

Job Service North Dakota

***Financial Report
For the Years Ending
June 30, 2018 and 2017***

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

***Nicole Vorachek
Finance Manager***

JOB SERVICE NORTH DAKOTA

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Accounting Standards Board

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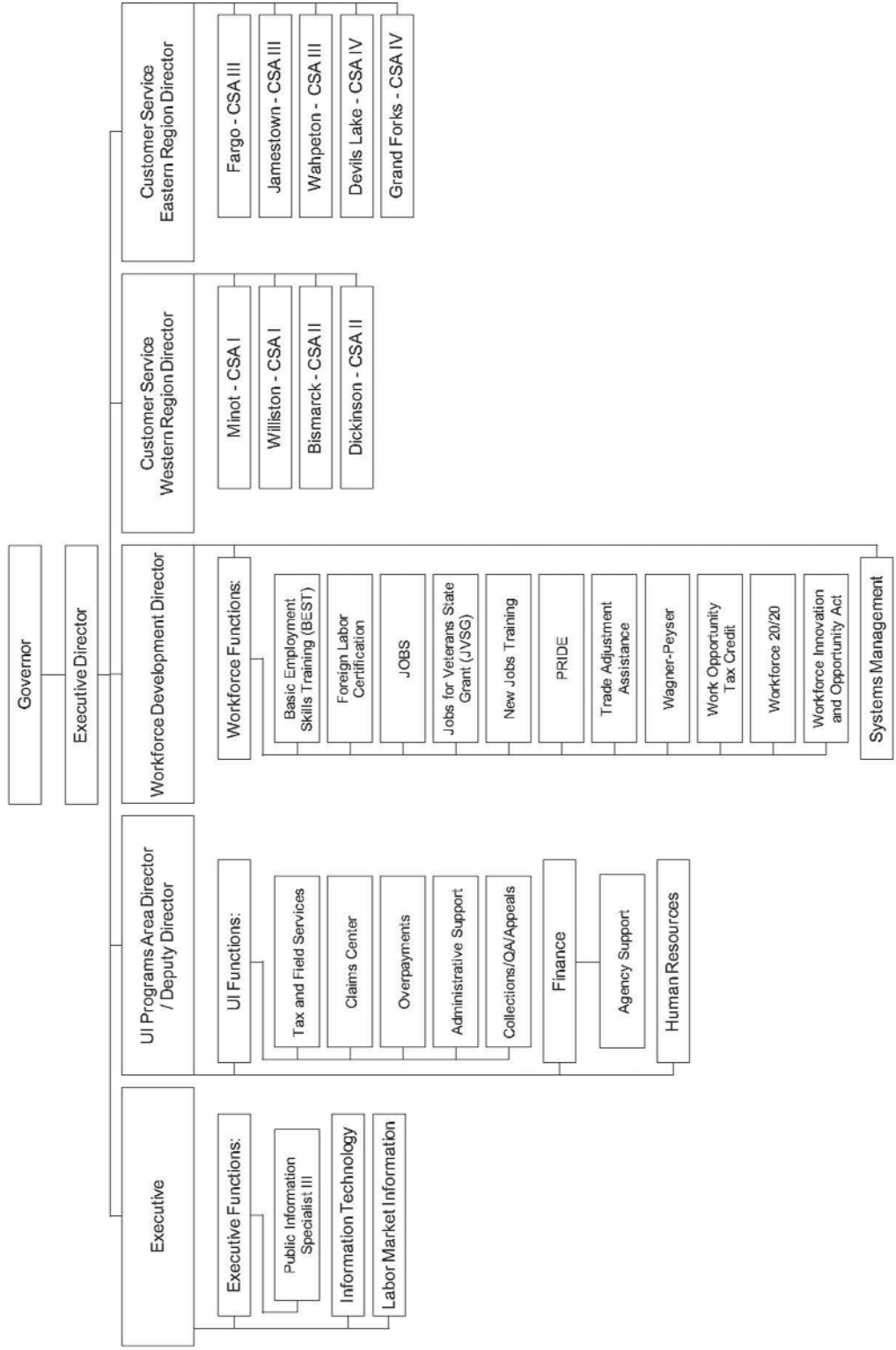
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JOB SERVICE NORTH DAKOTA

Organizational Structure



Independent Auditors' Report



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Governor Doug Burgum
The Legislative Assembly
State of North Dakota

Michelle Kommer, 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, 2018 and 2017, 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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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 where applicable 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, 2018 and 2017, 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. Our opinions are not modified with respect to this matter.

Also discussed in Note 1 to the financial statements, Job Service North Dakota adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 financial statements and the section regarding capital assets used in the operation of governmental funds 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 11, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Job Service North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Service North Dakota's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

October 11, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

June 30, 2018 and 2017

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 years ended June 30, 2018 and June 30, 2017 with comparison to the fiscal years ended June 30, 2017 and June 30, 2016, respectively.

Financial Highlights

- ❑ The assets of Job Service North Dakota exceeded its liabilities at the close of the June 30, 2018 fiscal year by \$226.78 million (net position). The increase of \$47.85 million (26.62%) over the prior fiscal year is due to an increase in the Business-Type Activity of the Unemployment Insurance Trust fund of \$49.71 million offset by a decrease in the Governmental Activities of \$1.85 million primarily related to a decrease in the pension asset, an increase in deferred pension outflows of resources and an increase in pension liability. A prior period adjustment of \$.83 million also decreased the net position, due to the implementation of GASB 75, which requires booking the net OPEB liabilities and deferred inflows and outflows of resources. The Unemployment Insurance Trust Fund increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund which was impacted by a decrease in payment of benefits to the unemployed and other states due to a decrease in unemployment insurance claims being filed.
- ❑ The assets of Job Service North Dakota exceeded its liabilities at the close of the June 30, 2017 fiscal year by \$179.76 million (net position). The increase of \$42.64 million (31.10%) over the prior fiscal year is due to an increase in the Business-Type Activity of the Unemployment Insurance Trust fund of \$37.82 million and an increase in the Governmental Activities of \$4.82 million primarily related to an increase in the pension asset. The Unemployment Insurance Trust Fund increase is attributable to the cash and cash equivalents of the Unemployment Insurance Trust fund which was impacted by increased employer unemployment tax contributions and a decrease in payment of benefits to the unemployed and other states due to the benefit period ending from the slowdown in economic activity related to the oil industry.
- ❑ As of the close of the June 30, 2018 and June 30, 2017 fiscal years, the Agency's Business-Type funds reported an ending net position of \$189.42 million and \$139.71 million, respectively, an increase of \$49.71 million and \$37.82 million, respectively, 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 \$37.37 million and \$40.06 million as of June 30, 2018 and June 30, 2017, respectively, a decrease of \$1.85 million and an increase of \$4.82 million, respectively, over the prior year. A prior period adjustment of \$.83 million also decreased the net position as of June 30, 2018. Of the total, \$5.01 million and \$5.11 million, respectively, of these assets are the net investment in capital assets, \$33.64 million and \$35.33 million, respectively, are restricted for payment of pension benefits and (\$1.28) million and (\$.38) million, respectively, is 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 deferred outflows as well as liabilities and deferred inflows with the difference between them reported as *net position*. Comparative information is presented for June 30, 2018 and June 30, 2017. 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 years ending June 30, 2018 and June 30, 2017. 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 two categories: governmental funds and proprietary 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 five 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, the federal advance interest repayment account and the general fund, which are considered to be the only major funds. Data from the other two 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 \$226.78 million as of June 30, 2018 and \$179.76 million as of June 30, 2017.

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

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 162,161	\$ 193,119	\$ 147,803	\$ 162,161	\$ 193,119	\$ 147,803
Operating grants and contributions	21,443	21,012	22,119	3,034	1,636	2,678	24,477	22,648	24,797
Total revenues	\$ 21,443	\$ 21,012	\$ 22,119	\$ 165,195	\$ 194,755	\$ 150,481	\$ 186,638	\$ 215,767	\$ 172,600
Expenses:									
Economic development & assistance	\$ 23,443	\$ 16,909	\$ 18,367	\$ -	\$ -	\$ -	\$ 23,443	\$ 16,909	\$ 18,367
Interest on long-term debt	71	71	52	-	-	-	71	71	52
Unemployment compensation funds	-	-	-	115,487	156,931	225,358	115,487	156,931	225,358
Total expenses	\$ 23,514	\$ 16,980	\$ 18,419	\$ 115,487	\$ 156,931	\$ 225,358	\$ 139,001	\$ 173,911	\$ 243,777
Change in net position before transfers and special items	\$ (2,071)	\$ 4,032	\$ 3,700	\$ 49,708	\$ 37,824	\$ (74,877)	\$ 47,637	\$ 41,856	\$ (71,177)
Special Item - loss on disposal of fixed assets	-	(3)	(32)	-	-	-	-	(3)	(32)
Transfers	217	791	1,203	-	-	-	217	791	1,203
Change in net position	(1,854)	4,820	4,871	49,708	37,824	(74,877)	47,854	42,644	(70,006)
Net Position - Beginning of year	40,057	35,237	30,366	139,707	101,883	176,760	179,764	137,120	207,126
Prior period adjustment	(834)	-	-	-	-	-	(834)	-	-
Net Position - Begin. of year, restated	39,223	35,237	30,366	139,707	101,883	176,760	178,930	137,120	207,126
Net Position - End of year	\$ 37,369	\$ 40,057	\$ 35,237	\$ 189,415	\$ 139,707	\$ 101,883	\$ 226,784	\$ 179,764	\$ 137,120

Job Service North Dakota's Net Position

June 30

(in thousands)

	Governmental Activities			Business-Type Activities			2018	2017	2016
	2018	2017	2016	2018	2017	2016			
Current and other assets	\$ 43,345	\$ 44,875	\$ 41,059	\$ 197,811	\$ 146,205	\$ 111,427	\$ 241,156	\$ 191,080	\$ 152,486
Capital assets	6,639	7,169	6,590	-	-	-	6,639	7,169	6,590
Total assets	49,984	52,044	47,649	197,811	146,205	111,427	247,795	198,249	159,076
Deferred outflow s of resources	\$ 9,446	\$ 4,711	\$ 1,468	\$ -	\$ -	\$ -	\$ 9,446	\$ 4,711	\$ 1,468
Noncurrent liabilities	18,151	12,477	10,800	-	-	-	18,151	12,477	10,800
Other liabilities	1,999	1,885	1,855	8,396	6,498	9,544	10,395	8,383	11,399
Total liabilities	20,150	14,362	12,655	8,396	6,498	9,544	28,546	20,860	22,199
Deferred inflow s of resources	\$ 1,911	\$ 2,336	\$ 1,225	\$ -	\$ -	\$ -	\$ 1,911	\$ 2,336	\$ 1,225
Net Position:									
Net investment in capital assets	5,014	5,105	5,418	-	-	-	5,014	5,105	5,418
Restricted	33,636	35,329	32,893	189,415	139,707	101,883	223,051	175,036	134,776
Unrestricted	(1,281)	(377)	(3,074)	-	-	-	(1,281)	(377)	(3,074)
Total net position	\$ 37,369	\$ 40,057	\$ 35,237	\$ 189,415	\$ 139,707	\$ 101,883	\$ 226,784	\$ 179,764	\$ 137,120

The Agency is primarily funded by federal grants from the United States 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 \$226.78 million as of June 30, 2018 and \$179.76 million as of June 30, 2017 includes \$37.37 million and \$40.05 million of net position of the Governmental Activities, respectively, and \$189.42 million and \$139.71 million of net position of the Business-Type Activity, respectively, of the Proprietary fund.

Governmental activities

The net position as of June 30, 2018 and 2017, related to governmental activities, are \$37.37 million and \$40.05 million, respectively. The net position as of June 30, 2018 and 2017 include, \$5.01 million and \$5.10 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 for June 30, 2018 and June 30, 2017, \$33.64 million and \$35.33 million, respectively, is classified as restricted for Pension Assets and (\$1.28) million and (\$.38) million, respectively, is classified as unrestricted net position which is related to the unexpended resources of the Federal Advance Interest Repayment Account (FAIRA) offset by the booking of the net pension assets, liabilities and deferred inflows and outflows of resources under GASB 68, *Accounting and Financial Reporting for Pensions* and the net OPEB liabilities and deferred inflows and outflows of resources under GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. North Dakota Century Code 52-04-22 initially established FAIRA 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 unemployment 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 \$189.42 million and \$139.71 million at June 30, 2018 and June 30, 2017, respectively, are applicable to separate restrictions. Restricted assets for Unemployment Insurance Benefits of \$178.33 million at June 30, 2018 and \$128.34 million at June 30, 2017 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 \$11.09 million at June 30, 2018 and \$11.37 million at June 30, 2017, 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, the Federal Advance Interest Repayment Account and the 001-General Fund are considered to be the agency's major funds. The two nonmajor governmental funds include the 362-Job Service Special Fund and the 392-Insurance Recovery Fund.

Federal Grants revenue is accrued in the federal fund to equal the federal Economic Development & Assistance expenditures accrued through the fiscal year end. The net position of the governmental activities decreased 6.7% from 2017 to 2018. This decrease, was primarily due to the decrease in pension assets under GASB 68, which requires booking the net pension assets, liabilities and deferred inflows and outflows of resources offset by an increase in deferred pension outflows of resources and an increase in net pension liability. The net position of the governmental activities increased 13.68% from 2016 to 2017. This increase, was primarily due to the increase in pension assets under GASB 68.

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 General Fund represents a state appropriation of general fund resources to the Agency to administer jobsnd.com and the labor exchange website.

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 States 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, 2018 charges for service revenue decreased by \$30.96 million over the prior year mainly due to a \$31.03 million decrease in Unemployment Insurance contribution offset by an increase of \$.01 million in Federal Benefit Reimbursements and an increase of \$.06 million Unemployment Insurance Overpayments interest. The Unemployment Insurance contribution decrease is due to a decrease in the average unemployment insurance tax rates to employers. The Unemployment Insurance Overpayments interest increase is due to more overpayments being collected.

June 30, 2017 charges for service revenue increased by \$45.32 million over the prior year mainly due to a \$45.30 million increase in Unemployment Insurance contribution and an increase of \$.07 million in Federal Benefit Reimbursements, offset by a decrease of \$.05 million Unemployment Insurance Overpayments

interest. The Unemployment Insurance contribution increase is due to an increase in the average unemployment insurance tax rates to employers. The Unemployment Insurance Overpayments interest decrease is due to fewer overpayments being collected.

Expenditures for this fund are primarily the unemployment benefits paid under the applicable state or federal benefit laws. State Unemployment Insurance Benefits expense decreased by \$41.41 million, while Federal Unemployment Benefits expense increased by \$.01 million for the year ended June 30, 2018. The State Unemployment Insurance Benefit expense decrease was due to a decrease in unemployment insurance benefits due to a reduction in unemployment claims and payment of benefits to claimants in other states. The federal benefit expense increase is due to additional federal benefit claims. The net position of the proprietary fund increased 35.58% from the previous year as a result of these changes.

State Unemployment Insurance Benefits expense decreased by \$68.10 million, while Federal Unemployment Benefits expense increased by \$.07 million for the year ended June 30, 2017. The State Unemployment Insurance Benefit expense decrease was due to a decrease in unemployment insurance benefits due to a reduction in unemployment claims and payment of benefits to claimants in other states. The federal benefit expense increase is due to additional federal benefit claims. The net position of the proprietary fund increased 37.13% from the previous year as a result of these changes.

Capital Asset and Debt Administration

Capital assets

The Agency's investment in capital assets was \$6.64 million (net of accumulated depreciation) as of the end of the current fiscal year as compared to \$7.17 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 66-68.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2018 and June 30, 2017 were \$18.15 million and \$12.48 million, respectively, and includes the Agency's Other Post Employment Benefits of \$2.13 million, the net Pension Liability of \$13.43 million due to implementation of GASB 68, a capitalized lease for the Bismarck/Mandan customer service office, equipment capital leases, and compensated absences. Of the current year balance, \$.54 million is classified as due within one year on the Statement of Net Position. The remaining liability of \$2.04 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		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Current liabilities:									
Accounts payable	\$ 229	\$ 185	\$ 362	\$ 5,974	\$ 3,687	\$ 4,261	\$ 6,203	\$ 3,872	\$ 4,623
Accrued payroll	1,176	1,185	1,143	-	-	-	1,176	1,185	1,143
Interest payable	9	11	3	-	-	-	9	11	3
Other current liabilities	586	504	342	2,422	2,811	5,283	3,008	3,315	5,625
Noncurrent liabilities:									
Net OPEB Liability	2,133	1,235	1,158	-	-	-	2,133	1,235	1,158
Net Pension Liability	13,432	8,199	7,473	-	-	-	13,432	8,199	7,473
Due within one year	544	533	319	-	-	-	544	533	319
Due in more than one year	2,041	2,510	1,855	-	-	-	2,041	2,510	1,855
Total liabilities	\$ 20,150	\$ 14,362	\$ 12,655	\$ 8,396	\$ 6,498	\$ 9,544	\$ 28,546	\$ 20,860	\$ 22,199

Additional information on the Agency's noncurrent liabilities can be found in Note 10 of this report. Additional information on the Agency's net OPEB Obligation and net Pension Liability can be found in Notes 7 and 6, respectively.

Financial Analysis of Appropriated Budget

The Agency's biennial budget can be found on page 19. The agency had an overall favorable variance of \$34.48 million due to in large part to the completion of only the first year of the biennium. The Reed Act budget variance of \$10.93 million is due to activities and funding associated with the continuation of the Agency's Unemployment Insurance IT system replacement project. Expenditure of Reed Act funds during this biennium have been minimal due to additional Federal funding received as part of a consortium to build a replacement system. Enhancements have been made to the current system to allow for a smoother transition to a new system on a widely-used technology platform. The Reed Act resources continue to be a necessary funding component and will be needed to accommodate the development 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 WIOA, Wagner Peyser and Unemployment Insurance. Sequestration, the automatic spending cuts provided for in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985, if enacted again, will reduce future funding for the agency.
- ❑ United States 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:

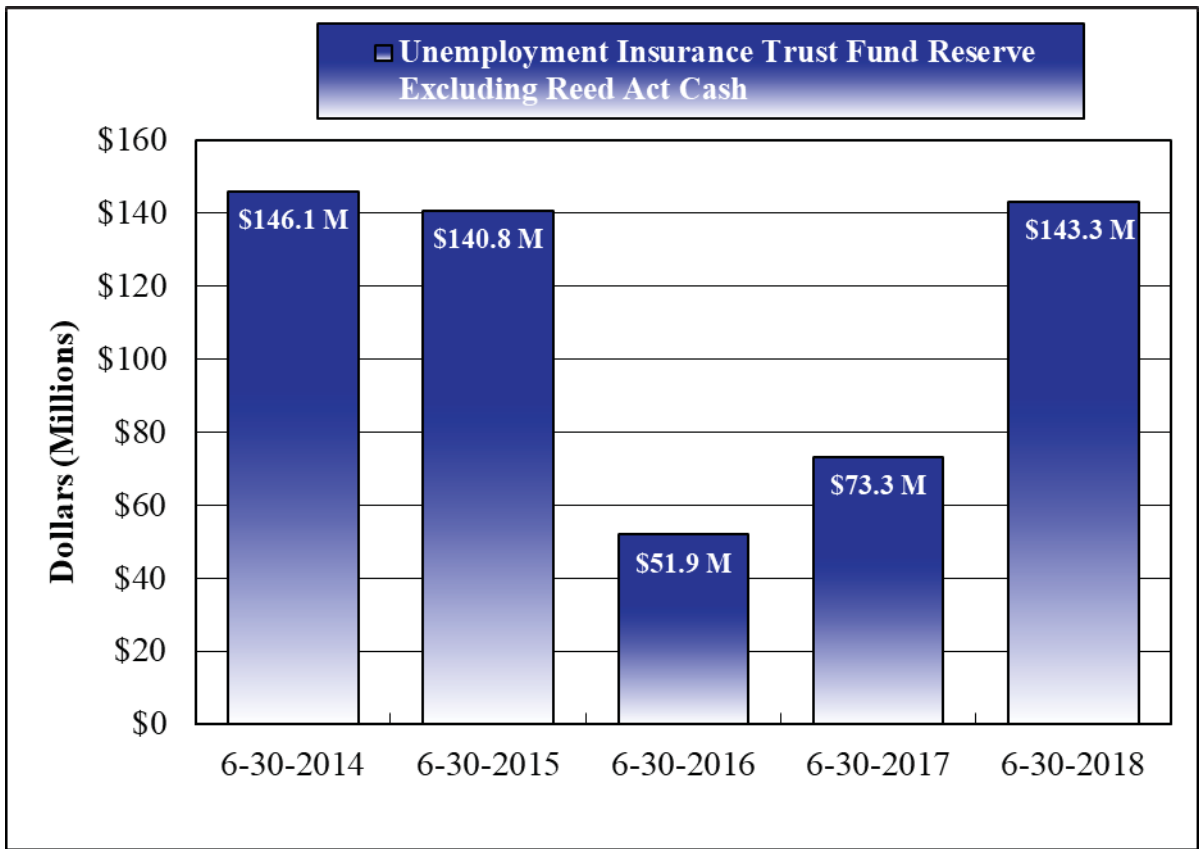
The 65th (2017) Legislative Assembly of North Dakota passed legislation that affects Job Service North Dakota. The major legislation affecting the agency was the appropriations legislative bill that is summarized as follows:

SB 2016, Job Service North Dakota Appropriations

This bill includes a base budget appropriation for Job Service North Dakota, and an appropriation for \$11,209,557 of Reed Act funds for the Unemployment Insurance computer modernization program.

Unemployment Insurance Trust Fund Reserve:

As illustrated in the chart below the Unemployment Insurance Trust Fund Reserve has increased by \$70.0 million, a ninety-five percent increase from a year ago. This increase is due to a decrease in unemployment insurance benefits paid.



Year Ending	Actual Trust Fund Reserve Excluding Reed Act Cash	Reed Act Cash	Trust Fund Reserve Including Reed Act Cash
6-30-2014	\$146,064,316	\$12,406,363	\$158,470,679
6-30-2015	140,829,944	12,406,363	153,236,307
6-30-2016	51,923,470	11,762,718	63,686,188
6-30-2017	73,321,994	11,364,798	84,686,792
6-30-2018	143,270,223	11,086,966	154,357,189

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, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Cash and Cash equivalents	\$ 1,763,181	\$ 1,126,875	\$ 153,612,575	\$ 84,460,121	\$ 155,375,756	\$ 85,586,996
Investments	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Receivables, net	855,501	1,174,773	42,657,229	59,794,046	43,512,730	60,968,819
Due From:						
Other Funds	339,556	343,448	91,997	-	431,553	343,448
Federal Government	1,527,639	1,563,353	305	1,936	1,527,944	1,565,289
Other State Agencies	186,022	280,573	-	-	186,022	280,573
Other States	-	-	1,449,120	1,948,868	1,449,120	1,948,868
Prepaid Items	36,671	57,173	-	-	36,671	57,173
Pension Assets	33,635,942	35,329,182	-	-	33,635,942	35,329,182
Capital Assets (net of accumulated depreciation):						
Land	1,241,683	1,241,683	-	-	1,241,683	1,241,683
Buildings, Equipment, and Other Depreciable Assets	5,155,412	5,910,780	-	-	5,155,412	5,910,780
Work in Progress	242,328	16,242	-	-	242,328	16,242
TOTAL ASSETS	49,983,935	52,044,082	197,811,226	146,204,971	247,795,161	198,249,053
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Pension Outflows	9,280,315	4,711,344	-	-	9,280,315	4,711,344
Deferred OPEB Outflows	165,763	-	-	-	165,763	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,446,078	4,711,344	-	-	9,446,078	4,711,344
LIABILITIES						
Accounts Payable	228,998	185,170	5,973,509	3,667,020	6,202,507	3,872,190
Interest Payable	8,761	10,994	-	-	8,761	10,994
Accrued Payroll	1,175,265	1,185,381	-	-	1,175,265	1,185,381
Due To:						
Other Funds	431,553	341,685	-	1,763	431,553	343,448
Federal Government	-	-	625	680	625	680
Other States	-	-	2,387,757	2,760,101	2,387,757	2,760,101
Other State Agencies	154,563	162,557	33,970	48,799	188,533	211,356
Net OPEB Liability	2,132,930	1,234,844	-	-	2,132,930	1,234,844
Net Pension Liability	13,431,911	8,198,908	-	-	13,431,911	8,198,908
Noncurrent Liabilities:						
Due within one year	544,453	532,814	-	-	544,453	532,814
Due in more than one year	2,041,358	2,509,961	-	-	2,041,358	2,509,961
TOTAL LIABILITIES	20,149,792	14,362,314	8,395,861	6,498,363	28,545,653	20,860,677
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Inflows	1,867,973	2,336,224	-	-	1,867,973	2,336,224
Deferred OPEB Inflows	43,695	-	-	-	43,695	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,911,668	2,336,224	-	-	1,911,668	2,336,224
NET POSITION						
Net Investment in Capital Assets	5,013,995	5,105,371	-	-	5,013,995	5,105,371
Restricted for:						
Unemployment Insurance Benefits	-	-	178,328,399	128,341,810	178,328,399	128,341,810
Unemployment Insurance Benefits and/or Other Purposes	-	-	11,086,966	11,364,798	11,086,966	11,364,798
Pension Assets	33,635,942	35,329,182	-	-	33,635,942	35,329,182
Unrestricted	(1,281,384)	(377,665)	-	-	(1,281,384)	(377,665)
TOTAL NET POSITION	\$ 37,368,553	\$ 40,056,888	\$ 189,415,365	\$ 139,706,608	\$ 226,783,918	\$ 179,763,496

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental Activities:						
Economic Development & Assistance	\$ 23,443,489	\$ -	\$ 21,443,463	\$ (2,000,026)	\$ -	\$ (2,000,026)
Interest on long-term debt	70,954	-	-	(70,954)	-	(70,954)
Total governmental activities	23,514,443	-	21,443,463	(2,070,980)	-	(2,070,980)
Business-type Activities:						
Unemployment Compensation Funds	115,486,597	162,161,260	3,034,094	-	49,708,757	49,708,757
Total Business-type Activities	115,486,597	162,161,260	3,034,094	-	49,708,757	49,708,757
Total Primary Government	\$ 139,001,040	\$ 162,161,260	\$ 24,477,557	(2,070,980)	49,708,757	47,637,777
Transfers				216,608	-	216,608
Change in Net Position				(1,854,372)	49,708,757	47,854,385
Net Position, July 1, 2017, as originally stated				40,056,888	139,706,608	179,763,496
Prior Period Adjustment - GASB 75 Implementation (Note 1.M)				(833,963)	-	(833,963)
Net Position, July 1, 2017, as restated				\$ 39,222,925	\$ 139,706,608	\$ 178,929,533
Net Position, June 30, 2018				\$ 37,368,553	\$ 189,415,365	\$ 226,783,918

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs							
Governmental Activities:							
Economic Development & Assistance	\$ 16,912,142	\$ -	21,011,897	\$ 4,099,755	\$ -	4,099,755	
Interest on long-term debt	70,771	-	-	(70,771)	-	(70,771)	
Total governmental activities	16,982,913	-	21,011,897	4,028,984	-	4,028,984	
Business-type Activities:							
Unemployment Compensation Funds	156,930,938	193,118,386	1,636,458	-	37,823,906	37,823,906	
Total Business-type Activities	156,930,938	193,118,386	1,636,458	-	37,823,906	37,823,906	
Total Primary Government	\$ 173,913,851	\$ 193,118,386	\$ 22,648,355	4,028,984	37,823,906	41,852,890	
Transfers				790,711	-	790,711	
Change in Net Position				4,819,695	37,823,906	42,643,601	
Net Position, July 1, 2016				35,237,193	101,882,702	137,119,895	
Net Position, June 30, 2017				\$ 40,056,888	\$ 139,706,608	\$ 179,763,496	

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Balance Sheets
Governmental Funds
June 30, 2018 and 2017**

	Federal Fund		Federal Advance Interest Repayment Account		General Fund		Nonmajor Governmental Funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets										
Cash Deposits At The Bank of North Dakota	\$ -	\$ -	\$ 1,081,523	\$ 371,014	\$ -	\$ -	\$ -	\$ -	\$ 1,081,523	\$ 371,014
Cash in State Treasury	-	-	-	-	-	-	681,658	755,861	681,658	755,861
Investments At The Bank of North Dakota	-	-	5,000,000	5,000,000	-	-	-	-	5,000,000	5,000,000
Accounts Receivable - Net:										
Refunds	-	-	-	-	-	-	-	-	-	-
Accrued Interest	-	-	1,315	251	-	-	-	-	1,315	251
Penalty and/or Interest	-	-	854,186	1,174,522	-	-	-	-	854,186	1,174,522
Due From:										
Other Funds	-	1,763	-	-	-	-	339,556	341,685	339,556	343,448
Federal Government	1,527,639	1,563,353	-	-	-	-	-	-	1,527,639	1,563,353
Other State Agencies	184,498	238,835	-	41,738	1,524	-	-	-	186,022	280,573
Prepaid Items	36,671	57,173	-	-	-	-	-	-	36,671	57,173
Total Assets	\$ 1,748,808	\$ 1,861,124	\$ 6,937,024	\$ 6,545,787	\$ 1,524	\$ 41,738	\$ 1,021,214	\$ 1,097,546	\$ 9,708,570	\$ 9,546,195
Liabilities										
Accounts Payable	\$ 148,492	\$ 157,811	\$ -	\$ -	\$ -	\$ 27,359	\$ 80,506	\$ -	\$ 228,998	\$ 185,170
Accrued Payroll	1,168,030	1,163,631	-	-	1,524	14,372	5,711	7,378	1,175,265	1,185,381
Due To:										
Other Funds	258,499	341,021	81,057	664	-	-	91,997	-	431,553	341,685
Other State Agencies	137,116	141,488	-	-	-	7	17,447	21,062	154,563	162,557
Total Liabilities	1,712,137	1,803,951	81,057	664	1,524	41,738	195,661	28,440	1,990,379	1,874,793
Deferred Inflows of Resources										
Unpaid Penalty and Interest	-	-	648,464	1,016,870	-	-	-	-	648,464	1,016,870
Total Deferred Inflows	-	-	648,464	1,016,870	-	-	-	-	648,464	1,016,870
Fund Balances										
Non-spendable	36,671	57,173	-	-	-	-	-	-	36,671	57,173
Assigned	-	-	6,207,503	5,528,253	-	-	825,553	1,069,106	7,033,056	6,597,359
Total Fund Balances	36,671	57,173	6,207,503	5,528,253	-	-	825,553	1,069,106	7,069,727	6,654,532
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,748,808	\$ 1,861,124	\$ 6,937,024	\$ 6,545,787	\$ 1,524	\$ 41,738	\$ 1,021,214	\$ 1,097,546	\$ 9,708,570	\$ 9,546,195

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, 2018 and 2017**

	2018	2017
Total fund balances for governmental funds	\$ 7,069,727	\$ 6,654,532
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)	33,635,942	35,329,182
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
Land	\$ 1,241,683	\$ 1,241,683
Buildings, equipment, and other depreciable assets	16,692,332	16,470,114
Work in progress	242,328	16,242
Accumulated depreciation	<u>(11,536,920)</u>	<u>(10,559,334)</u>
6,639,423	6,639,423	7,168,705
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds.	648,464	1,016,870
Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.	9,280,315	4,711,344
Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.	(1,867,973)	(2,336,224)
The Net Pension liability relating to retirement plans. (Note 6)	(13,431,911)	(8,198,908)
Deferred OPEB outflows of resources does not provide current financial resources and are not reported as revenues in the funds.	165,763	-
Deferred OPEB inflows are not considered current cash expenses and are not reported as an expenditure in the funds.	(43,695)	-
The Net OPEB liability relating to post-retirement benefits. (Note 7)	(2,132,930)	(1,234,844)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 10)		
Compensated absences	(960,383)	(979,441)
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 - Bismarck/Mandan Office	(776,500)	(951,500)
Capital Lease - IT Equipment	(783,730)	(1,030,780)
Capital Lease - Equipment	(65,198)	(81,054)
Accrued interest payable	<u>(8,761)</u>	<u>(10,994)</u>
(1,634,189)	(1,634,189)	(2,074,328)
Net Position of Governmental Activities	<u>\$ 37,368,553</u>	<u>\$ 40,056,888</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, 2018 and 2017**

	Federal Fund		Federal Advance Interest Repayment Account		General Fund		Nonmajor Governmental Funds		Total
	2018	2017	2018	2017	2018	2017	2018	2017	
Revenues									
Federal Grants	\$ 20,052,539	\$ 19,763,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,052,539
Interest Earnings	44	22	12,993	9,256	-	-	-	-	13,037
Penalty and/or Interest	-	-	1,226,366	1,036,947	-	-	-	-	1,226,366
Other Grants	-	-	-	-	-	-	151,521	202,605	151,521
Total Revenue	20,052,583	19,763,089	1,239,359	1,046,203	-	-	151,521	202,605	21,443,463
Expenditures									
Current:									
Economic Development & Assistance	19,167,639	18,957,958	560,109	320,711	216,608	790,538	395,074	166,429	20,339,430
Capital Outlays	467,540	1,639,674	-	-	-	-	-	-	467,540
Debt Service	437,906	477,160	-	-	-	-	-	-	437,906
Total Expenditures	20,073,085	21,074,792	560,109	320,711	216,608	790,538	395,074	166,429	21,244,876
Excess of Revenues Over (Under) Expenditures	(20,502)	(1,311,703)	679,250	725,492	(216,608)	(790,538)	(243,553)	36,176	198,587
Other Finance Sources (Uses)									
Transfers In	-	-	-	-	216,608	790,711	-	-	216,608
Capital Lease	-	1,368,876	-	-	-	-	-	-	1,368,876
Total Other Finance Sources	-	1,368,876	-	-	216,608	790,711	-	-	216,608
Net Change in Fund Balances	(20,502)	57,173	679,250	725,492	-	173	(243,553)	36,176	415,195
Fund Balances at July 1, prior year	57,173	-	5,528,253	4,802,761	-	(173)	1,069,106	1,032,930	6,654,532
Fund Balances at June 30	\$ 36,671	\$ 57,173	\$ 6,207,503	\$ 5,528,253	\$ -	\$ -	\$ 825,553	\$ 1,069,106	\$ 7,069,727
									\$ 6,654,532

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA**Reconciliation of the Statements of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds to the Statements of Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Net change in fund balances - total governmental funds	\$ 415,195	\$ 819,014
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)	(1,693,240)	2,436,304
Deferred Pension outflows of resources does not provide current financial resources and are not reported as revenues in the funds.	4,568,971	3,242,859
Deferred Pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds.	468,251	(1,110,611)
The Net Pension liability relating to retirement plans. (Note 6)	(5,233,003)	(726,168)
Deferred OPEB outflows of resources does not provide current financial resources and are not reported as revenues in the funds.	265,353	-
Deferred OPEB inflows are not considered current cash expenses and are not reported as an expenditure in the funds.	(43,695)	-
The Net OPEB liability relating to post-retirement benefits. (Note 7)	35,467	(77,297)
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.	(529,178)	581,272
Gain(Loss) on disposal of fixed assets net of sale proceeds.	(104)	(2,535)
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.	440,139	(899,253)
Unpaid Penalty and Interest does not provide current financial resources and are not reported as revenues in the funds. Increase(decrease) in Unpaid Penalty and Interest	(368,406)	533,917
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.	<u>19,058</u>	<u>22,193</u>
Changes in net position of governmental activities	<u>\$ (1,655,192)</u>	<u>\$ 4,819,695</u>

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA**Statements of Net Position
Proprietary Fund
June 30, 2018 and 2017**

	Unemployment Insurance	
	2018	2017
Assets		
Current Assets:		
Cash Deposits At The Bank of North Dakota	\$ 78,071	\$ 171,529
Cash and Cash Equivalents in U.S. Treasury	153,534,504	84,288,592
Interest Receivable - Unemployment Insurance Trust Fund	822,685	398,200
Accounts Receivable - Net:		
Unemployment Insurance Contributions	40,365,192	57,501,994
Unemployment Insurance Overpayments - Benefits & Interest	1,469,352	1,893,852
Due From:		
Other Funds	91,997	-
Federal Government	305	1,936
Other States	1,449,120	1,948,868
Total Assets	197,811,226	146,204,971
Liabilities		
Current Liabilities:		
Benefits Payable	1,086,702	443,787
Unemployment Insurance Overpayments - Contributions	4,886,807	3,243,233
Due To:		
Other Funds	-	1,763
Federal Government	625	680
Other States	2,387,757	2,760,101
Other State Agencies	33,970	48,799
Total Liabilities	8,395,861	6,498,363
Net Position		
Restricted for:		
Unemployment Insurance Benefits	178,328,399	128,341,810
Unemployment Insurance Benefits and/or Other Purposes	11,086,966	11,364,798
Total Net Position	\$ 189,415,365	\$ 139,706,608

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, 2018 and 2017**

	Unemployment Insurance	
	2018	2017
Operating Revenues:		
Unemployment Insurance Contributions	\$ 160,270,123	\$ 191,295,459
Federal Benefit Reimbursements	1,511,658	1,500,340
Unemployment Insurance Overpayments - Interest	379,479	322,587
TOTAL OPERATING REVENUES	162,161,260	193,118,386
Operating Expenses:		
Unemployment Insurance Benefits	113,698,870	155,106,362
Federal Unemployment Insurance Benefits	1,511,658	1,500,340
Economic Development & Assistance	276,069	324,236
TOTAL OPERATING EXPENSES	115,486,597	156,930,938
Operating Income(Loss)	46,674,663	36,187,448
Nonoperating Revenues:		
Interest Earnings	3,034,094	1,636,458
TOTAL NONOPERATING REVENUES	3,034,094	1,636,458
Change in Net Position	49,708,757	37,823,906
Total Net Position at July 1, prior year	139,706,608	101,882,702
Total Net Position at June 30	\$ 189,415,365	\$ 139,706,608

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statements of Cash Flows
Proprietary Fund
For the Fiscal Years Ended June 30, 2018 and 2017**

	Unemployment Insurance	
	2018	2017
Cash Flows from Operating Activities		
Receipts from employers	\$ 172,473,829	\$ 168,950,649
Receipts from other states	9,366,167	11,389,050
Payments to other states	(12,135,696)	(18,473,780)
Payments to employers	(2,381,306)	(2,543,318)
Benefits Paid to claimants	(100,877,650)	(139,738,024)
Overpayment Interest from claimants	375,333	316,657
Economic Development and Assistance	(277,833)	(397,920)
Net cash (used in)/provided by operating activities	66,542,844	19,503,314
Cash Flows from Investing Activities		
Interest on investments	2,609,610	1,642,032
Net cash provided by investing activities	2,609,610	1,642,032
Net change in cash and cash equivalents	69,152,454	21,145,346
Cash and cash equivalents at July 1, prior year	84,460,121	63,314,775
Cash and cash equivalents at June 30	\$ 153,612,575	\$ 84,460,121
Reconciliation of Operating Income to Net Cash (Used in)/Provided by Operating Activities:		
Operating income(Loss)	\$ 46,674,663	\$ 36,187,448
Net changes in assets and liabilities:		
Contributions Receivable	17,136,801	(14,476,050)
Unemployment Insurance Overpayments - Benefits & Interest	424,500	(45,534)
Due from Other Funds	(91,997)	450
Due from Federal Government	1,631	2,256
Due from Other States	499,748	880,080
Benefits Payable	642,915	(670,331)
Unemployment Insurance Overpayments - Contributions	1,643,574	96,057
Due to Other Funds	(1,763)	(73,683)
Due to Federal Government	(55)	129
Due to Other States	(372,344)	(2,247,659)
Due to Other State Agencies	(14,829)	(149,849)
Net cash (used in)/provided by operating activities	\$ 66,542,844	\$ 19,503,314

See accompanying notes to the Financial Statements.

JOB SERVICE NORTH DAKOTA

**Statement of Appropriations
For the Fiscal Year Ended June 30, 2018**

	Approved Budget 2017-2019 Biennium	Appropriation Adjustments 2017-2019 Biennium	Adjusted Budget 2017-2019 Biennium	Actual Expenditures		Variance Favorable (Unfavorable)
				2018	2019	
<i>Revenue:</i>						
General Fund	\$ 545,793	\$ -	\$ 545,793	\$ 216,608	\$ -	\$ 329,185
Federal Funds	53,851,918	-	53,851,918	20,349,154	-	33,502,764
Other Funds	1,047,238	-	1,047,238	395,074	-	652,164
Total Revenues	<u>\$ 55,444,949</u>	<u>\$ -</u>	<u>\$ 55,444,949</u>	<u>\$ 20,960,836</u>	<u>\$ -</u>	<u>\$ 34,484,113</u>

Expenditures By Line Item:

Salaries and Wages	\$ 27,155,566	\$ -	\$ 27,155,566	\$ 13,822,388	\$ -	\$ 13,333,178
Operating Expenses	11,501,255	-	11,501,255	4,891,480	-	6,609,775
Capital Assets	120,000	-	120,000	2,196	-	117,804
Grants Benefits & Claims	5,458,571	-	5,458,571	1,968,703	-	3,489,868
Reed Act - Unemployment	11,209,557	-	11,209,557	276,069	-	10,933,488
Total Expenditures	<u>\$ 55,444,949</u>	<u>\$ -</u>	<u>\$ 55,444,949</u>	<u>\$ 20,960,836</u>	<u>\$ -</u>	<u>\$ 34,484,113</u>

See accompanying notes to the Financial Statements

**Job Service North Dakota
Notes to Financial Statements
June 30, 2018**

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 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), the Agency should include all component units over which the Agency is financial accountable for or other organizations for which the nature and significance of the relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standard Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the Agency. The Agency has no component units to be included in this report.

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 charged 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 fund:

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

The Federal Advance Interest Repayment Account is a special revenue fund. The Federal Advance Interest Repayment Account revenues are assessments collected by the Unemployment Insurance program from interest, penalties, and fees collected as a result of 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.

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 recorded at cost.

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 acquisition value.

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
Infrastructure	15-30 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 employment of the state. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has been employed for five consecutive years.

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

I. Post Employment Benefits

Retiree Health Credit Benefit

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Met Life Insurance Benefit

Job Service North Dakota engaged an actuary to determine the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and the Job Service North Dakota retirement plan (JSND) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

L. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year presentation.

M. Prior Period Adjustments

GASB 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* was implemented for the year ending June 30, 2018. Job Service North Dakota has recorded a prior period adjustment in the Statement of Activities to reflect the net OPEB liability and deferred outflows.

	<u>NDPERS Retiree Health Insurance Credit</u>	<u>Met Life Insurance Plan</u>	<u>Prior Period Adjustment</u>
Prior Period Adjustment to net position to record net OPEB liability	\$ (644,730)	\$ (1,523,667)	\$ (2,168,397)
Prior Period Adjustment to remove previous net OPEB liability recorded	765,547	469,297	1,234,844
Prior Period Adjustment to move prior year actual employer contributions to deferred inflows	99,590	-	99,590
	<u>\$ 220,407</u>	<u>\$ (1,054,370)</u>	<u>\$ (833,963)</u>

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>2018</u>	<u>2017</u>
Capital Outlays	\$ 467,540	\$ 1,639,674
Depreciation Expense	<u>(996,718)</u>	<u>(1,058,402)</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>\$ (529,178)</u>	<u>\$ 581,272</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. The details of this difference are as follows:

	<u>2018</u>	<u>2017</u>
Debt Issued	\$ -	\$ (1,368,876)
Principal repayments:		
General obligation debt	437,906	477,160
Change in Interest Payable	<u>2,233</u>	<u>(7,537)</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>\$ 440,139</u>	<u>\$ (899,253)</u>

NOTE 3 – Deposits and Investments

A. Deposits

The Agency's 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, 2018	June 30, 2017
	<u>Fair Value</u>	<u>Fair Value</u>
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	\$ 1,159,594	\$ 542,543
Cash in State Treasury recorded as Cash and Cash Equivalents	681,658	755,861
* Deposits not subject to custodial credit risk Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	142,447,538	72,923,794
Reed Act Cash Deposits at the U.S. Treasury recorded as Cash and Cash Equivalents	<u>11,086,966</u>	<u>11,364,798</u>
Totals	<u>\$ 155,375,756</u>	<u>\$ 85,586,996</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. As of June 30, 2018 and 2017, the Agency had \$5,000,000 and \$5,000,000 of certificates of deposits, respectively. These certificates of deposit mature in the next fiscal year.

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 2018 and 2017. 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, 2018

	<i>Unemployment Insurance Contributions</i>	<i>Penalty and/or Interest</i>	<i>Unemployment Insurance Overpayments- Benefits & Interest</i>	<i>Interest</i>	<i>Total</i>
Total Receivable	\$ 48,891,782	\$ 7,041,357	\$ 12,879,976	\$ 824,000	\$ 69,637,115
Less:					
Allowance for Doubtful Accounts	8,526,590	6,187,171	11,410,624	-	26,124,385
Net Receivable	<u>\$ 40,365,192</u>	<u>\$ 854,186</u>	<u>\$ 1,469,352</u>	<u>\$ 824,000</u>	<u>\$ 43,512,730</u>

Receivables as of June 30, 2017

	<i>Unemployment Insurance Contributions</i>	<i>Penalty and/or Interest</i>	<i>Unemployment Insurance Overpayments- Benefits & Interest</i>	<i>Interest</i>	<i>Total</i>
Total Receivable	\$ 66,695,122	\$ 5,809,562	\$ 11,040,312	\$ 398,451	\$ 83,943,447
Less:					
Allowance for Doubtful Accounts	9,193,128	4,635,040	9,146,460	-	22,974,628
Net Receivable	<u>\$ 57,501,994</u>	<u>\$ 1,174,522</u>	<u>\$ 1,893,852</u>	<u>\$ 398,451</u>	<u>\$ 60,968,819</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 \$648,464 and \$1,016,870 as of June 30, 2018 and 2017, respectively, and represents an amount expected to be received after one year. The residual amounts of \$205,722 and \$157,652 on June 30, 2018 and 2017, respectively, were recorded as revenue and were expected to be received within one year.

NOTE 5 – Capital Assets

Governmental Activities	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Capital Assets, not being depreciated:				
Land	\$ 1,241,683	\$ -	\$ -	\$ 1,241,683
Work in Progress	16,242	430,144	204,058	242,328
Total capital assets, not being depreciated	<u>1,257,925</u>	<u>430,144</u>	<u>204,058</u>	<u>1,484,011</u>
Capital Assets, being depreciated:				
Buildings	8,986,648	37,396	-	9,024,044
Infrastructure	308,474	-	-	308,474
Equipment	1,963,101	-	19,236	1,943,865
Intangible Assets	5,211,891	204,058	-	5,415,949
Total Capital Assets, being depreciated	<u>16,470,114</u>	<u>241,454</u>	<u>19,236</u>	<u>16,692,332</u>
Less accumulated depreciation for:				
Buildings	5,385,465	166,347	-	5,551,812
Infrastructure	19,386	11,596	-	30,982
Equipment	730,658	519,920	19,132	1,231,446
Intangible Assets	4,423,825	298,855	-	4,722,680
Total accumulated depreciation	<u>10,559,334</u>	<u>996,718</u>	<u>19,132</u>	<u>11,536,920</u>
Total capital assets, being depreciated, net	<u>5,910,780</u>	<u>(755,264)</u>	<u>104</u>	<u>5,155,412</u>
Governmental activity capital assets, net	<u>\$ 7,168,705</u>	<u>\$ (325,120)</u>	<u>\$ 204,162</u>	<u>\$ 6,639,423</u>
Governmental Activities	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Capital Assets, not being depreciated:				
Land	\$ 1,241,683	\$ -	\$ -	\$ 1,241,683
Work in Progress	56,832	51,606	92,196	16,242
Total capital assets, not being depreciated	<u>1,298,515</u>	<u>51,606</u>	<u>92,196</u>	<u>1,257,925</u>
Capital Assets, being depreciated:				
Buildings	8,960,923	25,725	-	8,986,648
Infrastructure	292,569	15,905	-	308,474
Equipment	1,610,016	1,546,438	1,193,353	1,963,101
Intangible Assets	5,146,190	92,196	26,495	5,211,891
Total Capital Assets, being depreciated	<u>16,009,698</u>	<u>1,680,264</u>	<u>1,219,848</u>	<u>16,470,114</u>
Less accumulated depreciation for:				
Buildings	5,206,293	179,172	-	5,385,465
Infrastructure	7,955	11,431	-	19,386
Equipment	1,447,991	474,727	1,192,060	730,658
Intangible Assets	4,056,006	393,072	25,253	4,423,825
Total accumulated depreciation	<u>10,718,245</u>	<u>1,058,402</u>	<u>1,217,313</u>	<u>10,559,334</u>
Total capital assets, being depreciated, net	<u>5,291,453</u>	<u>621,862</u>	<u>2,535</u>	<u>5,910,780</u>
Governmental activity capital assets, net	<u>\$ 6,589,968</u>	<u>\$ 673,468</u>	<u>\$ 94,731</u>	<u>\$ 7,168,705</u>

Federal resources have funded all equipment. Additions to Work in Progress during 2018 include \$24,307 for the Unemployment Insurance Fraud Employer Verification project, \$163,509 for the New Jobs Training Program system, and \$242,328 for the Central Office renovation project. The Unemployment Insurance Fraud Employer Verification project went into production in December 2017, therefore it was a deletion from Work in Progress and capitalized as an intangible asset in the amount of \$25,099. The New Jobs Training Program system went into production in June 2018, therefore it was a deletion from Work in Progress and capitalized as an intangible asset in the amount of \$178,959. 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 – Pension 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. North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

1. Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

2. Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

3. Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

4. Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or \$25

13 to 25 months of service – Greater of two percent of monthly salary or \$25

25 to 36 months of service – Greater of three percent of monthly salary or \$25

Longer than 36 months of service – Greater of four percent of monthly salary or \$25

5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Employer reported a liability of \$13,431,911 at June 30, 2018 and \$8,198,908 at June 30, 2017 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017 and July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. The Employer's proportion was 0.835667 percent at July 1, 2017 and 0.841261 percent at July 1, 2016, which was a decrease of 0.005594 from its proportion measured as of July 1, 2016.

For the years ended June 30, 2018 and June 30, 2017, the Employer recognized pension expense of \$1,629,857 and \$692,072, respectively. The Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,838	\$ (65,443)
Net difference between projected and actual earnings on pension plan investments	180,648	0
Changes of assumptions	5,507,990	(302,951)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	(1,499,579)
Employer contributions subsequent to the measurement date (see below)	<u>596,940</u>	<u>0</u>
Total	<u>\$ 6,365,416</u>	<u>\$ (1,867,973)</u>

\$596,940 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 767,649
2020	1,015,521
2021	829,293
2022	737,108
2023	550,932

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 123,165	\$ (75,915)
Net difference between projected and actual earnings on pension plan investments	1,143,866	0
Changes of assumptions	755,835	(407,321)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	(1,852,988)
Employer contributions subsequent to the measurement date (see below)	<u>610,408</u>	<u>0</u>
Total	<u>\$ 2,633,274</u>	<u>\$ (2,336,224)</u>

\$610,408 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$(118,670)
2019	(118,670)
2020	130,861
2021	(56,625)
2022	(150,254)

6. Actuarial Assumptions

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

	July 1, 2017	July 1, 2016
Inflation	2.50%	3.50%
Salary increases	Service at Beginning of Year: Increase Rate: 0 15.00% 1 10.00% 2 8.00% Age* Under 36 8.00% 36-40 7.50% 41-49 6.00% 50+ 5.00% *Age-based salary increase rates apply for employees with 3 or more years of service	4.50% per annum
Investment rate of return	7.75%	8.00% net of investment expenses
Cost-of-living adjustments	None	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no set back for females) multiplied by 125%.

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2017	July 1, 2016	July 1, 2017	July 1, 2016
Domestic Equity	31%	31%	6.05%	6.90%
International Equity	21%	21%	6.70%	7.55%
Private Equity	5%	5%	10.20%	11.30%
Domestic Fixed Income	17%	17%	1.43%	1.52%
International Fixed Income	5%	5%	-0.45%	0.45%
Global Real Assets	20%	20%	5.16%	5.38%
Cash Equivalents	1%	1%	0.00%	0.00%

7. Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

8. Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent for the year ended June 30, 2018 and 8 percent for the year ended June 30, 2017, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability – June 30, 2018	\$18,234,230	\$13,431,911	\$9,436,582
	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability – June 30, 2017	\$11,629,993	\$8,198,908	\$5,308,041

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, ND 58502-1657.

B. Retirement Plan for Employees of Job Service North Dakota (JSND System)

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. Information herein is based on the most current actuarial valuation report (as of July 1, 2017).

1. Pension Benefits

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.

Effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index. However, no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, ~~will become~~ effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board. Information included herein is based on the most current actuarial valuation report (as of July 1, 2017). As of that date, membership consisted of:

	<u>7/1/2017</u>	<u>7/1/2016</u>
Retirees and beneficiaries currently receiving benefits	199	206
Terminated employees entitled to benefits but not yet receiving them	1	1
Current vested employees	8	9
TOTAL	208	216

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.

2. Death and Disability Benefits

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.

3. Refunds of Member Account Balance

Upon termination, if a member of the JSND System terminates employment before retirement payments begin, participation in the retirement plan will cease. No further additions to retirement income will accrue on the member's behalf, and the member may be paid under one of the following options.

- The member may be paid an amount of retirement income with payments starting at Normal, Optional, or Early Retirement Date. The amount of that income will be equal to the amount provided under the formula according to the member's years of credited service and earnings.
- The member may receive a cash withdrawal benefit equal to the total of the member's contributions and employer contributions made on their behalf, plus 4 percent interest compounded annually. The member may elect this option at any time after withdrawal and before Normal, Optional, or Early Retirement Date, but such benefit shall be in place of all other benefits under the retirement benefits section.

4. Member and Employer Contributions

Member contribution rates are 3% and employer contribution rates, on behalf of the member, are 4% of covered compensation. The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. 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. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the Employer.

5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Employer reported an asset of \$33,635,942 at June 30, 2018 and \$35,329,182 at June 30, 2017 for its net pension asset. The net pension asset was measured as of July 1, 2017 and July 1, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

For the years ended June 30, 2018 and June 30, 2017, the Employer recognized pension expense of \$856,411 and \$(3,923,969), respectively. The Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	2,914,899	0
Changes of assumptions	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	0
Employer contributions subsequent to the measurement date	0	0
Total	<u>\$ 2,914,899</u>	<u>\$ 0</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$526,579
2020	1,494,644
2021	620,996
2022	272,680

June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	2,078,070	0
Changes of assumptions	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	0
Employer contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$ 2,078,078</u>	<u>\$ 0</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$253,897
2019	253,897
2020	1,221,962
2021	348,314

6. Actuarial Assumptions

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

	<u>July 1, 2017</u>	<u>July 1, 2016</u>	
Inflation	2.50%	3.50%	
Salary increases	3.50%	3.50%	per annum
Investment rate of return	5.70%	7.00%	net of investment expenses, including inflation
Cost-of-living adjustments	2.50%	3.00%	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no set back for females) multiplied by 125%.

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

inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following tables:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2017	July 1, 2016	July 1, 2017	July 1, 2016
Domestic Equity	24%	24%	7.16%	7.16%
Core Fixed Income	19%	19%	4.26%	4.26%
Limited Duration Fixed Income	19%	19%	3.18%	3.18%
Global Equity	16%	16%	7.11%	7.11%
Diversified Short Term Fixed Income	10%	10%	3.54%	3.54%
Short Term Corporate Fixed Income	6%	6%	2.48%	2.48%
US High Yield	3%	3%	6.13%	6.13%
Emerging Market Debt	3%	3%	7.45%	7.45%

7. Discount Rate

The discount rate used to measure the total pension liability was 5.7 percent as of June 30, 2017 and 7 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017 and July 1, 2016, Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018 and June 30, 2017.

8. Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.7 percent for the year ended June 30, 2018 and 7 percent for the year ended June 30, 2017, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.7%)	Current Discount Rate (5.7%)	1% Increase (6.7%)
Employer's proportionate share of the net pension liability – June 30, 2018	\$(27,182,597)	\$(33,635,942)	\$(39,131,324)
	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Employer's proportionate share of the net pension liability – June 30, 2017	\$(29,386,845)	\$(35,329,182)	\$(40,412,093)

9. Pension Plan Fiduciary Net Position

The components of the net pension liability of the plan is as follows:

Schedule of Changes to the Net Pension Liability and Related Ratios

For the year ended June 30	2018	2017
Total pension liability (asset)		
Service cost	\$ 55,500	\$ 71,420
Interest	4,130,232	4,281,440
Change of benefit terms	-	-
Differences between expected and actual experience	(1,648,283)	(2,006,791)
Changes of assumptions	4,421,401	69,885
Benefit payments, including refund of employee contributions	(4,534,153)	(4,601,196)
Net change in total pension liability (asset)	2,424,697	(2,185,242)
Total pension liability (asset) - beginning	61,204,772	63,390,014
Total pension liability (asset) - ending (a)	\$ 63,629,469	\$ 61,204,772
Plan fiduciary net position		
Contributions - employer	\$ -	\$ -
Contributions - employee	39,417	44,178
Service credit repurchase	-	-
Net investment income	5,238,877	4,840,333
Benefit payments, including refund of employee contributions	(4,534,153)	(4,601,196)
Administrative expense	(12,684)	(32,253)
Net change in plan fiduciary net position	731,457	251,062
Plan fiduciary net position - beginning	96,533,954	96,282,892
Plan fiduciary net position - ending (b)	\$ 97,265,411	\$ 96,533,954
Net pension liability (asset) - ending (a) - (b)	\$ (33,635,942)	\$ (35,329,182)
Plan fiduciary net position as a percentage of the total pension liability (asset)	152.86%	157.72%
Actual covered employee payroll	\$ 498,564	\$ 564,684
Plan net pension liability (asset) as a percentage of covered employee payroll	(6746.56)%	(6256.45)%

The plan provisions used in the measurement of the net pension liability are the same as those used in the JSND Actuarial Valuation and Review as of July 1, 2017 and July 1, 2016.

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director - NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

C. North Dakota Defined Contribution Retirement Plan

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution plan covers all employees who elect to participate in the plan. Effective October 1, 2013, eligibility was expanded to include all employees hired on or after October 1, 2014 through July 31, 2017.

Death and disability benefits are set by statute. Upon the death of a participating employee or former participating employee, the vested balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who

becomes totally and permanently disabled while employed by the Agency is eligible to receive a distribution of the vested balance. To qualify under this section, the employee must meet the criteria established by the plan for being totally disabled.

Benefits are set by statute. Employees are entitled to vested balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are 7% and employer contributions are established at 7.12%. Job Service North Dakota pays 4% of the employee's required contribution. Employer contributions for the years ending June 30, 2018 and 2017 were \$38,940 and \$18,105, respectively.

NOTE 7 – Other Postretirement Benefits

A. Retiree Health Insurance Credit Benefits

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

1. Plan Description

North Dakota Public Employees Retirement System

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an

employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are 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. The retiree health insurance credit is also available for early retirement with reduced benefits.

Retirement Plan for Employees of Job Service North Dakota

Regular employees hired under the Retirement Plan for Employees of Job Service North Dakota prior to October 1, 1980 are eligible to participate in the Retiree Health Insurance Credit 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 a qualifying 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 Insurance Credit Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota.

The retiree health credit benefit is a health insurance subsidy 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 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.

2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Employer reported a liability of \$642,298 at June 30, 2018 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. The Employer's proportion was 0.811997 percent at July 1, 2017.

For the year ended June 30, 2018, the Employer recognized OPEB expense of \$76,836. The Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 15,665
Net difference between projected and actual earnings on pension plan investments	0	24,285
Changes of assumptions	62,210	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	3,745
Employer contributions subsequent to the measurement date (see below)	<u>99,570</u>	<u>0</u>
Total	<u>\$ 161,780</u>	<u>\$ 43,695</u>

\$99,570 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ 629
2020	629
2021	629
2022	629
2023	6,700
2024	6,700
Thereafter	2,599

3. Actuarial Assumptions

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

	<u>July 1, 2017</u>	
Inflation	2.50%	
Salary increases	Not applicable	
Investment rate of return	7.50%	net of investment expenses, including inflation
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment

expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major as-set class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2017		July 1, 2017	
Large Cap Domestic Equities	37%		5.80%	
Small Cap Domestic Equities	9%		7.05%	
International Equities	14%		6.20%	
Core-Plus Fixed Income	40%		1.56%	

4. Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

5. Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net OPEB liability – June 30, 2018	\$804,079	\$642,298	\$503,623

B. Met Life Insurance Benefit

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of July 1, 2018. The actuary determined the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense the Agency has to record as of June 30, 2018. Requests to obtain or review the actuary report should be addressed to the Finance Manager –PO Box 5507 Bismarck, North Dakota, 58506-5507.

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 rounded up to the nearest thousand plus two thousand 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 but no less than \$10,000. 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 plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	169
Terminated employees entitled to benefits but not yet receiving them	0
Current vested employees	<u>14</u>
TOTAL	<u><u>183</u></u>

2. **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The Employer reported a liability of \$1,490,632 at June 30, 2018 for its net OPEB liability. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the Employer recognized OPEB expense of \$46,632. The Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	0
Changes of assumptions	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>3,983</u>	0
Total	<u><u>\$ 3,983</u></u>	<u><u>\$ 0</u></u>

3. **Actuarial Assumptions**

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

	<u>July 1, 2018</u>	
Inflation	none	
Salary increases	5%	
Discount rate	2.98%	per annum

Mortality rates were based on the RP-2014 Total Dataset Mortality Table adjusted to based year 2006, projected with Scale MP-2017.

4. Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Employer's proportionate share of the net OPEB liability – June 30, 2018	\$1,679,852	\$1,490,632	\$1,334,056

5. Schedule of Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 6/30/17	<u>\$ 1,523,667</u>	<u>\$ -</u>	<u>\$ 1,523,667</u>
Changes for the Year:			
Service cost	3,497	-	3,497
Interest	43,135	-	43,135
Benefit changes	-	-	-
Experience losses (gains)	-	-	-
Changes of assumptions	-	-	-
Contributions - Employer		79,667	(79,667)
Benefits paid	(79,667)	(79,667)	-
Administrative expenses	-	-	-
Net changes	<u>(33,035)</u>	<u>-</u>	<u>(33,035)</u>
Balances at 6/30/18	<u>\$ 1,490,632</u>	<u>\$ -</u>	<u>\$ 1,490,632</u>

The plan provisions used in the measurement of the net OPEB liability are the same as those used in the Actuarial Valuation as of July 1, 2018.

NOTE 8 – Contingencies and Commitments

A number of funds are grants from the federal government for the delivery of various employment related and job training programs. 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 \$298,711 for purchase orders and contracts awarded for goods, services, software licenses and software support to be provided in future periods, all federally funded.

NOTE 9 – Lease Commitments

The Agency has leases covering such items as postage meters, photocopiers, IT equipment, and premises. The total expenses for capital and operating leases for the years ended June 30, 2018 and 2017 were approximately \$509,422 and \$671,652, respectively.

Future minimum operating lease commitments are:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 204,266
2020	184,017
2021	176,149
2022	32,868
2023	99
Total	<u>\$ 597,399</u>

No lease commitments extend beyond June 2024.

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 April 30, 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. The liability is calculated on employees that have been employed for five continuous years. This reported liability includes the employer's share of social security and Medicare taxes.

The reported liability for compensated absences as of June 30, 2018 and 2017 was \$960,383 and \$979,441.

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, 2018:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>
2019	\$ 508,001
2020	511,750
2021	509,526
2022	223,104
2023	15,700
Total Minimum Lease Payments	1,768,081
Less: Amount Representing Interest	142,653
Present Value of Future Minimum Lease Payments	<u>\$ 1,625,428</u>

No payments extend beyond June 2023.

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, 2018 and 2017 is as follows:

	<u>2018 Governmental Activities</u>	<u>2017 Governmental Activities</u>
Bismarck/Mandan Building	\$ 2,187,530	\$ 2,187,530
Information Technology Equipment	1,279,922	1,279,922
Equipment	88,954	88,954
Less: Accumulated Depreciation	(1,435,033)	(955,046)
Total	<u>\$ 2,121,373</u>	<u>\$ 2,601,360</u>

C. Changes in Noncurrent Liabilities

	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Other Long-term Liabilities:					
Compensated Absences	\$ 979,441	\$ 751,523	\$ 770,581	\$ 960,383	\$ 93,445
Capital Leases	2,063,334	-	437,906	1,625,428	451,008
Total other liabilities	3,042,775	751,523	1,208,487	2,585,811	544,453
Total Long-Term Liabilities	<u>\$ 3,042,775</u>	<u>\$ 751,523</u>	<u>\$ 1,208,487</u>	<u>\$ 2,585,811</u>	<u>\$ 544,453</u>
	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities					
Other Long-term Liabilities:					
Compensated Absences	\$ 1,001,634	\$ 786,156	\$ 808,349	\$ 979,441	\$ 94,908
Capital Leases	1,171,618	1,368,876	477,160	2,063,334	437,906
Total other liabilities	2,173,252	2,155,032	1,285,509	3,042,775	532,814
Total Long-Term Liabilities	<u>\$ 2,173,252</u>	<u>\$ 2,155,032</u>	<u>\$ 1,285,509</u>	<u>\$ 3,042,775</u>	<u>\$ 532,814</u>

For the governmental activities, capital leases and compensated absences are generally liquidated by the federal fund. During 2018, capital lease reductions were from normal operations. During 2017, capital lease additions include a new IT equipment lease of \$1,279,922 and several new copier leases totaling \$88,954.

NOTE 11 – Interfund Receivables / Payables

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

June 30, 2018

<u>Governmental Funds</u>	<u>Due From</u>	<u>Due To</u>
Job Service Special Fund	\$ 339,556	\$ 91,997
Federal Advance Interest Repayment Account	-	81,057
Federal Funds	-	258,499
Total	<u>\$ 339,556</u>	<u>\$ 431,553</u>
<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	\$ 91,997	\$ -
Total	<u>\$ 91,997</u>	<u>\$ -</u>

June 30, 2017

<u>Governmental Funds</u>	<u>Due From</u>	<u>Due To</u>
Job Service Special Fund	\$ 341,685	\$ -
Federal Advance Interest Repayment Account	-	664
Federal Funds	1,763	341,021
Total	<u>\$ 343,448</u>	<u>\$ 341,685</u>
<u>Proprietary Fund</u>	<u>Due From</u>	<u>Due To</u>
Unemployment Insurance	\$ -	\$ 1,763
Total	<u>\$ -</u>	<u>\$ 1,763</u>

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>\$ 20,960,836</u>
GAAP Expenditures as per page 10:	
Governmental Activities - Economic Development & Assistance	23,443,489
Governmental Activities - Interest on long-term debt	70,954
Business-type Activities - UC Funds	<u>115,486,597</u>
Subtotal	<u>139,001,040</u>
Less:	
Business-type Activities - UC Funds	115,486,597
FAIRA	560,109
Pension Assets at June 30, 2017	35,329,182
Deferred Pension Outflows at June 30, 2017	4,711,344
Pension Liability at June 30, 2018	13,431,911
Deferred Pension Inflows at June 30, 2018	1,867,973
OPEB Liability at June 30, 2018	2,132,930
Deferred OPEB Inflows at June 30, 2018	43,695
Addition to Noncurrent Liabilities-Compensated Absences	751,523
Capital Lease Additions	-
Depreciation Expense	996,718
Loss on Disposal of Fixed Assets	104
Interest Payable at June 30, 2018	<u>8,761</u>
Subtotal	<u>175,320,847</u>
Plus:	
Appropriated Expenses in Proprietary Fund	276,069
Net change in Unpaid Penalty and Interest	(368,406)
Net Capital Asset Additions	467,540
Reduction to Noncurrent Liabilities-Capital Lease	437,906
Reduction to Noncurrent Liabilities-Compensated Absences	770,581
Interest Payable at June 30, 2017	10,994
Prior Period GASB 75 Adjustment	833,963
OPEB Liability at June 30, 2017	1,234,844
Deferred OPEB Outflows at June 30, 2018	165,763
Pension Liability at June 30, 2017	8,198,908
Deferred Pension Inflows at June 30, 2017	2,336,224
Pension Assets at June 30, 2018	33,635,942
Deferred Pension Outflows at June 30, 2018	<u>9,280,315</u>
Subtotal	<u>57,280,643</u>
Adjusted GAAP Expenditures	<u>\$ 20,960,836</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, 2018

	<u>Federal Fund</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
A. <u>Due From Other State Agencies</u>				
Department of Human Services	\$ 183,810	\$ -	\$ -	\$ -
Department of Public Instruction	688	-	-	-
General Fund	-	1,524	-	-
Total	\$ 184,498	\$ 1,524	\$ -	\$ -
B. <u>Due To Other State Agencies</u>				
Office of Management and Budget	\$ 6,651	\$ -	\$ -	\$ -
Information Technology Department	104,026	-	16,896	-
Department of Commerce	4,109	-	-	-
ND PERS	311	-	-	-
Office of the Attorney General	5,359	-	-	-
Department of Transportation	3,375	-	551	-
Bismarck State College	8,385	-	-	-
TrainND Southeast	4,900	-	-	-
Bank of North Dakota	-	-	-	33,970
Total	\$ 137,116	\$ -	\$ 17,447	\$ 33,970

	<u>Transfer In</u>
General Fund	
General Fund Appropriation	\$ 216,608
Total	\$ 216,608

D. Capital Leases

A Capital lease exists between Job Service North Dakota and the North Dakota Building Authority for the construction of the Bismarck / Mandan office building. Future minimum lease payments under this capital lease are as follows:

<u>Year ending June 30:</u>	
2019	\$ 213,775
2020	217,525
2021	215,300
2022	212,400
2023	15,700
Less: amount representing interest	(98,200)
Present value of future minimum lease payments	\$ 776,500

June 30, 2017

	<u>Federal Fund</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>
A. <u>Due From Other State Agencies</u>				
Department of Human Services	\$ 102,630	\$ -	\$ -	\$ -
Department of Public Instruction	136,205	-	-	-
General Fund	-	41,738	-	-
Total	\$ 238,835	\$ 41,738	\$ -	\$ -
 B. <u>Due To Other State Agencies</u>				
Office of Management and Budget	\$ 9,835	\$ 7	\$ 11	\$ -
Information Technology Department	81,007	-	20,387	-
Dept of Career & Technical Education	775	-	-	-
Department of Commerce	12,017	-	-	-
ND PERS	318	-	-	-
Office of the Attorney General	3,018	-	-	-
Department of Transportation	3,480	-	664	-
Bismarck State College	4,623	-	-	-
Lake Region State College	735	-	-	-
ND State College of Science	7,192	-	-	-
TrainND Southeast	10,275	-	-	-
Mayville State University	4,000	-	-	-
Minot State University	4,213	-	-	-
Bank of North Dakota	-	-	-	48,799
Total	\$ 141,488	\$ 7	\$ 21,062	\$ 48,799

C. Transfers

	<u>Transfer In</u>
General Fund	
General Fund Appropriation	\$ 790,711
Total	\$ 790,711

D. Capital Leases

A Capital lease exists between Job Service North Dakota and the North Dakota Building Authority for the construction of the Bismarck / Mandan office building. Future minimum lease payments under this capital lease are as follows:

<u>Year ending June 30:</u>	
2018	\$ 214,325
2019	213,775
2020	217,525
2021	215,300
2022	212,400
2023	15,700
Less: amount representing interest	(137,525)
Present value of future minimum lease payments	\$ 951,500

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 – Net Position and Fund Balance

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

The amounts of \$178,328,399 on June 30, 2018 and \$128,341,810 on June 30, 2017 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 \$11,086,966 on June 30, 2018 and \$11,364,798 on June 30, 2017 represents the Department of Labor distribution of Reed Act resources into each state's trust fund in March of 2002. 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.

An amount of \$33,635,942 on June 30, 2018 and \$35,329,182 on June 30, 2017 represents the Pension Assets of the Job Service North Dakota Retirement Plan. These resources are restricted to payment of retirement benefits to Job Service North Dakota Retirement plan participants.

The GASB 54 fund balance classifications are presented below:

Fund Balances as of June 30, 2018				
	Non-spendable	Assigned	Unassigned	Total
Fund Balances:				
Job Service Special Fund	\$ -	\$ 825,553	\$ -	\$ 825,553
New Jobs Program				
Federal Advance Interest				
Repayment Account	-	6,207,503	-	6,207,503
Federal Fund	36,671	-	-	36,671
Total	<u>\$ 36,671</u>	<u>\$ 7,033,056</u>	<u>\$ -</u>	<u>\$ 7,069,727</u>

Fund Balances as of June 30, 2017				
	Non-spendable	Assigned	Unassigned	Total
Fund Balances:				
Job Service Special Fund	\$ -	\$ 1,069,106	\$ -	\$ 1,069,106
New Jobs Program				
Federal Advance Interest				
Repayment Account	-	5,528,253	-	5,528,253
Federal Fund	57,173	-	-	57,173
Total	<u>\$ 57,173</u>	<u>\$ 6,597,359</u>	<u>\$ -</u>	<u>\$ 6,654,532</u>

NOTE 16 – GASB Pronouncements

GASB Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, Fiduciary Activities, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources,

thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, Majority Equity Interests, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the Agency's financial statements.

NOTE 17 – Subsequent Events

No significant events occurred subsequent to Agency's year end. Subsequent events have been evaluated through October 11, 2018, which is the date these financial statements were available to be issued.

Required Supplementary Information

**Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System (PERS)
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employer's proportion of the net pension liability (asset)	0.835667%	0.841261%	1.098960%	1.164245%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability (asset)	\$13,431,911	\$8,198,908	\$7,472,740	\$7,389,712	-	-	-	-	-	-
Employer's covered-employee payroll	\$8,530,847	\$8,477,929	\$9,790,399	\$9,807,357	-	-	-	-	-	-
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015. The 2018 information presented has a measurement date of July 1, 2017.

**Schedule of Employer's Share of Net Pension Liability
Retirement Plan for Employees of Job Service North Dakota
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employer's proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability (asset)	(33,635,942)	(35,329,182)	(32,892,878)	(32,650,195)	-	-	-	-	-	-
Employer's covered-employee payroll	498,564	564,684	673,836	752,999	-	-	-	-	-	-
Plan fiduciary net position	97,265,411	96,533,954	96,282,892	97,696,628	-	-	-	-	-	-
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(6746.56)%	(6256.45)%	(4881.44)%	(4336.02)%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	152.86%	157.72%	151.89%	150.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015. The 2018 information presented has a measurement date of July 1, 2017.

See accompanying notes to the Required Supplemental Information.

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System (PERS)
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutory determined contribution	\$ 596,940	\$ 618,590	\$ 613,788	\$ 743,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(596,940)	(610,715)	(661,365)	(742,673)	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ 7,875	\$ (47,577)	\$ 986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 8,383,995	\$ 8,530,847	\$ 8,477,929	\$ 9,790,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	7.12%	7.16%	7.80%	7.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015.

**Schedule of Employer Contributions
Retirement Plan for Employees of Job Service North Dakota
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutory determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 471,260	\$ 498,564	\$ 564,684	\$ 673,836	\$ 842,601	\$ 1,011,115	\$ 1,162,731	\$ 1,265,787	\$ 1,487,175	\$ 1,612,533
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2015.

See accompanying notes to the Required Supplemental Information.

Schedule of Changes to the Net Pension Liability*
Retirement Plan for Employees of Job Service North Dakota

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
For the Ten Years Ended June 30*										
Total pension liability (asset)										
Service cost	\$ 55,500	\$ 71,420	\$ 127,734	\$ 87,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	4,130,232	4,281,440	5,026,167	5,107,459	-	-	-	-	-	-
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,648,283)	(2,006,791)	(1,806,271)	(1,607,033)	-	-	-	-	-	-
Changes of assumptions	4,421,401	69,885	(309,878)	-	-	-	-	-	-	-
Benefit payments, including refund of employee Contributions	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)	-	-	-	-	-	-
Net change in total pension liability (asset)	2,424,697	(2,185,242)	(1,656,419)	(1,006,368)						
Total pension liability (asset) - beginning	61,204,772	63,390,014	65,046,433	66,052,801						
Total pension liability (asset) - ending (a)	\$ 63,629,469	\$ 61,204,772	\$ 63,390,014	\$ 65,046,433						
Plan fiduciary net position										
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	39,417	44,178	50,142	55,748	-	-	-	-	-	-
Service credit repurchase	-	-	-	-	-	-	-	-	-	-
Net investment income	5,238,877	4,840,333	3,260,507	11,887,840	-	-	-	-	-	-
Benefit payments, including refund of employee contributions	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)	-	-	-	-	-	-
Administrative expense	(12,684)	(32,253)	(30,214)	(31,455)	-	-	-	-	-	-
Net change in plan fiduciary net position	731,457	251,062	(1,413,736)	7,317,671						
Plan fiduciary net position - beginning	96,533,954	96,282,892	97,696,628	90,378,957						
Plan fiduciary net position - ending (b)	\$ 97,265,411	\$ 96,533,954	\$ 96,282,892	\$ 97,696,628						
Net pension liability (asset) - ending (a) - (b)	\$ (33,635,942)	\$ (35,329,182)	\$ (32,892,878)	\$ (32,650,195)						

*Complete data for this schedule is not available prior to 2015. The 2018 information presented has a measurement date of July 1, 2017.

**Schedule of Employer's Share of Net OPEB Liability
North Dakota Public Employees Retirement System (PERS) - RHIC
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employer's proportion of the net OPEB liability (asset)	0.811997%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net OPEB liability (asset)	\$642,298	-	-	-	-	-	-	-	-	-
Employer's covered-employee payroll	\$8,784,521	-	-	-	-	-	-	-	-	-
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2018. The 2018 information presented has a measurement date of July 1, 2017.

**Schedule of Employer's Share of Net OPEB Liability
Met Life Insurance Plan
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employer's proportion of the net OPEB liability (asset)	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net OPEB liability (asset)	\$1,490,632	-	-	-	-	-	-	-	-	-
Employer's covered-employee payroll	n/a	-	-	-	-	-	-	-	-	-
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2018. The 2018 information presented has a measurement date of July 1, 2018.

See accompanying notes to the Required Supplemental Information.

**Schedule of Employer Contributions - OPEB
North Dakota Public Employees Retirement System (PERS) - RHIC
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutory determined contribution	\$ 99,570	\$ 102,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(99,570)	(97,783)	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 4,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,205,433	\$ 8,784,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	1.08%	1.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2017.

**Schedule of Employer Contributions - OPEB
Met Life Insurance Plan
For the Ten Years Ended June 30***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 104,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(79,667)	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ 24,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	n/a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Complete data for this schedule is not available prior to 2018.

See accompanying notes to the Required Supplemental Information.

Schedule of Changes to the Net OPEB Liability*
Met Life Insurance Plan

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
For the Ten Years Ended June 30*										
Total OPEB liability (asset)										
Service cost	\$ 3,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	43,135	-	-	-	-	-	-	-	-	-
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refund of employee Contributions	(79,667)									
Net change in total OPEB liability (asset)	(33,035)									
Total OPEB liability (asset) - beginning	1,523,667									
Total OPEB liability (asset) - ending (a)	\$ 1,490,632									
Plan fiduciary net position										
Contributions - employer	\$ 79,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-									
Service credit repurchase	-									
Net investment income	-									
Benefit payments, including refund of employee contributions	(79,667)									
Administrative expense	-									
Net change in plan fiduciary net position	-									
Plan fiduciary net position - beginning	-									
Plan fiduciary net position - ending (b)	\$ -									
Net OPEB liability (asset) - ending (a) - (b)	\$ 1,490,632									

*Complete data for this schedule is not available prior to 2018. The 2018 information presented has a measurement date of July 1, 2018.

See accompanying notes to the Required Supplemental Information.

**Job Service North Dakota
Notes to Required Supplementary Schedules
June 30, 2018**

NOTE 1 – Actuarial Assumptions and Methods

Pension Plan – North Dakota Public Employees Retirement System (PERS)

Changes of assumptions: Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Pension Plan – Retirement Plan for Employees of Job Service North Dakota

Benefit Changes: There were no changes made in the plan provision since the prior valuation.

Changes of assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2017 actuarial valuation:

- The investment return assumption was lowered from 7.0 to 5.7 percent.
- The price inflation assumption was lowered from 3.5 percent to 2.5 percent.
- The Cost of Living Adjustment assumption was lowered from 3.0 percent to 2.5 percent.
- The asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017.

All other actuarial assumptions used in the July 1, 2017 are the same as the last actuarial valuation as of July 1, 2016.

Methods and assumptions used to establish “actuarially determined contribution” rates for JSND: Actuarial cost method – Frozen Initial Liability Cost Method. The “annual contribution” under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method. The plan has assets in excess of the present value of future benefits. Therefore, no contribution is being made.

Asset valuation method – 5-year smoothing market

OPEB Plan – North Dakota Public Employees Retirement System (PERS) – RHIC

Changes of assumptions: Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

OPEB Plan – Met Life Insurance Plan

Actuarial cost method: Entry age normal actuarial cost method was used in the valuation.

Changes of assumptions: The following changes were made to the actuarial assumptions and methods effecting July 1, 2018:

- The benefits valued were changed from retiree medical and life benefits to life benefits only.
- The discount rate is 2.98 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018, compared to the prior Statement No. 45 discount rate of 4.5%.
- The funding method was changed from Projected Unit Credit to Entry Age Normal.
- Mortality was updated from table RP-2-14 adjusted to 2006 and projected using scale MP-2015 to table RP-2014 adjusted to 2006 and projected using scale MP-2017.

Combining and Individual Fund Statements and Schedules

JOB SERVICE NORTH DAKOTA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	<u>Special Revenue</u>		
	<u>362</u> Job Service Special Fund	<u>392</u> Insurance Recovery Fund	Total Nonmajor Governmental Funds
Assets			
Cash in State Treasury	\$ 681,658	\$ -	\$ 681,658
Due From:			
Other Funds	339,556	-	339,556
Other State Agencies	-	-	-
Total Assets	<u>\$ 1,021,214</u>	<u>\$ -</u>	<u>\$ 1,021,214</u>
Liabilities			
Accounts Payable	\$ 80,506	\$ -	\$ 80,506
Accrued Payroll	5,711	-	5,711
Due To:			
Other Funds	91,997	-	91,997
Other State Agencies	17,447	-	17,447
Total Liabilities	<u>195,661</u>	<u>-</u>	<u>195,661</u>
Deferred Inflows of Resources			
Unpaid Penalty and Interest	-	-	-
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Assigned	825,553	-	825,553
Unassigned	-	-	-
Total Fund Balances	<u>825,553</u>	<u>-</u>	<u>825,553</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,021,214</u>	<u>\$ -</u>	<u>\$ 1,021,214</u>

JOB SERVICE NORTH DAKOTA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	<u>Special Revenue</u>		
	<u>362</u> Job Service Special Fund	<u>392</u> Insurance Recovery Fund	Total Nonmajor Governmental Funds
Assets			
Cash in State Treasury	\$ 755,861	\$ -	\$ 755,861
Due From:			
Other Funds	341,685	-	341,685
Other State Agencies	-	-	-
Total Assets	<u>\$ 1,097,546</u>	<u>\$ -</u>	<u>\$ 1,097,546</u>
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Payroll	7,378	-	7,378
Due To:			
Other Funds	-	-	-
Other State Agencies	21,062	-	21,062
Total Liabilities	<u>28,440</u>	<u>-</u>	<u>28,440</u>
Deferred Inflows of Resources			
Unpaid Penalty and Interest	-	-	-
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Assigned	1,069,106	-	1,069,106
Unassigned	-	-	-
Total Fund Balances	<u>1,069,106</u>	<u>-</u>	<u>1,069,106</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,097,546</u>	<u>\$ -</u>	<u>\$ 1,097,546</u>

JOB SERVICE NORTH DAKOTA

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018**

	<u>Special Revenue</u>		
	<u>362</u> Job Service Special Fund	<u>392</u> Insurance Recovery Fund	Total Nonmajor Governmental Funds
Revenues			
Other Grants	\$ 151,521	\$ -	\$ 151,521
Total Revenues	<u>151,521</u>	<u>-</u>	<u>151,521</u>
Expenditures			
Current:			
Economic Development & Assistance	395,074	-	395,074
Total Expenditures	<u>395,074</u>	<u>-</u>	<u>395,074</u>
Excess of Revenues Over (Under) Expenditures	<u>(243,553)</u>	<u>-</u>	<u>(243,553)</u>
Other Finance Sources			
Transfers In	-	-	-
Total Other Finance Sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(243,553)	-	(243,553)
Fund Balances at July 1, 2017	1,069,106	-	1,069,106
Fund Balances at June 30, 2018	<u>\$ 825,553</u>	<u>\$ -</u>	<u>\$ 825,553</u>

JOB SERVICE NORTH DAKOTA

**Combining Statement of Revenues, Expenditures, & Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017**

	<u>Special Revenue</u>		
	<u>362</u> Job Service Special Fund	<u>392</u> Insurance Recovery Fund	Total Nonmajor Governmental Funds
Revenues			
Other Grants	\$ 202,605	\$ -	\$ 202,605
Total Revenues	<u>202,605</u>	<u>-</u>	<u>202,605</u>
Expenditures			
Current:			
Economic Development & Assistance	166,429	-	166,429
Total Expenditures	<u>166,429</u>	<u>-</u>	<u>166,429</u>
Excess of Revenues Over (Under) Expenditures	<u>36,176</u>	<u>-</u>	<u>36,176</u>
Other Finance Sources			
Transfers In	-	-	-
Total Other Finance Sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	36,176	-	36,176
Fund Balances at July 1, 2016	1,032,930	-	1,032,930
Fund Balances at June 30, 2017	<u>\$ 1,069,106</u>	<u>\$ -</u>	<u>\$ 1,069,106</u>

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<i>Governmental funds capital assets:</i>		
Land	\$ 1,241,683	\$ 1,241,683
Buildings	9,024,044	8,986,648
Infrastructure	308,474	308,474
Machinery and equipment	1,943,865	1,963,101
Intangible Assets	5,415,949	5,211,891
Work in Progress	242,328	16,242
<i>Total governmental funds capital assets</i>	<u>\$ 18,176,343</u>	<u>\$ 17,728,039</u>
<i>Investments in governmental funds capital assets by source:</i>		
Special revenue funds	<u>\$ 18,176,343</u>	<u>\$ 17,728,039</u>

JOB SERVICE NORTH DAKOTA

**Capital Assets Used in the Operation of Governmental Funds
Schedules By Function and Activity
June 30, 2018 and 2017**

June 30, 2018

Function and Activity	Land	Buildings	Infrastructure	Equipment	Intangible Assets	Work in Progress	Total
General government:							
Economic development and assistance	\$ 1,241,683	\$ 9,024,044	\$ 308,474	\$ 1,943,865	\$ 5,415,949	\$ 242,328	\$ 18,176,343
Total general government	<u>1,241,683</u>	<u>9,024,044</u>	<u>308,474</u>	<u>1,943,865</u>	<u>5,415,949</u>	<u>242,328</u>	<u>18,176,343</u>
Total governmental funds capital assets	<u>\$ 1,241,683</u>	<u>\$ 9,024,044</u>	<u>\$ 308,474</u>	<u>\$ 1,943,865</u>	<u>\$ 5,415,949</u>	<u>\$ 242,328</u>	<u>\$ 18,176,343</u>

June 30, 2017

Function and Activity	Land	Buildings	Infrastructure	Equipment	Intangible Assets	Work in Progress	Total
General government:							
Economic development and assistance	\$ 1,241,683	\$ 8,986,648	\$ 308,474	\$ 1,963,101	\$ 5,211,891	\$ 16,242	\$ 17,728,039
Total general government	<u>1,241,683</u>	<u>8,986,648</u>	<u>308,474</u>	<u>1,963,101</u>	<u>5,211,891</u>	<u>16,242</u>	<u>17,728,039</u>
Total governmental funds capital assets	<u>\$ 1,241,683</u>	<u>\$ 8,986,648</u>	<u>\$ 308,474</u>	<u>\$ 1,963,101</u>	<u>\$ 5,211,891</u>	<u>\$ 16,242</u>	<u>\$ 17,728,039</u>

Job Service North Dakota

**Capital Assets Used in the Operation of Governmental Funds
Schedules of Changes By Function and Activity
For the Fiscal Years Ended June 30, 2018 and 2017**

<u>Function and Activity</u>	<u>June 30, 2018</u>			<u>Governmental Funds Capital Assets June 30, 2018</u>
	<u>Governmental Funds Capital Assets July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	
	General government:			
Economic development and assistance	\$ 17,728,039	\$ 671,598	\$ 223,294	\$ 18,176,343
Total general government	17,728,039	671,598	223,294	18,176,343
Total governmental funds capital assets	\$ 17,728,039	\$ 671,598	\$ 223,294	\$ 18,176,343

<u>Function and Activity</u>	<u>June 30, 2017</u>			<u>Governmental Funds Capital Assets June 30, 2017</u>
	<u>Governmental Funds Capital Assets July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	
	General government:			
Economic development and assistance	\$ 17,308,213	\$ 1,731,870	\$ 1,312,044	\$ 17,728,039
Total general government	17,308,213	1,731,870	1,312,044	17,728,039
Total governmental funds capital assets	\$ 17,308,213	\$ 1,731,870	\$ 1,312,044	\$ 17,728,039

Schedule of Expenditures of Federal Awards

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Labor</u>		
<u>Labor Force Statistics</u>	17.002	
Cooperative Agreement LM-28236-17-75-J-38		152,176
Cooperative Agreement LM-30585-18-75-J-38		423,045
		ST <u>575,221</u>
<u>Work Opportunity Tax Credit Program (WOTC)</u>	17.271	
WOTC FY 2017		18,989
WOTC FY 2018		48,610
		ST <u>67,599</u>
<u>Temporary Labor Certification for Foreign Workers</u>	17.273	
Alien Labor Certification FY 2017		80,676
Alien Labor Certification FY 2018		93,575
		ST <u>174,251</u>
<u>Unemployment Insurance</u>	17.225	
UI Administration FY 2017		4,299,884
UI Administration FY 2018		2,725,233
Reemployment Services & Eligibility Assessments		255,350
ATAA FY 2018		5,607
TRA FY 2018		3,780
UI SBR - WyCAN Consortium - FFY 11		137,546
UI SBR FY14		769
UI SBR FY15		223,966
UI SBR FY16		117,657
UI SBR FY17		189,655
Reed Act		276,070
Federal Unemployment Insurance Benefits		1,516,282
Federal Unemployment Insurance Benefits-FAC-ARRA		(4,624)
State Unemployment Insurance Benefits funded by State Taxes		113,698,870
		ST <u>123,446,045</u>
<u>Trade Adjustment Assistance-Workers</u>	17.245	
TAA Training FY 2017		28,712
TAA Training FY 2018		56,479
		ST <u>85,191</u>
<u>Employment Service</u>	17.207	
Wagner-Peyser PY 2016		2,108,422
Wagner-Peyser PY 2017		2,556,418
Workforce Information Grant PY 2015		167,949
Workforce Information Grant PY 2016		78,918
Workforce Information Grant PY 2017		21,835
		ST <u>4,933,542</u>
<u>Disabled Veterans Outreach Program</u>	17.801	
DVOP FY 2017		161,781
DVOP FY 2018		254,421
		ST <u>416,202</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards - Continued
For the Fiscal Year Ended June 30, 2018**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
Local Veterans' Employment Representative Program	17.804	
LVER FY 2017		28,286
LVER FY 2018		63,626
		<u>91,912</u>
Subtotal of 17.207, 17.801, 17.804 (Employment Service Cluster)		5,441,656
Passed Through Governor of North Dakota WIA/WIOA Adult Program	17.258	
Grant Number AA-28329-16-55-A-38		1,081,834
Grant Number AA-30968-17-55-A-38		1,000,841
		<u>2,082,675</u>
WIA/WIOA Youth Activities	17.259	
Grant Number AA-28329-16-55-A-38		1,281,044
Grant Number AA-30968-17-55-A-38		650,065
		<u>1,931,109</u>
WIA/WIOA Dislocated Workers	17.278	
Grant Number AA-28329-16-55-A-38		352,529
Grant Number AA-30968-17-55-A-38		115,955
		<u>468,484</u>
Subtotal of 17.258, 17.259, 17.278 (Workforce Innovation and Opportunity Act Cluster)		4,482,268
Apprenticeship USA Grants	17.285	
Grant Number AP-29151-16-55-A-38		88,524
		<u>88,524</u>
Passed Through ND Department of Public Instruction Workforce Investment Act Incentive Grants	17.267	
Grant Number PI-27419-15-55-A-38		98,646
		<u>98,646</u>
TOTAL U.S. DEPARTMENT OF LABOR		\$ <u>134,459,401</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

JOB SERVICE NORTH DAKOTA

**Schedule of Expenditures of Federal Awards - Continued
For the Fiscal Year Ended June 30, 2018**

<u>Federal Grantor/ Federal Program Grant Title</u>	<u>CFDA Number</u>	<u>Expenditures</u> ⁽¹⁾
<u>U.S. Department of Agriculture</u>		
<u>Passed Through ND Department of Human Services:</u>		
<u>State Admin. Matching Grants for the Supplemental Nutrition Assistance Program Cluster</u>		
	10.561	
Food Stamp Employment & Training (Contract Number 410-10285		\$ 75,379
TOTAL U.S. DEPARTMENT OF AGRICULTURE		\$ 75,379
<u>U.S. Department of Health and Human Services:</u>		
<u>Passed Through ND Department of Human Services:</u>		
<u>Temporary Assistance for Needy Families Cluster</u>		
	93.558	
Job Opportunities and Basic Skills Program (Contract 405-10121)		\$ 599,799
Parental Employment Pilot Project (Contract 405-10121)		404,601
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		\$ 1,004,400
TOTAL FEDERAL ASSISTANCE		\$ 135,539,180

The total federal assistance reported on this schedule consists of the total Federal Fund expenditures plus the Federal Fund prepaid items on the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** (page 14) and the total expenditures from the **Statements of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Fund** (page 17).

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Job Service North Dakota under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Job Service North Dakota, it is not intended to and does not present the financial position, change in net position, or cash flows of Job Service North Dakota.

NOTE 2 Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Job Service North Dakota has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

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 Doug Burgum
The Legislative Assembly
State of North Dakota

Michelle Kommer, 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, 2018, 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 11, 2018.

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 11, 2018



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governor Doug Burgum
The Legislative Assembly
State of North Dakota

Michelle Kommer, Executive Director
Job Service North Dakota

Report on Compliance for Each Major Federal Program

We have audited Job Service North Dakota's compliance with the types of compliance requirements described in the *OMB 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

Job Service North Dakota's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Job Service North Dakota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Job Service North Dakota's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Job Service North Dakota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

October 11, 2018

**JOB SERVICE NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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> x </u> yes	<u> </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 2 CFR 200.516(a)?

 x yes no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

17.225	Unemployment Insurance
17.258, 17.259 & 17.278	Workforce Innovation and Opportunity Act Cluster

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

\$3,000,000

Auditee qualified as a low-risk auditee?

 x yes no

Section II - Financial Statement Findings

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

**JOB SERVICE NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
JUNE 30, 2018**

Section III - Federal Award Findings and Questioned Costs

2018-001: Reporting – CFDA #17.225 Unemployment Insurance

Criteria

Job Service North Dakota needs to ensure financial reports are properly completed with correct information.

Condition

Job Service North Dakota is required to submit the following quarterly reports to the Department of Labor quarterly, ETA 581 *Contribution Operations* and ETA 227, *Overpayment Detection and Recovery Activities*. The amount of “state determinations – in-activations / terminations” reported on the ETA 581 report was incorrectly reported on one of two ETA 581 reports tested. The amount of “the number of claims investigated” reported on the ETA 227 report was incorrectly reported on two quarterly reports tested.

Cause

Job Service North Dakota personnel track information necessary for reporting purposes, however due to manual errors, the numbers reported in the fields identified above did not agree to the reported number on the ETA 227 and 581 reports.

Effect

The metrics reported did not agree to the actual activity.

Questioned Costs

Not applicable.

Context

Two of four quarterly ETA 581 reports were tested. Two of four quarterly ETA 227 reports were tested. In total, twenty-nine different reports were tested for this grant.

Recommendation

We recommend Job Service North Dakota implement additional review controls by which reports are reviewed for mathematical accuracy prior to being submitted. In addition, we recommend that Job Service North Dakota consider implementing additional logical controls in their investigation claim tracking process to reduce the likelihood of such manual errors going forward to correct the error on the ETA 227 report.

Views of Responsible Officials and Planned Corrective Actions

Job Service North Dakota has evaluated their tracking and reporting process for areas that can be improved to reduce the likelihood of manual reporting errors.

Indication of Repeat Finding

This is a new finding for fiscal year 2018.



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Corrective Action Plan – June 30, 2018

2018-001

Contact Person

Michelle Kommer, Executive Director

Corrective Action Plan

After fiscal year ending June 30, 2018, staff has evaluated reporting procedures and implemented additional logical controls to verify that data is reported accurately to correct this going forward.

Completion Date

Fiscal year ending June 30, 2019



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE
NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE
YEAR ENDED JUNE 30, 2018**

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, 2018 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, however we noted one exception during our compliance audit, which is identified as item 2018-001 in the schedule of findings and questioned costs.

3. Was internal control adequate and functioning effectively?

Yes, however we noted one exception during our compliance audit, which is identified as item 2018-001 in the schedule of findings and questioned costs.

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

No.

5. 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.

Job Service North Dakota changed accounting policies related to postemployment benefits by adopting GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the current year.

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, 2018 to August 15, 2018. The auditor's conclusion is based on the past history of collections and subsequent payment of the receivables after year end.

Management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Job Service North Dakota also estimates the depreciation of fixed assets. Management determines the useful life of the assets based on planned use, and depreciates the 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.

Job Service North Dakota is an equal opportunity employer/program provider.
Auxiliary aids and services are available upon request to individuals with disabilities.

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 (Unisys Libra 4390 and 470). 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 11, 2018