</u>	17.245	
TAA Training FY 2011		368,720
TAA Training FY 2010		214,149
TAA Training FY 2009		411,852
ATAA FY 2011		342,047
ATAA FY 2010		174,210
TRA Benefits FY 2011		288,280
TRA Benefits FY 2010		57,128
		<u>1,856,386</u>
		ST
<u>Transition Assistance Program</u>	17.807	
Transition Assistance Program FY 2011		18,523
Transition Assistance Program FY 2010		5,713
		<u>24,236</u>
		ST
<u>Employment Service</u>	17.207 (2)	
Wagner-Peyser PY 2010		3,331,595
Wagner-Peyser PY 2009		1,429,793
Wagner-Peyser PY 2008		242
Wagner-Peyser PY 2007		234
Wagner-Peyser ARRA PY 2008		533,750
Wagner-Peyser ARRA RES PY 2008		1,413,550
Workforce Information Grant PY 2010		211,895
Workforce Information Grant PY 2009		117,471
WOTC FY 2011		45,903
WOTC FY 2010		23,156
		<u>7,107,589</u>
		ST

JOB SERVICE NORTH DAKOTA**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures (1)</u>
Disabled Veterans Outreach Program	17.801 (2)	
DVOP FY 2011		200,059
DVOP FY 2010		83,538
		<u>283,597</u>
		ST
Local Veterans' Employment Representative Program	17.804 (2)	
LVER FY 2011		139,114
LVER FY 2010		203,467
		<u>342,581</u>
		ST
	Subtotal of 17.207, 17.801, 17.804	<u>7,733,767</u>
Passed Through Governor of North Dakota Workforce Investment Act Adult Program	17.258 (3)	
Grant Number ARRA AA-17134-08-55		311,726
Grant Number AA-20206-10-55		1,218,004
Grant Number AA-18654-09-55		745,530
Grant Number AA-17134-08-55		93,956
		<u>2,369,216</u>
		ST
Workforce Investment Act Youth Activities	17.259 (3)	
Grant Number ARRA AA-17134-08-55		369,651
Grant Number AA-20206-10-55		1,263,927
Grant Number AA-18654-09-55		779,491
Grant Number AA-17134-08-55		97,837
		<u>2,510,906</u>
		ST
Workforce Investment Act Dislocated Workers	17.260 (3)	
Grant Number ARRA AA-17134-08-55		267,155
Grant Number AA-18654-09-55		248,452
Grant Number AA-17134-08-55		41,080
		<u>556,687</u>
		ST
Workforce Investment Act Dislocated Workers	17.278 (3)	
Grant Number AA-20206-10-55		539,781
		<u>539,781</u>
		ST
	Subtotal of 17.258-17.260, 17.278	<u>5,976,590</u>
Workforce Quality Data Initiative	17.261	
Grant Number MI-21183-10-60		39,194
		<u>39,194</u>
		ST
TOTAL U.S. DEPARTMENT OF LABOR		<u>\$ 133,574,799</u>

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures (1)</u>
<u>U.S. Department of Agriculture</u>		
<i>Passed Through ND Department of Human Services:</i>		
<i>State Admin. Matching Grants for Food Stamp Program</i>	10.561	
Food Stamp Employment & Training (Contract Number 410-08217)		\$ 80,289
Food Stamp Employment & Training (Contract Number 410-07905)		23,557
		<u>ST 103,846</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>\$ 103,846</u>
<u>U.S. Department of Health and Human Services:</u>		
<i>Passed Through ND Department of Human Services:</i>		
<i>Temporary Assistance for Needy Families</i>	93.558	
Job Opportunities and Basic Skills Program (Contract 405-07846)		\$ 822,283
Parental Employment Pilot Project (Contract 405-07818)		474,708
		<u>ST 1,296,991</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$ 1,296,991</u>
<i>Unassigned federal costs</i>		\$ 2,769
TOTAL OTHER FEDERAL ASSISTANCE		<u>\$ 2,769</u>
TOTAL FEDERAL ASSISTANCE (4)		<u>\$ 134,978,405</u>

(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 and the State funded Unemployment Insurance Benefits 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, 2011, and have issued our report thereon dated December 2, 2011. 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

Management of Job Service North Dakota is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we have identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described as item 11-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Esde Bailly LLP

Bismarck, North Dakota
December 2, 2011



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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 Job Service North Dakota's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Job Service North Dakota's major federal programs for the year ended June 30, 2011. Job Service North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular Aa-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

This report is intended solely for the information and use of the Governor, Legislative Audit and Fiscal Review Committee, Industrial Commission, management, others within the entity, 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
December 2, 2011

Department of Labor

WIA Cluster – WIA Adult Program – CFDA #17.258, WIA Youth Activities – CFDA #17.259, WIA Dislocated Workers – CFDA #17.260

Significant Deficiency

10-2 - Eligibility

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.

Status: This finding has been resolved as of June 30, 2011.

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. The deficiency is reported as 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 no matter involving internal control over major programs that we consider to be a significant deficiencies or material weaknesses
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, WIA Dislocated Workers – CFDA #17.260, and WIA Dislocated Worker Formula Grants – CFDA #17.278.
8. All programs with more than \$3,000,000 of Federal awards expended were considered Type A programs.
9. 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

Material Weakness

11-1 – Material Audit Adjustment

Condition: We identified a misstatement in Job Service North Dakota's financial statements causing us to propose a material audit adjustment.

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause: A process is not in place to ensure the information in the financial statements is correctly stated.

Effect: A material misstatement was identified in the financial statements as the result of an unrecorded liability.

Recommendation: Management should ensure that a process is in place related to the preparation of the financial statements and the review of the financial statements which will detect misstatements and adequately record all liabilities.

Job Service Response: Additional steps to completing and reconciling the financial statement schedules related to long term debt have been implemented for completion of next year's financial statements. The additional steps include a written confirmation of the year-end balance of all debt by the debt holder, as well as, a reconciliation of that balance to the long term debt schedule used to report the debt in the financial statements. These procedures will ensure the reliability and accuracy of both the financial statements and supporting schedules.

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

None



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**Independent Auditor's Specific Comments Required by the
North Dakota Legislative Audit and Fiscal Review Committee
Year Ended June 30, 2011**

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 finding which is 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, a separate management letter has been issued. The management letter identifies the audit adjustment that was identified during the audit. There were no additional findings or recommendations noted in this letter.

Audit Committee Communications

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

Job Service implemented GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions in the current year which affected the fund balance classifications reported in the governmental funds balance sheets.

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, 2011 to August 15, 2011. 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?

There were material audit adjustments detected during the audit. The material audit adjustments are detailed in the management letter.

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
December 2, 2011