

Job Service North Dakota

***Financial Report
For the Years Ending
June 30, 2013 and 2012***

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

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

JOB SERVICE NORTH DAKOTA

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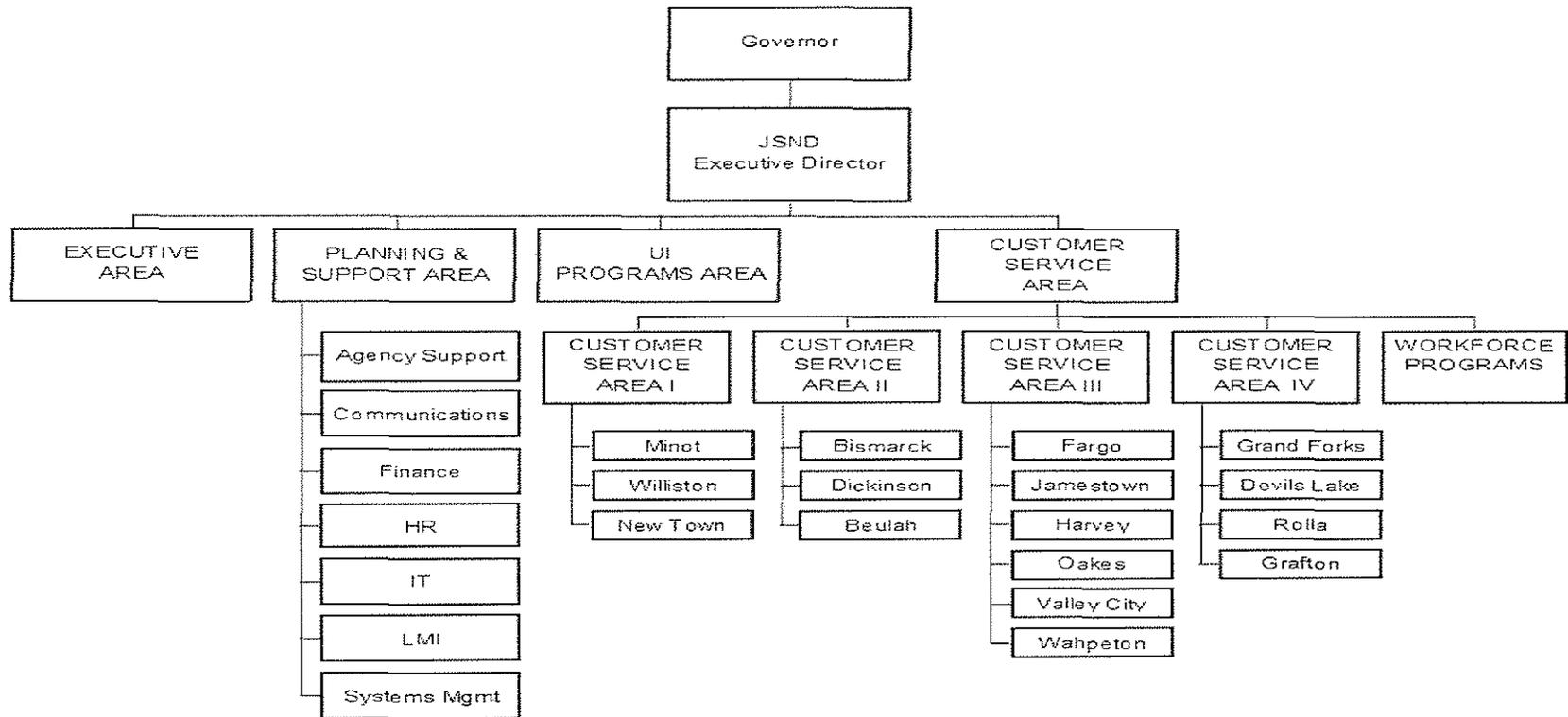
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JOB SERVICE NORTH DAKOTA



Independent Auditors' Report



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Governor Jack Dalrymple
The Legislative Assembly

Maren L. Daley, Executive Director
Job Service North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, a department of the State of North Dakota as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Job Service North Dakota's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Job Service North Dakota are intended to present the financial position, changes in net position, and cash flows of only that portion of the financial statement of the State of North Dakota that is attributable to the transactions of 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, 2013 and 2012, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress – pension trust fund and OPEB, schedule of employer contributions – pension trust fund and OPEB and notes to required supplementary schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Job Service North Dakota's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis

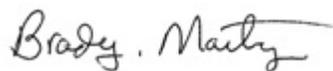
and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The section regarding capital assets used in the operation of governmental funds has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of Job Service North Dakota's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Service North Dakota's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 30, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

June 30, 2013

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, 2013 with comparison to the fiscal year ended June 30, 2012.

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 \$175.89 million (net position). The increase of \$13.03 million (8.0%) over the prior fiscal year is due almost entirely to increases in the Business-Type Activity of the Unemployment Insurance Trust fund. \$12.62 million of this increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund which was impacted positively by statewide employer growth, increased statewide wages, a higher taxable wage base 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 position of \$166.65 million, an increase of \$12.58 million in comparison with the prior year. All of the assets of the business-type funds are fully restricted for specific purposes.
- The Agency's governmental funds reported net position of \$9.24 million, an increase of \$0.45 million over the prior year. Of the total, \$5.08 million of these assets are the net investment in capital assets, \$3.92 million are restricted for other purposes and \$0.23 million of net position 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 position* presents information on all of the Agency's assets and liabilities with the difference between the two reported as *net position*. Comparative information is presented for June 30, 2013 and June 30, 2012. Over time, increases or decreases in net position 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 position changed during the year ending June 30, 2013 and June 30, 2012. All changes in net position 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 and the federal advance interest repayment account which are considered to be the only major funds. Data from the other five 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 position may serve as a useful indicator of a government's financial position. The net position of Job Service North Dakota exceeded liabilities by \$175.89 million at the close of the Agency's fiscal year.

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

	Governmental Activities			Business-Type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 127,174	\$ 126,041	\$ 119,075	\$ 127,174	\$ 126,041	\$ 119,075
Operating grants and Contributions	24,562	27,669	27,051	3,786	3,392	3,764	28,348	31,061	30,815
Total revenues	\$ 24,562	\$ 27,669	\$ 27,051	\$ 130,960	\$ 129,433	\$ 122,839	\$ 155,522	\$ 157,102	\$ 149,890
Expenses:									
Economic Development & Assistance	\$ 24,938	\$ 27,198	\$ 27,429	\$ -	\$ -	\$ -	\$ 24,938	\$ 27,198	\$ 27,429
Interest on long-term debt	70	90	105	-	-	-	70	90	105
Unemployment Compensation Funds	-	-	-	118,377	89,237	108,482	118,377	89,237	108,482
Total expenses	\$ 25,008	\$ 27,288	\$ 27,534	\$ 118,377	\$ 89,237	\$ 108,482	\$ 143,385	\$ 116,525	\$ 136,016
Change in net position before transfers and special items	\$ (446)	\$ 381	\$ (483)	\$ 12,583	\$ 40,196	\$ 14,357	\$ 12,137	\$ 40,577	\$ 13,874
Special Item - gain on disposal of fixed assets	117	-	-	-	-	-	117	-	-
Transfers	777	633	856	-	-	-	777	633	856
Change in net position	448	1,014	373	12,583	40,196	14,357	13,031	41,210	14,730
Net Position - Beginning of year	8,789	7,775	7,402	154,071	113,875	99,518	162,860	121,650	106,920
Net Position - End of year	\$ 9,237	\$ 8,789	\$ 7,775	\$ 166,654	\$ 154,071	\$ 113,875	\$ 175,891	\$ 162,860	\$ 121,650

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

	Governmental Activities			Business-Type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Current and other assets	\$ 8,208	\$ 7,182	\$ 6,784	\$ 174,577	\$ 159,706	\$ 119,051	\$ 182,785	\$ 166,888	\$ 125,835
Capital assets	7,299	8,001	7,919	-	-	-	7,299	8,001	7,919
Total assets	15,507	15,183	14,703	174,577	159,706	119,051	190,084	174,889	133,754
Noncurrent liabilities	3,424	3,701	4,319	-	-	-	3,424	3,701	4,319
Other liabilities	2,846	2,693	2,609	7,923	5,635	5,176	10,770	8,328	7,785
Total liabilities	6,270	6,394	6,928	7,923	5,635	5,176	14,194	12,029	12,104
Net Position:									
Invested in capital assets, net of related debt	5,084	5,499	4,818	-	-	-	5,084	5,499	4,818
Restricted	3,924	3,064	2,674	166,654	154,071	113,875	170,578	157,135	116,549
Unrestricted	229	226	283	-	-	-	229	226	283
Total net position	\$ 9,237	\$ 8,789	\$ 7,775	\$ 166,654	\$ 154,071	\$ 113,875	\$ 175,891	\$ 162,860	\$ 121,650

The Agency is primarily funded by federal grants from the Department of Labor. The largest portion of the Agency's net position reflects the business-type activity of the Unemployment Insurance Trust Fund. This net position will be discussed in further detail under the business-type activity section and the discussion of the proprietary fund. The net position of \$175.89 million as of June 30, 2013 and \$162.86 million as of June 30, 2012 include \$9.24 million and \$8.79 million in assets of the Governmental Activities, respectively, and \$166.65 million and \$154.07 million of assets of the Business-Type Activity, respectively, of the Proprietary fund.

Governmental activities

The net position as of June 30, 2013 and 2012, related to governmental activities, are \$9.24 million and \$8.79 million, respectively. The net position as of June 30, 2013 and 2012 include, \$5.08 million and \$5.50 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 position, \$3.92 million is restricted for other purposes and \$0.23 million are classified as unrestricted net position. \$3.31 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 position of \$166.65 million and \$154.07 million at June 30, 2013 and June 30, 2012, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of \$154.08 million at June 30, 2013 and \$141.18 million at June 30, 2012 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 \$12.57 million at June 30, 2013 and \$12.90 million at June 30, 2012, 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 and federal advance interest repayment account are considered to be the agencies major funds. The federal advance interest repayment account met the criteria for inclusion in the financial report as a major fund during the year ended June 30, 2013. Federal Grants revenue is accrued in the federal fund to equal the federal Economic Development & Assistance expenditures accrued through the fiscal year end.

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.

The three nonmajor governmental funds include the 362-Job Service Special Fund, 392-Insurance Recovery Fund, and the 001-General Fund (Workforce 20/20). The Federal Advance Interest Repayment Account is reported in the financial statements as a nonmajor fund for the year ended June 30, 2012. The net position of the governmental activities increased 28.09% from 2012 to 2013. This increase, was due to increased penalty

and interest revenues and reduced economic development and assistance expenditures in the Federal Advance Interest Repayment Account fund.

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.

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, 2013 charges for service revenue increased by \$1.13 million over the prior year due to \$4.74 million increase in Unemployment Insurance contributions, offset by a decrease of \$3.63 million of Federal Benefit Reimbursements. The federal benefit reimbursement decrease is a result of a reduction of the extended unemployment benefit program and, reduced federal benefit claims. The Unemployment Insurance contribution increase is due to a statewide employer growth, increased statewide wages, a higher taxable wage base 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 position of the proprietary fund increased 8.17% from the previous year. This increase was primarily a result statewide employer growth, increased statewide wages, a higher taxable wage base and collection of benefits paid from other states.

Capital Asset and Debt Administration

Capital assets

The Agency's investment in capital assets was \$7.30 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$8.00 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 56-58.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2013 and June 30, 2012 were \$3.42 million and \$3.70 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, \$.59 million is considered as a current liability on the Statement of Net Position because it is due within one year. The remaining liability of \$2.83 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		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Current Liabilities:									
Accounts payable	\$ 383	\$ 197	\$ 250	\$ 2,611	\$ 2,658	\$ 2,059	\$ 2,994	\$ 2,855	\$ 2,309
Accrued Payroll	1,466	1,349	1,457	-	-	-	1,466	1,349	1,457
Interest payable	6	7	15	-	-	-	6	7	15
Other current liabilities	990	1,140	887	5,312	2,978	3,117	6,302	4,118	4,004
Noncurrent Liabilities:									
Due within one year	587	437	566	-	-	-	587	437	566
Due in more than one year	2,838	3,264	3,753	-	-	-	2,838	3,264	3,753
Total liabilities	\$ 6,270	\$ 6,394	\$ 6,928	\$ 7,923	\$ 5,636	\$ 5,176	\$ 14,193	\$ 12,030	\$ 12,104

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 \$22.2 million due to reductions in federal funding of several of the agencies grant programs. The Reed Act budget variance of \$12.4 million is due to the continuation of the agencies unemployment Insurance IT project and has come in under budget this biennium as a four state consortium is working to develop the new computer system in the next biennium. The Reed Act resources will be needed to accommodate building of the new computer system.

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. Sequestration, the automatic spending cuts provided for in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985, reduced agency funding last year and, if enacted again, will reduce future funding for the agency.
- 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. As costs increase and funding decreases the agency will have to continue to reduce staffing levels and operating costs. These reductions in funding may require a reallocation of resources within the state to ensure the agency is meeting the workforce demands of the state.
- 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:

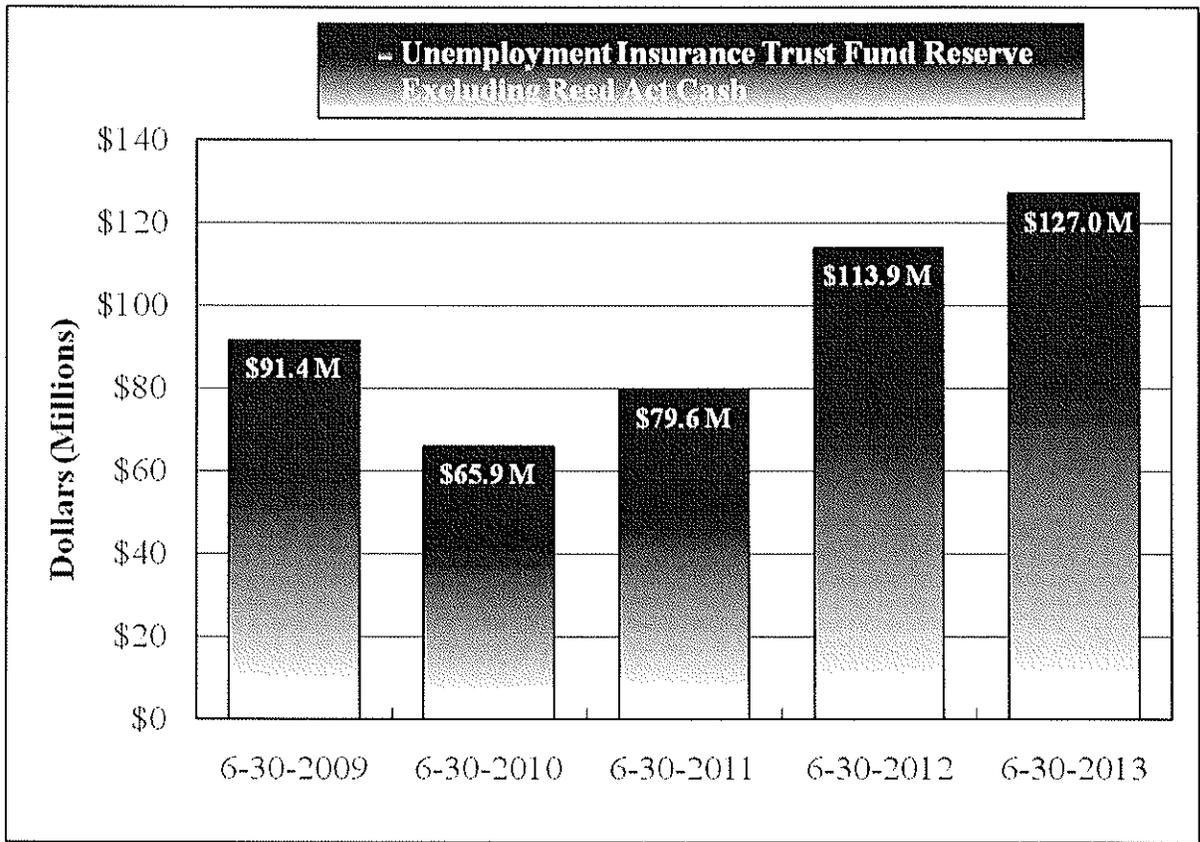
The 63rd (2013) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

SB 2016, Job Service North Dakota Appropriations

This bill includes a base budget appropriation for Job Service North Dakota, an appropriation for \$496,496 of (ARRA) American Recovery and Reinvestment Act funds and \$12,407,000 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 \$13.1 Million, an eleven percent increase from a year ago. This increase is due to statewide employer growth, increased statewide wages, a higher taxable wage base and collection of benefits paid from other states.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
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
6-30-2012	113,931,263	12,895,580	126,826,843
6-30-2013	126,955,034	12,570,609	139,525,643

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 Position
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activity		Totals	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and Cash equivalents	\$ 781,544	\$ 866,295	\$ 138,726,253	\$ 126,107,422	\$ 139,507,797	\$ 126,973,717
Investments	3,000,000	2,000,000	-	-	3,000,000	2,000,000
Receivables, net	679,163	447,388	34,340,503	32,803,091	35,019,666	33,250,479
Due From:						
Other Funds	66,986	121,209	-	21	66,986	121,230
Federal Government	1,757,920	1,858,477	-	1,592	1,757,920	1,860,069
Other State Agencies	304,558	265,044	-	-	304,558	265,044
Other States	-	-	1,510,436	794,344	1,510,436	794,344
Pension Assets	1,617,811	1,623,923	-	-	1,617,811	1,623,923
Capital Assets (net of accumulated depreciation):						
Land	1,241,683	1,266,291	-	-	1,241,683	1,266,291
Buildings, equipment, and other depreciable assets	5,486,934	6,504,157	-	-	5,486,934	6,504,157
Work in Progress	570,611	230,669	-	-	570,611	230,669
TOTAL ASSETS	15,507,210	15,183,453	174,577,192	159,706,470	190,084,402	174,889,923
LIABILITIES						
Accounts Payable	382,804	196,823	2,611,463	2,658,218	2,994,267	2,855,041
Interest Payable	6,397	7,193	-	-	6,397	7,193
Accrued Payroll	1,466,456	1,349,463	-	-	1,466,456	1,349,463
Due To:						
Other Funds	38,710	31,468	28,276	89,761	66,986	121,229
Federal Government	-	-	391,809	-	391,809	-
Other States	-	-	4,802,001	2,872,571	4,802,001	2,872,571
Other State Agencies	206,111	560,994	89,660	15,080	295,771	576,074
Net OPEB Obligation	745,257	547,691	-	-	745,257	547,691
Noncurrent liabilities:						
Due within one year	586,678	437,100	-	-	586,678	437,100
Due in more than one year	2,837,235	3,263,736	-	-	2,837,235	3,263,736
TOTAL LIABILITIES	6,269,648	6,394,468	7,923,209	5,635,630	14,192,857	12,030,098
NET POSITION						
Net Investment in capital assets	5,083,549.00	5,498,808.00	-	-	5,083,549.00	5,498,808.00
Restricted for:						
Unemployment Insurance Benefits	-	-	154,083,374	141,175,260	154,083,374	141,175,260
Unemployment Insurance Benefits and/or Other Purposes	-	-	12,570,609	12,895,580	12,570,609	12,895,580
Other Purposes	3,924,340	3,063,667	-	-	3,924,340	3,063,667
Unrestricted	229,673	226,510	-	-	229,673	226,510
TOTAL NET POSITION	\$ 9,237,562	\$ 8,788,985	\$ 166,653,983	\$ 154,070,840	\$ 175,891,545	\$ 162,859,825

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Activities
For the Fiscal Year Ended June 30, 2013**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		
Functions/Programs							
Governmental Activities:							
Economic Development & Assistance	\$ 24,938,445	\$ -	\$ 24,562,631	\$ (375,814)	\$ -	\$ (375,814)	
Interest on long-term debt	70,288	-	-	(70,288)	-	(70,288)	
Total governmental activities	25,008,733	-	24,562,631	(446,102)	-	(446,102)	
Business-type activities:							
Unemployment Compensation Funds	118,377,072	127,174,321	3,785,894	-	12,583,143	12,583,143	
Total business-type activities	118,377,072	127,174,321	3,785,894	-	12,583,143	12,583,143	
Total primary government	\$ 143,385,805	\$ 127,174,321	\$ 28,348,525	(446,102)	12,583,143	12,137,041	
				Special Item - Gain on sale of Land and Building Transfers	117,757	-	117,757
					776,922	-	776,922
				Change in Net Position	448,577	12,583,143	13,031,720
				Net Position June 30, 2012	8,788,985	154,070,840	162,859,825
				Net Position, June 30, 2013	\$ 9,237,562	\$ 166,653,983	\$ 175,891,545

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Activities
For the Fiscal Year Ended June 30, 2012**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental Activities:						
Economic Development & Assistance	\$ 27,197,734	\$ -	\$ 27,668,532	\$ 470,798	\$ -	\$ 470,798
Interest on long-term debt	89,946	-	-	(89,946)	-	(89,946)
Total governmental activities	27,287,680	-	27,668,532	380,852	-	380,852
Business-type activities:						
Unemployment Compensation Funds	89,236,878	126,040,929	3,391,686	-	40,195,737	40,195,737
Total business-type activities	89,236,878	126,040,929	3,391,686	-	40,195,737	40,195,737
Total primary government	\$ 116,524,558	\$ 126,040,929	\$ 31,060,218	380,852	40,195,737	40,576,589
			Transfers	632,754	-	632,754
			Change in Net Position	1,013,606	40,195,737	41,209,343
			Net position, June 30, 2011	7,775,379	113,875,103	121,650,482
			Net position, June 30, 2012	\$ 8,788,985	\$ 154,070,840	\$ 162,859,825

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Balance Sheets
Governmental Funds
June 30, 2013 and 2012**

	Federal Fund		Federal Advance Interest Repayment Account	Nonmajor Governmental Funds		Total	
	2013	2012	2013	2013	2012	2013	2012
<u>ASSETS</u>							
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ 200,668	\$ -	\$ 363,932	\$ 200,668	\$ 363,932
Cash in State Treasury	-	-	-	580,876	502,363	580,876	502,363
Investments At The Bank of North Dakota	-	-	3,000,000	-	2,000,000	3,000,000	2,000,000
Accounts Receivable - Net:							
Refunds	-	-	-	-	-	-	-
Accrued Interest	-	-	131	-	295	131	295
Penalty and/or Interest	-	-	679,032	-	447,092	679,032	447,092
Due From:							
Other Funds	28,276	9,152	-	38,710	112,056	66,986	121,208
Federal Government	1,757,920	1,858,477	-	-	-	1,757,920	1,858,477
Other State Agencies	142,608	240,973	-	161,950	24,071	304,558	265,044
Prepaid items	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,928,804	\$ 2,108,602	\$ 3,879,831	\$ 781,536	\$ 3,449,809	\$ 6,590,171	\$ 5,558,411
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable	\$ 233,893	\$ 179,161	\$ -	\$ 148,911	\$ 17,661	\$ 382,804	\$ 196,822
Accrued Payroll	1,450,942	1,340,781	-	15,515	8,682	1,466,457	1,349,463
Due To:							
Other Funds	38,453	28,005	257	-	3,463	38,710	31,468
Other State Agencies	205,516	560,655	-	595	339	206,111	560,994
Unpaid Penalty and Interest	-	-	571,749	-	355,997	571,749	355,997
TOTAL LIABILITIES	1,928,804	2,108,602	572,006	165,021	386,142	2,665,831	2,494,744
Fund Balances:							
Restricted	-	-	3,307,825	-	2,451,859	3,307,825	2,451,859
Assigned	-	-	-	616,515	611,808	616,515	611,808
TOTAL FUND BALANCES	-	-	3,307,825	616,515	3,063,667	3,924,340	3,063,667
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,928,804	\$ 2,108,602	\$ 3,879,831	\$ 781,536	\$ 3,449,809	\$ 6,590,171	\$ 5,558,411

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Reconciliation of the Balance Sheets - Governmental Funds
To the Statements of Net Position
June 30, 2013 and 2012**

	2013	2012
Total fund balances for governmental funds	3,924,340	\$ 3,063,667
Amounts reported for governmental activities in the Statement of Net Position 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)	1,617,811	1,623,923
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
Land	\$ 1,241,683	\$ 1,266,291
Buildings, equipment, and other depreciable assets	14,106,541	14,370,978
Work in progress	570,611	230,669
Accumulated depreciation	<u>(8,619,607)</u>	<u>(7,866,821)</u>
	7,299,228	8,001,117
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.	571,749	355,997
The Net OPEB Obligation resulting from contributions less than the annual required contribution are not reported in the funds. (Note 7)	(745,257)	(547,691)
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>(1,208,233)</u>	<u>(1,198,527)</u>
	(1,208,233)	(1,198,527)
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	(111,815)	(111,815)
Capital Lease - Bismarck/Mandan Office	(1,606,500)	(1,761,500)
Capital Lease - IT Equipment	(438,222)	(628,993)
Capital Leases - Equipment	(59,142)	
Accrued interest payable	<u>(6,397)</u>	<u>(7,193)</u>
	(2,222,076)	(2,509,501)
Net Position of Governmental Activities	<u>\$ 9,237,562</u>	<u>\$ 8,788,985</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, 2013 and 2012**

	Federal Fund		Federal Advance Interest Repayment Account	Nonmajor Governmental Funds		Total	
	2013	2012	2013	2013	2012	2013	2012
Revenues							
Federal Grants	\$ 23,431,819	\$ 26,809,591	\$ -	\$ -	\$ -	\$ 23,431,819	\$ 26,809,591
Interest Earnings	239	275	6,250	-	6,983	6,489	7,258
Penalty and/or Interest	-	-	1,079,861	-	791,534	1,079,861	791,534
Other Grants	-	-	-	44,462	60,149	44,462	60,149
TOTAL REVENUES	23,432,058	26,809,866	1,086,111	44,462	858,666	24,562,631	27,668,532
Expenditures							
Current:							
Economic Development & Assistance	23,251,946	25,698,451	230,145	818,444	1,101,306	24,300,535	26,799,757
Capital Outlays	422,864	1,106,295	-	-	-	422,864	1,106,295
TOTAL EXPENDITURES	23,674,810	26,804,746	230,145	818,444	1,101,306	24,723,399	27,906,052
Excess of Revenues Over (Under) Expenditures	(242,752)	5,120	855,966	(773,982)	(242,640)	(160,768)	(237,520)
Other Finance Sources (Uses)							
Sale of land and building	178,521	-	-	1,767	-	180,288	-
Transfers In	-	-	-	776,922	632,754	776,922	632,754
Capital Lease	64,231	(5,120)	-	-	-	64,231	(5,120)
TOTAL OTHER FINANCE SOURCES	242,752	(5,120)	-	778,689	632,754	1,021,441	627,634
Net change in Fund Balances	-	-	855,966	4,707	390,114	860,673	390,114
Fund Balances at June 30, prior year	-	-	2,451,859	611,808	2,673,553	3,063,667	2,673,553
Fund Balances at June 30	\$ -	\$ -	\$ 3,307,825	\$ 616,515	\$ 3,063,667	\$ 3,924,340	\$ 3,063,667

See accompanying notes to the Financial Statements.

**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, 2013 and 2012**

	2013	2012
Net change in fund balances - total governmental funds	\$ 860,673	\$ 390,114
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)	(6,112)	(6,135)
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.	(598,019)	89,354
Gain(Loss) on disposal of fixed assets net of sale proceeds.	(103,870)	(7,239)
Debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position. (Increase) Decrease in long-term debt and change in interest payable.	287,426	606,706
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds. Increase in Unpaid Penalty and Interest	215,752	122,177
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Position 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)	(9,707)	19,887
	<u>(197,566)</u>	<u>(201,258)</u>
Changes in net position of governmental activities	<u>\$ 448,577</u>	<u>\$ 1,013,606</u>

JOB SERVICE NORTH DAKOTA

**Statements of Net Position
Proprietary Fund
June 30, 2013 and 2012**

	Unemployment Insurance	
	2013	2012
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash Deposits At The Bank of North Dakota	\$ 90,890	\$ 144,700
Cash and Cash Equivalents in U.S. Treasury	138,635,363	125,962,722
Interest Receivable - Unemployment Insurance Trust Fund	890,280	864,121
Accounts Receivable - Net:		
Unemployment Insurance Contributions	32,224,290	30,721,467
Unemployment Insurance Overpayments - Benefits & Interest	1,225,933	1,217,503
Due From:		
Due from other Funds	-	21
Federal Government	-	1,592
Other States	1,510,436	794,344
TOTAL ASSETS	174,577,192	159,706,470
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Benefits Payable	524,618	1,207,036
Unemployment Insurance Overpayments - Contributions	2,086,845	1,451,182
Due To:		
Due to Other Funds	28,276	89,761
Federal Government	391,809	-
Other States	4,802,001	2,872,571
Other State Agencies	89,660	15,080
TOTAL LIABILITIES	7,923,209	5,635,630
<u>NET POSITION</u>		
Restricted for:		
Unemployment Insurance Benefits	154,083,374	141,175,260
Unemployment Insurance Benefits and/or Other Purposes	12,570,609	12,895,580
TOTAL NET POSITION	\$ 166,653,983	\$ 154,070,840

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>Unemployment Insurance</u>	
	<u>2013</u>	<u>2012</u>
<i>Operating Revenues:</i>		
Unemployment Insurance Contributions	\$ 110,651,146	\$ 105,910,210
Federal Benefit Reimbursements	16,359,534	19,988,986
Unemployment Insurance Overpayments - Interest	163,641	141,733
<i>TOTAL OPERATING REVENUES</i>	<u>127,174,321</u>	<u>126,040,929</u>
<i>Operating Expenses:</i>		
Unemployment Insurance Benefits	101,673,444	69,068,558
Federal Unemployment Insurance Benefits	16,359,534	19,988,986
Economic Development & Assistance	344,094	179,334
<i>TOTAL OPERATING EXPENSES</i>	<u>118,377,072</u>	<u>89,236,878</u>
Operating Income(Loss)	<u>8,797,249</u>	<u>36,804,051</u>
<i>Nonoperating Revenues:</i>		
Interest Earnings	3,785,894	3,391,686
<i>TOTAL NONOPERATING REVENUES</i>	<u>3,785,894</u>	<u>3,391,686</u>
Change in Net Position	12,583,143	40,195,737
<i>Total Net Position at July 1, prior year</i>	<u>154,070,840</u>	<u>113,875,103</u>
<i>Total Net Position at June 30</i>	<u>\$ 166,653,983</u>	<u>\$ 154,070,840</u>

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statements of Cash Flows
Proprietary Fund
For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>Unemployment Insurance</u>	
	<u>2013</u>	<u>2012</u>
<i>Cash Flows from Operating Activities</i>		
Receipts from employers	\$ 106,733,459	\$ 98,060,932
Receipts from other states	5,226,587	3,374,186
Payments to other states	(16,805,598)	(12,953,698)
Payments to employers	(2,961,056)	(1,106,258)
Benefits Paid to claimants	(83,168,775)	(56,542,873)
Overpayment Interest from claimants	159,450	141,551
Economic Development and Assistance	(324,971)	(196,776)
Net cash (used in)/provided by operating activities	<u>8,859,096</u>	<u>30,777,064</u>
<i>Cash Flows from Investing Activities</i>		
Interest on investments	<u>3,759,735</u>	<u>3,408,968</u>
Net cash provided by investing activities	<u>3,759,735</u>	<u>3,408,968</u>
Net change in cash and cash equivalents	12,618,831	34,186,032
Cash and cash equivalents at June 30, prior year	<u>126,107,422</u>	<u>91,921,390</u>
Cash and cash equivalents at June 30	<u>\$ 138,726,253</u>	<u>\$ 126,107,422</u>
<i>Reconciliation of Operating Income to Net Cash (used in)/Provided by Operating Activities:</i>		
Operating income(Loss)	\$ 8,797,249	\$ 36,804,051
Net changes in assets and liabilities:		
Contributions Receivable	(1,502,823)	(6,299,553)
Due from Other Funds	21	1,595
Due from Other States	(716,092)	(48,034)
Unemployment Insurance Overpayments - Benefits & Interest	(8,430)	(196,619)
Due from Federal Government	1,592	56,197
Benefits Payable	(682,418)	(85,429)
Unemployment Insurance Overpayments - Contributions	635,663	685,026
Due To: Other Funds	(61,485)	62,839
Due To: Other States	1,929,430	(105,589)
Due To: Other State Agencies	74,580	(97,420)
Due To: Federal Government	391,809	-
Net cash (used in)/provided by operating activities	<u>\$ 8,859,096</u>	<u>\$ 30,777,064</u>

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Appropriations
For the Fiscal Year Ended June 30, 2013**

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Expenditures		Variance Favorable (Unfavorable)
				2012	2013	
<u>Revenue:</u>						
<i>General Fund</i>	\$ 1,879,892	\$ 20,247	\$ 1,900,139	\$ 630,954	\$ 771,555	\$ 497,630
<i>Federal Funds</i>	69,600,082	2,600,000	72,200,082	26,985,737	23,954,673	21,259,672
<i>Other Funds</i>	516,724	-	516,724	37,610	39,755	439,359
Total Revenues	\$ 71,996,698	\$ 2,620,247	\$ 74,616,945	\$ 27,654,301	\$ 24,765,983	\$ 22,196,661

Expenditures By Line Item:

<i>Salaries and Wages</i>	\$ 35,270,584	\$ 114,400	\$ 35,384,984	\$ 16,301,691	\$ 16,116,486	\$ 2,966,807
<i>Operating Expenses</i>	13,698,670	5,847	13,704,517	6,028,442	5,178,758	2,497,317
<i>Capital Assets</i>	20,000	-	20,000	-	5,432	14,568
<i>Grants Benefits & Claims</i>	7,576,284	2,500,000	10,076,284	4,740,156	2,276,404	3,059,724
<i>Workforce 20/20</i>	1,531,160	-	1,531,160	443,128	585,779	502,253
<i>Reed Act - Unemployment</i>	12,400,000	-	12,400,000	-	-	12,400,000
<i>Federal Stimulus Funds - 2009</i>	1,500,000	-	1,500,000	140,884	603,124	755,992
Total Expenditures	\$ 71,996,698	\$ 2,620,247	\$ 74,616,945	\$ 27,654,301	\$ 24,765,983	\$ 22,196,661

See accompanying notes to the Financial Statements

**Job Service North Dakota
Notes to Financial Statements
June 30, 2013 and 2012**

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.

Job Service North Dakota follows 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 Position 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 polices:

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 Position 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 Position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. The net position is reported in three categories:

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

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position 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.

Financial Statement Presentation

The Agency reports the following major governmental funds:

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.

For the year ended June 30, 2013, the Federal Advance Interest Repayment Account, a special revenue fund met the criteria for inclusion in the financial statements as a major governmental fund. The Advance Interest Repayment Account revenues are assessments collected by the Unemployment Insurance program from interest, penalties, and fees collected as a result of an overpayment of benefits, and non-payment or late payment of taxes due by an employer. The allowable uses and continuing appropriation of the fund are in Section 52-04-22 of the North Dakota Century Code.

Additionally, the Agency reports the following governmental fund types that are included in non-major funds:

Special Revenue funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or assigned to expenditure for specified purposes other than debt service or capital projects.

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
Intangible Assets	3- 5 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, 2012.

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, 2012.

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.

K. **Accounting Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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 position 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>2013</u>	<u>2012</u>
Capital Outlays	\$ 422,864	\$ 1,106,295
Depreciation Expense	<u>(1,020,883)</u>	<u>(1,016,941)</u>
Net adjustment to decrease (increase) <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (598,019)</u>	<u>\$ 89,354</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 Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.” See Note 10 for additional information on debt refinancing. The details of this difference are as follows:

	<u>2013</u>	<u>2012</u>
Debt Issued	\$ (64,231)	\$ (111,815)
Principal repayments:		
General obligation debt	350,861	593,098
Debt refinanced	-	116,935
Change in Interest Payable	<u>796</u>	<u>8,488</u>
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 287,426</u>	<u>\$ 606,706</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, 2013

	<u>Fair Value</u>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 291,558
Cash in State Treasury recorded as Cash and Cash Equivalents	580,876
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	126,064,754
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>12,570,609</u>
Totals	<u>\$ 139,507,797</u>

June 30, 2012

	<u>Fair Value</u>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 508,632
Cash in State Treasury recorded as Cash and Cash Equivalents	502,363
Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	113,067,142
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>12,895,580</u>
Totals	<u>\$ 126,973,717</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, 2013

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

June 30, 2012

	<u>Fair Value</u>	<u>Less than one Year</u>
Certificates of Deposit at the Bank of North Dakota recorded as Investments	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</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). The agency has no formal custodial and credit risk policy related to its investments and deposits at the Bank of North Dakota.

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 2013 and 2012. 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, 2013

	<i>Unemployment Insurance Contributions</i>	<i>Penalty and/or Interest</i>	<i>Unemployment Insurance Overpayments- Benefits & Interest</i>	<i>Interest</i>	<i>State Refunds</i>	<i>Total</i>
Total Receivable	\$ 33,818,325	\$ 1,993,945	\$ 5,984,516	\$ 890,411		\$ 42,687,197
Less:						
Allowance for Doubtful Accounts	1,594,035	1,314,913	4,758,583	-	-	7,667,531
Net Receivable	<u>\$ 32,224,290</u>	<u>\$ 679,032</u>	<u>\$ 1,225,933</u>	<u>\$ 890,411</u>	<u>\$ -</u>	<u>\$ 35,019,666</u>

Receivables as of June 30, 2012

	<i>Unemployment Insurance Contributions</i>	<i>Penalty and/or Interest</i>	<i>Unemployment Insurance Overpayments- Benefits & Interest</i>	<i>Interest</i>	<i>State Refunds</i>	<i>Total</i>
Total Receivable	\$ 32,468,295	\$ 1,656,831	\$ 5,274,730	\$ 864,416	\$ 1	\$ 40,264,273
Less:						
Allowance for Doubtful Accounts	1,746,828	1,209,739	4,057,227	-	-	7,013,794
Net Receivable	<u>\$ 30,721,467</u>	<u>\$ 447,092</u>	<u>\$ 1,217,503</u>	<u>\$ 864,416</u>	<u>\$ 1</u>	<u>\$ 33,250,479</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 Unpaid Penalty and Interest. Unpaid Penalty and Interest was \$571,749 and \$355,997 as of June 30, 2013 and 2012, respectively, and represents an amount expected to be received after one year. The residual amounts of \$107,283 and \$91,095 on June 30, 2013 and 2012, respectively, were recorded as revenue and were expected to be received within one year.

NOTE 5 – Capital Assets

Governmental Activities	Beginning Balance June 30, 2012	Additions	Deletions	Ending Balance June 30, 2013
Capital Assets, not being depreciated:				
Land	\$ 1,266,291	\$ -	\$ 24,608	\$ 1,241,683
Work in Progress - UI Modernization	230,669	551,378	211,436	570,611
Total capital assets, not being depreciated	<u>1,496,960</u>	<u>551,378</u>	<u>236,044</u>	<u>1,812,294</u>
Capital Assets, being depreciated:				
Buildings	9,022,064	-	221,460	8,800,604
Equipment	1,454,761	82,922		1,537,683
Intangible Assets	3,894,153		125,899	3,768,254
Total Capital Assets, being depreciated	<u>14,370,978</u>	<u>82,922</u>	<u>347,359</u>	<u>14,106,541</u>
Less accumulated depreciation for:				
Buildings	4,654,031	201,337	183,535	4,671,833
Equipment	992,826	329,713		1,322,539
Intangible Assets	2,219,964	489,833	84,562	2,625,235
Total accumulated depreciation	<u>7,866,821</u>	<u>1,020,883</u>	<u>268,097</u>	<u>8,619,607</u>
Total capital assets, being depreciated, net	<u>6,504,157</u>	<u>(937,961)</u>	<u>79,262</u>	<u>5,486,934</u>
Governmental activity capital assets, net	<u>\$ 8,001,117</u>	<u>\$ (386,583)</u>	<u>\$ 315,306</u>	<u>\$ 7,299,228</u>

Governmental Activities	Beginning Balance June 30, 2011	Additions	Deletions	Ending Balance June 30, 2012
Capital Assets, not being depreciated:				
Land	\$ 1,266,291	\$ -	\$ -	\$ 1,266,291
Work in Progress - UI Modernization	300,517	1,199,379	1,269,227	230,669
Total capital assets, not being depreciated	<u>1,566,808</u>	<u>1,199,379</u>	<u>1,269,227</u>	<u>1,496,960</u>
Capital Assets, being depreciated:				
Buildings	9,022,064	-	-	9,022,064
Equipment	1,580,306	-	125,545	1,454,761
Intangible Assets	2,751,517	1,176,143	33,507	3,894,153
Total Capital Assets, being depreciated	<u>13,353,887</u>	<u>1,176,143</u>	<u>159,052</u>	<u>14,370,978</u>
Less accumulated depreciation for:				
Buildings	4,448,957	205,074	-	4,654,031
Equipment	791,556	323,080	121,810	992,826
Intangible Assets	1,761,180	488,787	30,003	2,219,964
Total accumulated depreciation	<u>7,001,693</u>	<u>1,016,941</u>	<u>151,813</u>	<u>7,866,821</u>
Total capital assets, being depreciated, net	<u>6,352,194</u>	<u>159,202</u>	<u>7,239</u>	<u>6,504,157</u>
Governmental activity capital assets, net	<u>\$ 7,919,002</u>	<u>\$ 1,358,581</u>	<u>\$ 1,276,466</u>	<u>\$ 8,001,117</u>

Federal resources have funded all equipment. Land and Buildings deletions for June 30, 2013 are due to the sale of the Jamestown office building. Work in progress additions for the year ended June 30, 2013 include \$551,378 for a workforce data warehouse to be linked to the (NDSLDS) North Dakota Statewide Longitudinal Data System to maximize the usefulness of

information to stakeholders and partners of North Dakota education, training, employment and service systems. Intangible Asset additions for the year ended June 30, 2012 include \$1,166,143 for an (IVR) Interactive Voice Response system used by employers and Unemployment Insurance claimants. Intangible Asset and Equipment deletions were \$125,900 and \$159,052 for 2013 and 2012, respectively.

Buildings include a capitalized lease of the Grand Forks office building with a value of \$1,676,260 and accumulated amortization of \$634,975 and a capitalized lease of the Bismarck / Mandan office building with a value of \$2,187,530 and accumulated amortization of \$375,983. 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, 2013 and 2012 were \$1,031,057 and \$1,190,763 respectively. Total payroll for all employees was \$11,289,619 and \$11,180,937, respectively. Information included herein is based on the most current actuarial valuation report (as of July 1, 2013).

As of that date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	213
Terminated employees entitled to benefits but not yet receiving them	3
Current vested employees	<u>15</u>
TOTAL	<u><u>231</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
7/1/09 - 6/30/10	3%	4%	0%
7/1/10 - 6/30/11	3%	4%	0%
7/1/11 - 6/30/12	3%	4%	0%
7/1/12 - 6/30/13	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 position 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	7/1/2013
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	8%
Projected Salary Increase	5%
Includes Inflation at	5%
Post Retirement Cost-of-living Adjustment	5%

* As of July 1, 2013, 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:

	2013	2012
Annual required contributions	\$ -	\$ -
Interest on net pension obligation	121,794	122,254
Adjustment to annual required contributions	127,906	128,389
Annual pension costs	6,112	6,135
Contributions made	-	-
Increase in net pension obligation	6,112	6,135
Net pension obligations, beginning of year	(1,623,923)	(1,630,058)
(Assets in excess of) net pension obligations, end of year	<u>\$ (1,617,811)</u>	<u>\$ (1,623,923)</u>

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

June 30	Costs (APC)	Contributed	Obligation
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)
2012	6,135	0%	(1,623,923)
2013	6,112	0%	(1,617,811)

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 2013 and 2012 are included in the state of North Dakota's Comprehensive Annual Financial Report for the years ended June 30, 2013 and 2012. 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, 2013 and 2012 were \$1,100,836 and \$966,886, 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, 2012. The actuary determined the obligation the agency has to record as of June 30, 2013 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, 2012, 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	200	182
Terminated employees entitled to benefits but not yet receiving them	1	0
Current vested employees	<u>20</u>	<u>36</u>
TOTAL	<u>221</u>	<u>218</u>

C. Contributions Required and Made

The funding policy of the plans thru June 30, 2013 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 Bryan, Pendleton, Swats & McAllister, LLC:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age actuarial cost method
Amortization Method	15-Year Amortization Open
Remaining Amortization Period	15 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	\$ 385,689	\$ 124,634	\$ 510,323
Interest on OPEB obligation	6,900	7,540	14,440
Adjustment to annual required contributions	<u>(13,967)</u>	<u>(15,263)</u>	<u>(29,230)</u>
Annual OPEB costs	378,622	116,911	495,533
Contributions made	<u>247,112</u>	<u>50,855</u>	<u>297,967</u>
Increase in net OPEB obligation	131,510	66,056	197,566
Net OPEB obligations, beginning of year	<u>291,630</u>	<u>256,061</u>	<u>547,691</u>
Net OPEB obligations, end of year	<u><u>\$ 423,140</u></u>	<u><u>\$ 322,117</u></u>	<u><u>\$ 745,257</u></u>

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

<u>June 30</u>	<u>Health Benefits OPEB Costs</u>	<u>Life Insurance OPEB Costs</u>	<u>Health Benefit Cost Contributed</u>	<u>Life Insurance Cost Contributed</u>	<u>OPEB Obligation</u>	<u>OPEB Cost Contributed</u>
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%
2012	378,622	116,911	243,420	50,855	201,258	59.4%
2013	378,622	116,911	247,112	50,855	197,566	60.1%

Funded Status and Funding Progress – As of June 30, 2012 the most recent actuarial valuation date, the plans were unfunded. The actuarial accrued liability for benefits was \$5,572,574, and the actuarial value of assets was \$ 0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,572,574. The covered payroll was (annual payroll of active employees covered by the plans) was \$2,111,709 and the ratio of the UAAL to the covered payroll was 263.89 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 information for the years ended June 30, 2008 thru June 30, 2013, 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 \$2,601,172 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded. \$2,000,000 of these commitments are to the WyCAN Consortium to build a Unemployment Insurance computer system.

NOTE 9 – Lease Commitments

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for operating leases for the years ended June 30, 2013 and 2012 were approximately \$452,961 and \$456,892, respectively.

Future minimum operating lease commitments are:

<u>Year ending June 30:</u>	<u>Amount</u>
2014	\$ 224,628
2015	191,202
2016	<u>35,726</u>
Total	<u>\$ 451,556</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, 2013 and 2012 was \$1,208,233 and \$1,198,527 respectively.

B. Capital Leases

All capital leases are accounted for within the Governmental Funds. Future minimum lease payments under capital leases and the present value of the net minimum lease payments are as follows on June 30, 2013:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>
2014	\$ 539,678
2015	432,427
2016	278,651
2017	224,344
2018	214,325
2019-2023	<u>874,700</u>
Total Minimum Lease Payments	2,564,125
Less: Amount Representing Interest	<u>348,446</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 2,215,679</u></u>

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net position at June 30, 2013, is as follows:

	<u>Governmental Activities</u>
Grand Forks Building	\$1,676,260
Bismarck/Mandan Building	2,187,530
Information Technology Equipment	957,542
Equipment	64,231
Less: Accumulated Depreciation	<u>(1,869,140)</u>
Total	<u><u>\$3,016,423</u></u>

C. Changes in Noncurrent Liabilities

<u>Governmental Activities</u>	Beginning Balance June 30, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Other Long-term Liabilities:					
Compensated Absences	\$ 1,198,527	\$ 926,433	\$ 916,725	\$ 1,208,235	\$ 110,312
Capital Leases	2,502,309	64,231	350,861	2,215,679	476,367
Total other liabilities	<u>3,700,836</u>	<u>990,664</u>	<u>1,267,586</u>	<u>3,423,914</u>	<u>586,679</u>
Total Long-Term Liabilities	<u><u>\$ 3,700,836</u></u>	<u><u>\$ 990,664</u></u>	<u><u>\$ 1,267,586</u></u>	<u><u>\$ 3,423,914</u></u>	<u><u>\$ 586,679</u></u>

Governmental Activities	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
Other Long-term Liabilities:	June 30, 2011			June 30, 2012	One Year
Compensated Absences	\$ 1,218,414	\$ 892,886	\$ 912,773	\$ 1,198,527	\$ 91,328
Capital Leases	3,100,527	-	598,218	2,502,309	345,772
Total other liabilities	4,318,941	892,886	1,510,991	3,700,836	437,100
Total Long-Term Liabilities	\$ 4,318,941	\$ 892,886	\$ 1,510,991	\$ 3,700,836	\$ 437,100

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund. The capital lease for the Grand Forks building was refinanced in the year ended June 30, 2012. The net amount of the refinanced debt, \$116,935 and the new debt, \$111,815, for the Grand Forks building is included in the reductions. Capital Lease additions include a mail inserter and two copier leases totaling \$64,231 that was entered into in the year ended June 30, 2013. The agency had a short term loan with borrowings of \$2,333,970 thru Bank of North Dakota during the year-ended June 30, 2012. The loan was utilized to pay benefits for Disaster Unemployment Assistance and was paid in full by federal funds received for the Disaster Unemployment Assistance program.

NOTE 11 – Interfund Receivables / Payables

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

June 30, 2013

Governmental Funds	Due From	Due To
Job Service Special Fund	\$ 38,710	\$ -
Federal Advance Interest Repayment Account	-	257
Federal Funds	28,276	38,453
Total	\$ 66,986	\$ 38,710

Proprietary Fund	Due From	Due To
Unemployment Insurance	-	28,276
Total	\$ -	\$ 28,276

June 30, 2012

Governmental Funds	Due From	Due To
Job Service Special Fund	\$ 112,056	\$ -
Federal Advance Interest Repayment Account	-	3,463
Federal Funds	9,152	28,005
Total	\$ 121,208	\$ 31,468

Proprietary Fund	Due From	Due To
Unemployment Insurance	21	89,761
Total	\$ 21	\$ 89,761

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>\$ 24,765,983</u>
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	24,938,484
Governmental Activities - Interest on long-term debt	70,288
Business-type Activities - UC Funds	<u>118,377,072</u>
Subtotal	<u>143,385,844</u>
Less:	
Business-type Activities - UC Funds	118,377,072
FAIRA	230,145
Pension Assets at June 30,2012	1,623,923
Addition to Noncurrent Liabilities-Compensated Absences	926,433
Addition to Capital Leases	64,231
Depreciation Expense	1,020,883
Interest Payable at June 30, 2013	6,397
Net change in Unpaid Penalty and Interest	(215,752)
OPEB Expense at June 30, 2012	197,566
Insurance Recovery Expenditures	7,134
Loss on Disposal of Fixed Assets	<u>41,338</u>
Subtotal	<u>122,279,370</u>
Plus:	
Appropriated expenses in Proprietary Fund	344,094
Net Capital Asset Additions	422,864
Reduction to Noncurrent Liabilities-Capital Lease	350,861
Reduction to Noncurrent Liabilities-Compensated Absences	916,726
Pension Assets at June 30,2013	1,617,771
Interest Payable at June 30, 2012	<u>7,193</u>
Subtotal	<u>3,659,509</u>
Adjusted GAAP Expenditures	<u><u>\$ 24,765,983</u></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.

	June 30, 2013		
	Federal Fund	Nonmajor Governmental Funds	Proprietary Fund
A. <u>Due From Other State Agencies</u>			
Department of Human Services	\$ 142,608	\$ -	\$ -
General Fund	-	161,950	-
Total	\$ 142,608	\$ 161,950	\$ -
B. <u>Due To Other State Agencies</u>			
Office of Management and Budget	\$ 874	\$ -	\$ -
Bismarck State College	8,747	-	-
Dakota College at Bottineau	2,017	-	-
North Dakota State University	1,362	-	-
ND State College of Science	3,911	-	-
Skill & Technology Training Ctr. Fargo	13,370	-	-
Valley City State University	619	-	-
Information Technology Department	79,655	-	-
Office of the State Treasurer	79,518	-	-
Office of the Attorney General	10,594	-	-
Department of Transportation	4,849	596	-
Bank of North Dakota	-	-	89,660
Total	\$ 205,516	\$ 596	\$ 89,660

	<u>Transfer In</u>
C. <u>Transfers</u>	
<u>Nonmajor Governmental Funds</u>	
General Fund Appropriation	\$ 776,922
Total	\$ 776,922

D. Capital Leases

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

<u>June 30, 2012</u>			
	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
A. <u>Due From Other State Agencies</u>			
Public Employees Retirement System	-		-
Department of Human Services	\$ 240,973	\$ -	\$ -
General Fund	-	24,071	-
Total	<u>\$ 240,973</u>	<u>\$ 24,071</u>	<u>\$ -</u>
B. <u>Due To Other State Agencies</u>			
Office of Management and Budget	\$ 946	\$ -	\$ -
Bismarck State College	10	-	-
Dakota College at Bottineau	3,902	-	-
Dickinson State University	4,130	-	-
Minot State University	6,342	-	-
ND State College of Science	8,403	-	-
Skill & Technology Training Ctr. Fargo	10,195	-	-
TrainND Minot	1,500	-	-
Valley City State University	2,691	-	-
Williston State College	6,580	-	-
Information Technology Department	75,475	-	-
Office of the State Treasurer	423,748	-	-
Office of the Attorney General	12,289	-	-
Workforce Safety and Insurance	320	-	-
Department of Transportation	4,124	339	-
Bank of North Dakota	-	-	15,080
Total	<u>\$ 560,655</u>	<u>\$ 339</u>	<u>\$ 15,080</u>
C. <u>Transfers</u>			
	<u>Transfer In</u>		
<u>Nonmajor Governmental Funds</u>			
General Fund Appropriation	\$ 630,954		
North Dakota Insurance Department	1,800		
Total	<u>\$ 632,754</u>		

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 Position

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

The amounts of \$154,083,374 on June 30, 2013 and \$141,175,260 on June 30, 2012 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 \$12,570,609 on June 30, 2013 and \$12,895,580 on June 30, 2012 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 \$3,924,340 on June 30, 2013 and \$3,063,667 on June 30, 2012 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:

Fund Balances as of June 30, 2013			
	Restricted	Assigned	Total
Fund Balances:			
Job Service Special Fund New Jobs Program	\$ -	\$ 616,515	\$ 616,515
Federal Advance Interest Repayment Account	3,307,825	-	3,307,825
Total	\$ 3,307,825	\$ 616,515	\$ 3,924,340

Fund Balances as of June 30, 2012			
	Restricted	Assigned	Total
Fund Balances:			
Job Service Special Fund New Jobs Program	\$ -	\$ 611,808	\$ 611,808
Federal Advance Interest Repayment Account	2,451,859	-	2,451,859
Total	\$ 2,451,859	\$ 611,808	\$ 3,063,667

NOTE 16 – GASB Pronouncements

The following are future GASB pronouncements that are applicable to the Agency:

GASB Statement No. 61, The Financial Reporting Entity: Omnibus will be effective for financial statement periods beginning after June 15, 2013 with earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the requirements of Statement No. 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013.

GASB Statement No. 66, Technical Corrections – 2013 – an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62 , Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013.

GASB Statements 67, Financial Reporting for Pension Plans. The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. GASB 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statements establishes a definition of a pension plan that Reflects the primary activities associated with the pension arrangement—Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

Required Supplementary Information

**Schedule of Funding Progress Pension Trust Fund
For the Ten Years Ended June 30, 2013**

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
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%
2012	75,117,973	N/A	0	N/A	1,011,115	0.00%
2013	76,325,451	N/A	0	N/A	842,601	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, 2013**

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%
2012	2012	0	5,572,574	5,572,574	0.0%	2,299,949	242.29%
2013	2012	0	5,572,574	5,572,574	0.0%	2,111,709	263.89%

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, 2013**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	0	100%
2007	0	100%
2008	0	100%
2009	0	100%
2010	0	100%
2011	0	100%
2012	0	100%
2013	0	100%

JOB SERVICE NORTH DAKOTA

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions OPEB
For the Year Ended June 30, 2013**

<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%
2012	510,323	57%
2013	510,323	58%

**Job Service North Dakota
Notes to Required Supplementary Schedules
June 30, 2013 and 2012**

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 15 year period.

Significant actuarial assumptions employed by the actuaries for funding purposes as of June 30, 2013, the date of the latest actuarial studies:

Mortality tables:

Healthy: *Pension Plan* - 1994 Group Annuity Mortality Table.
OPEB Plans - 1994 Group Annuity Mortality Table with 1 year setback

Disabled: *Pension Plan* - 1983 Railroad Retirement Board Disabled Life Mortality Table
OPEB Plans - Combined table based on age

Disability Incidence: Sample rates shown below.

Withdrawal rates: Sample rates shown below.

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

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

Retirement age: *Pension Plan:* 75% of Active participants are assumed to retire when first eligible for optional retirement, and the remaining participants retire at normal retirement. If currently older than first eligible optional retirement age, retirement assumed to occur at normal retirement, or current age, if older.
100% of inactive vested participants are assumed to retire at optional retirement age.

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

<u>Retirement 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: 70% of participants are assumed to be married with husbands being 3 years older than spouses.

Age of spouse: *Pension Plan:* Females are assumed to be four years younger than males.
OPEB Plans: Females are assumed to be three 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, 2013 and June 30, 2012, 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 Entry Age actuarial 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, 2013**

	<u>Special Revenue</u>			
	<u>001</u>	<u>362</u>	<u>392</u>	
	General Fund	Job Service Special Fund	Insurance Recovery Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash in State Treasury	\$ -	\$ 580,876	\$ -	\$ 580,876
Due From:				
Other Funds	-	38,710	-	38,710
Other State Agencies	161,950	-	-	161,950
TOTAL ASSETS	\$ 161,950	\$ 619,586	\$ -	\$ 781,536
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 148,906	\$ 5	\$ -	\$ 148,911
Accrued Payroll	13,044	2,471	-	15,515
Due To:				
Other State Agencies	-	595	-	595
TOTAL LIABILITIES	161,950	3,071	-	165,021
Fund Balances:				
Assigned	-	616,515	-	616,515
TOTAL FUND BALANCES	-	616,515	-	616,515
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,950	\$ 619,586	\$ -	\$ 781,536

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

	Special Revenue				
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ -	\$ 363,932	\$ 363,932
Cash in State Treasury	-	502,363	-	-	502,363
Investments At The Bank of North Dakota	-	-	-	2,000,000	2,000,000
Accounts Receivable - Net:					
Refunds	-	-	-	-	-
Accrued Interest	-	-	-	295	295
Penalty and/or Interest	-	-	-	447,092	447,092
Due From:					
Other Funds	-	112,056	-	-	112,056
Other State Agencies	24,071	-	-	-	24,071
TOTAL ASSETS	\$ 24,071	\$ 614,419	\$ -	\$ 2,811,319	\$ 3,449,809
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 17,661	\$ -	\$ -	\$ -	\$ 17,661
Accrued Payroll	6,410	2,272	-	-	8,682
Due To:					
Other Funds	-	-	-	3,463	3,463
Other State Agencies	-	339	-	-	339
Unpaid Penalty and Interest	-	-	-	355,997	355,997
TOTAL LIABILITIES	24,071	2,611	-	359,460	386,142
Fund Balances:					
Restricted	-	-	-	2,451,859	2,451,859
Assigned	-	611,808	-	-	611,808
TOTAL FUND BALANCES	-	611,808	-	2,451,859	3,063,667
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,071	\$ 614,419	\$ -	\$ 2,811,319	\$ 3,449,809

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, 2013**

	Special Revenue			Total Nonmajor Governmental Funds
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	
Revenues				
Other Grants	\$ -	\$ 44,462	\$ -	\$ 44,462
TOTAL REVENUES	<u>-</u>	<u>44,462</u>	<u>-</u>	<u>44,462</u>
Expenditures				
Current:				
Economic Development & Assistance	771,555	39,755	7,134	818,444
TOTAL EXPENDITURES	<u>771,555</u>	<u>39,755</u>	<u>7,134</u>	<u>818,444</u>
Excess of Revenues Over (Under) Expenditures	<u>(771,555)</u>	<u>4,707</u>	<u>(7,134)</u>	<u>(773,982)</u>
Other Finance Sources				
Sale of Land and Building	1,767	-	-	1,767
Transfers In	769,788	-	7,134	776,922
TOTAL OTHER FINANCE SOURCES	<u>771,555</u>	<u>-</u>	<u>7,134</u>	<u>778,689</u>
Net change in Fund Balances	-	4,707	-	4,707
Fund Balances at June 30, 2012	-	611,808	-	611,808
Fund Balances at June 30, 2013	<u>\$ -</u>	<u>\$ 616,515</u>	<u>\$ -</u>	<u>\$ 616,515</u>

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, 2012**

	Special Revenue				Total Nonmajor Governmental Funds
	001 General Fund	362 Job Service Special Fund	392 Insurance Recovery Fund	Federal Advance Interest Repayment Account	
Revenues					
Interest Earnings	\$ -	\$ -	\$ -	\$ 6,983	\$ 6,983
Penalty and/or Interest	-	-	-	791,534	791,534
Other Grants	-	60,149	-	-	60,149
TOTAL REVENUES	<u>-</u>	<u>60,149</u>	<u>-</u>	<u>798,517</u>	<u>858,666</u>
Expenditures					
Current:					
Economic Development & Assistance	630,954	34,146	14,886	421,320	1,101,306
TOTAL EXPENDITURES	<u>630,954</u>	<u>34,146</u>	<u>14,886</u>	<u>421,320</u>	<u>1,101,306</u>
Excess of Revenues					
Over (Under) Expenditures	(630,954)	26,003	(14,886)	377,197	(242,640)
Other Finance Sources					
Transfers In	630,954	-	1,800	-	632,754
TOTAL OTHER FINANCE SOURCES	<u>630,954</u>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>632,754</u>
Net change in Fund Balances	-	26,003	(13,086)	377,197	390,114
Fund Balances at June 30, 2011	-	585,805	13,086	2,074,662	2,673,553
Fund Balances at June 30, 2012	<u>\$ -</u>	<u>\$ 611,808</u>	<u>\$ -</u>	<u>\$ 2,451,859</u>	<u>\$ 3,063,667</u>

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<i>Governmental funds capital assets:</i>		
Land	\$ 1,241,683	\$ 1,266,291
Buildings	8,800,604	9,022,064
Machinery and equipment	1,537,683	1,454,761
Intangible Assets	3,768,254	3,894,153
Work in Progress	570,611	230,669
<i>Total governmental funds capital assets</i>	<u>\$ 15,918,835</u>	<u>\$ 15,867,938</u>
 <i>Investments in governmental funds capital assets by source:</i>		
Special revenue funds	<u>\$ 15,918,835</u>	<u>\$ 15,867,938</u>

JOB SERVICE NORTH DAKOTA

**Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2013 and 2012**

June 30, 2013						
Function and Activity	Land	Buildings	Equipment	Intangible Assets	Work in Progress	Total
<i>General government:</i>						
Economic development and assistance	\$ 1,241,683	\$ 8,800,604	\$ 1,537,683	\$ 3,768,254	\$ 570,611	\$ 15,918,835
Total general government	<u>1,241,683</u>	<u>8,800,604</u>	<u>1,537,683</u>	<u>3,768,254</u>	<u>570,611</u>	<u>15,918,835</u>
<i>Total governmental funds capital assets</i>	<u>\$ 1,241,683</u>	<u>\$ 8,800,604</u>	<u>\$ 1,537,683</u>	<u>\$ 3,768,254</u>	<u>\$ 570,611</u>	<u>\$ 15,918,835</u>

June 30, 2012						
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	\$ 1,454,761	\$ 3,894,153	\$ 230,669	\$ 15,867,938
Total general government	<u>1,266,291</u>	<u>9,022,064</u>	<u>1,454,761</u>	<u>3,894,153</u>	<u>230,669</u>	<u>15,867,938</u>
<i>Total governmental funds capital assets</i>	<u>\$ 1,266,291</u>	<u>\$ 9,022,064</u>	<u>\$ 1,454,761</u>	<u>\$ 3,894,153</u>	<u>\$ 230,669</u>	<u>\$ 15,867,938</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, 2013 and 2012

Function and Activity	June 30, 2013			Governmental Funds Capital Assets June 30, 2013
	Governmental Funds Capital Assets July 1, 2012	Additions	Deductions	
	<i>General government:</i>			
Economic development and assistance	\$ 15,867,938	\$ 634,300	\$ 583,403	\$ 15,918,835
Total general government	15,867,938	634,300	583,403	15,918,835
Total governmental funds capital assets	\$ 15,867,938	\$ 634,300	\$ 583,403	\$ 15,918,835

Function and Activity	June 30, 2012			Governmental Funds Capital Assets June 30, 2012
	Governmental Funds Capital Assets July 1, 2011	Additions	Deductions	
	<i>General government:</i>			
Economic development and assistance	\$ 14,920,695	\$ 2,375,522	\$ 1,428,279	\$ 15,867,938
Total general government	14,920,695	2,375,522	1,428,279	15,867,938
Total governmental funds capital assets	\$ 14,920,695	\$ 2,375,522	\$ 1,428,279	\$ 15,867,938

**Schedule of Expenditures of
Federal Awards**

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
<u>U.S. Department of Labor</u>		
<u>Labor Force Statistics</u>	17.002	
Cooperative Agreement LM-21529-12-75-J-38		\$ 180,113
Cooperative Agreement LM-23111-13-75-J-38		430,137
		ST <u>610,250</u>
<u>Temporary Labor Certification for Foreign Workers</u>	17.273	
Alien Labor Certification FY 2013		34,017
Alien Labor Certification FY 2012		49,067
		ST <u>83,084</u>
<u>Unemployment Insurance</u>	17.225	
UI Administration FY 2013		2,615,109
UI Administration FY 2012		4,642,881
UI Administration FY 2013		109,901
DUA 2011 Flood FY 2011		(2,424)
REA Services FY 2012		304,792
REA Services FY 2011		(5,115)
UI Special Administration- ARRA		344,094
UI EUC STATE ADMINISTRATION - FFY 13		23,142
UI EUC STATE ADMINISTRATION - FFY 12		135,235
UI EUC STATE ADMINISTRATION - FFY 11		81,731
RES - EUC (Reemployment Services)		30,323
UI SBR - Integrity - FFY		36,172
UI SBR - WyCAN Consortium - FFY 11		759,944
Federal Unemployment Insurance Benefits		16,380,747
Federal Unemployment Insurance Benefits-FAC-ARRA		(21,213)
State Unemployment Insurance Benefits funded by State Taxes		101,673,444
		ST <u>127,108,763</u>
<u>Trade Adjustment Assistance-Workers</u>	17.245	
TAA Training FY 2011		177,732
TAA Training FY 2010		133,838
ATAA FY 2013		12,509
ATAA FY 2012		14,861
TRA Benefits FY 2013		143,836
TRA Benefits FY 2012		46,625
		ST <u>529,401</u>
<u>Transition Assistance Program</u>	17.807	
Transition Assistance Program FY 2013		3,440
Transition Assistance Program FY 2012		9,527
		ST <u>12,967</u>
<u>Employment Service</u>	17.207 (2)	
Wagner-Peyser PY 2012		3,581,126
Wagner-Peyser PY 2011		2,124,921
Workforce Information Grant PY 2012		52,321
Workforce Information Grant PY 2011		109,477
WOTC FY 2013		44,486
WOTC FY 2012		25,083
		ST <u>5,937,414</u>
<u>Disabled Veterans Outreach Program</u>	17.801 (2)	
DVOP FY 2013		352,662
DVOP FY 2012		163,773
		ST <u>516,435</u>

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
Local Veterans' Employment Representative Program	17.804 (2)	
LVER FY 2013		33,794
LVER FY 2012		38,561
		<u>72,355</u>
		ST
Subtotal of 17.207, 17.801, 17.804		<u>6,526,204</u>
 Passed Through Governor of North Dakota Workforce Investment Act Adult Program	 17.258 (3)	
Grant Number AA-22948-12-55		400,901
Grant Number AA-21408-11-55		914,443
Grant Number AA-20206-10-55		267,235
Grant Number AA-18654-09-55		(40,000)
		<u>1,542,579</u>
		ST
 Workforce Investment Act Youth Activities	 17.259 (3)	
Grant Number AA-22948-12-55		575,454
Grant Number AA-21408-11-55		1,080,159
Grant Number AA-20206-10-55		300,110
		<u>1,955,723</u>
		ST
 Workforce Investment Act Dislocated Workers	 17.260 (3)	
Grant Number AA-18654-09-55		39,999
		<u>39,999</u>
		ST
 Workforce Investment Act Dislocated Workers	 17.278 (3)	
Grant Number AA-22948-12-55		255,796
Grant Number AA-21408-11-55		133,687
Grant Number AA-20206-10-55		54,380
		<u>443,863</u>
		ST
Subtotal of 17.258-17.260, 17.278		<u>3,982,164</u>
 Workforce Quality Data Initiative	 17.261	
Grant Number MI-21183-10-60		571,304
		<u>571,304</u>
 Workforce Investment Act Incentive Grant Passed Through ND Department of Education:	 17.267	
WIA PY2010 Performance Incentive Grant		81,309
		<u>81,309</u>
 Workforce Investment Act Dislocated Worker National Reserve - Demonstration Grant	 17.280	
		1,056,211
		<u>1,056,211</u>
 TOTAL U.S. DEPARTMENT OF LABOR		 \$ <u>140,561,657</u>

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
<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)		\$ 70,560
Food Stamp Employment & Training (Contract Number 410-08692)		23,272
		<u>93,832</u>
		ST
		<u>93,832</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		\$ 93,832
<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 405-08445)		\$ 859,805
Parental Employment Pilot Project (Contract 410-08692)		483,404
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		\$ 1,343,209
<i>Unassigned federal costs</i>		(11,046)
TOTAL OTHER FEDERAL ASSISTANCE		(11,046)
TOTAL FEDERAL ASSISTANCE ⁽⁴⁾		\$ 141,987,652

(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 less the Other Finance Source -Capital Lease on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** (page 14) 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 17).

Internal Control and Compliance Section



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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 Jack Dalrymple
The Legislative Assembly

Maren L. Daley, Executive Director
Job Service North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Job Service North Dakota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Job Service North Dakota's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Job Service North Dakota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Job Service North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of Job Service North Dakota's internal control.

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

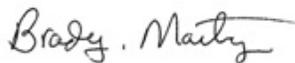
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Job Service North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Service North Dakota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 30, 2013



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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 Jack Dalrymple
The Legislative Assembly

Maren L. Daley, Executive Director
Job Service North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Job Service North Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Job Service North Dakota's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Job Service North Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Job Service North Dakota's compliance.

Opinion on Each Major Federal Program

In our opinion, Job Service North Dakota complied, in all material respects, with the types of 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, 2013.

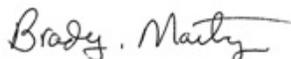
Report on Internal Control Over Compliance

Management of Job Service North Dakota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Job Service North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 30, 2013

**JOB SERVICE NORTH DAKOTA
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are Required to be reported in accordance with Circular A-133, Section .510(a)?

 yes x no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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17.225	Unemployment Insurance
17.002	Labor Force Statistics

Dollar threshold used to distinguish between Type A and Type B programs:

\$4,259,630

Auditee qualified as a low-risk auditee?

 yes x no

**JOB SERVICE NORTH DAKOTA
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2013**

Section II - Financial Statement Findings

There are no findings which are required to be reported under this section.

Section III - Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

**INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE
NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE
YEAR ENDED JUNE 30, 2013**

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 regarding the June 30, 2013 audit of Job Service North Dakota are as follows:

Audit Report Communications:

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

Unmodified

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?

Yes.

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

No

5. Was action taken on prior audit findings and recommendations?

Not applicable, there were no findings or recommendations reported in the prior year.

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

No.

Audit Committee Communications:

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

None.

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, 2013 to August 15, 2013. 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 fixed assets. Management determines the useful life of the assets based on planned use, subtracts the estimated salvage value, and depreciates the remaining cost of the asset over the useful life. The auditor's conclusion of the reasonableness of the useful lives is based on the past history of similar assets used by the organization.

3. Identify any significant audit adjustments.

None.

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to a 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.

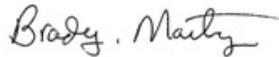
7. Identify any management consultations with other accountants about auditing and accounting matters.

None.

8. Identify any high-risk 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 report questions to be addressed by auditors are directly related to the operations of an information technology system.

Based on the audit procedures performed, Job Service North Dakota's critical information technology system is mainframe (Libra 300- Unisys). There were no exceptions identified that were directly related to this application.

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



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

October 30, 2013